

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

JUNE 30, 2015

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CITY OF EMMETSBURG, IOWA

CITY OFFICIALS

<u>Official Title</u>	<u>Name</u>	<u>Term Expires</u>
(Before January 2015)		
Mayor	Myrna Hedding	January 2, 2016
Mayor Pro Tem	Steve Finer	January 2, 2014
Council member	Brian Campbell	January 2, 2014
Council member	Brian Malm	January 3, 2014
Council member	Bill Burdick, Jr.	January 2, 2016
Council member	Corey Gramowski	January 2, 2016
Council member	Tony Kauten	January 2, 2016
City Clerk	Kimberly Kibbie	
City Attorney	Brian W. Thul	
City Administrator	John Bird	
(After January 2015)		
Mayor	Myrna Hedding	January 2, 2016
Mayor Pro Tem	Brian Campbell	January 2, 2018
Council member	Mike Hermansen	January 2, 2018
Council member	Brian Malm	January 3, 2016
Council member	Bill Burdick, Jr.	January 2, 2016
Council member	Corey Gramowski	January, 2 2016
Council member	Tony Kauten	January 2, 2016
City Clerk	Kimberly Kibbie	
City Attorney	Brian W. Thul	
City Administrator	John Bird	



To the Board of Trustees
Emmetsburg Municipal Utilities
Emmetsburg, Iowa

Report on the Financial Statements

We have audited the accompanying combining statement of net position of the Emmetsburg Municipal Utilities, a component unit of the City of Emmetsburg, Iowa, as of and for the year ended June 30, 2015, and the related combining statement of revenues, expenses and changes in net position, and combining statement of cash flows for the year then ended, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Basis for Qualified Opinion

The Utilities' capital assets policies, as described in Note 1D, do not conform to accounting principles generally accepted in the United States of America. In addition, as described in Note 8 to the financial statements, the Utilities' did not implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions. The amount by which these departures would affect the component unit financial statements referred to above has not been determined.

Qualified Opinion

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion" paragraph, the component unit financial statements referred to above present fairly, in all material respects, the financial position of

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-type Activities	Qualified
Aggregate Discretely Presented Component Units	Qualified
General Fund	Qualified
Road Use Tax Fund	Qualified
Debt Service Fund	Unmodified
Special Assessment Fund	Unmodified
Lake Street Improvement Fund	Unmodified
Community Center Fund	Unmodified
Downtown Facade Fund	Unmodified
Solid waste Fund	Qualified
Nonmajor Cemetery Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

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

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

Qualified Opinion

In our opinion, except for the effects of the matters described in the "basis for qualified opinion on governmental activities, the business-type activities, aggregate discretely presented component units, General Fund, Road Use Tax Fund and Solid Waste Fund " paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, General Fund, Road Use Tax Fund and Solid Waste Fund, of the City of Emmetsburg, Iowa, as of June 30, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund other than the General Fund and Road Use Tax Fund, Solid Waste Fund and the aggregate remaining fund information Fund of the City of Emmetsburg, Iowa, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 4 to the financial statements, the City of Emmetsburg, Iowa, has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB

Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of July 1, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require management's discussion and analysis and the other required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Emmetsburg, Iowa's basic financial statements. The combining and individual nonmajor fund financial statements, and schedule of revenues by source and expenditures by function are presented for purposes of additional analysis and are not a required part of the basic financial statements. Other auditors previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2014 (which are not presented herein) and expressed qualified opinions on those statements, for the effects on the financial statements, if any, of the omissions described in the basis for qualified opinion on governmental activities, the business-type activities and aggregate discretely presented component units. The other supplementary information, listed in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 March 20, 2016, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.

Kresling Associates, LLP

Emmetsburg, Iowa
March 20, 2016

Management's Discussion and Analysis

Our discussion and analysis of the City of Emmetsburg, Iowa's financial performance provides an overview of the City's financial activities for the year ended June 30, 2015. Please read this information in conjunction with the City's financial statements, which follow.

Financial Highlights

- Revenues of the City's governmental activities increased \$442,544 or 8.22% from fiscal year 2014 to fiscal year 2015. Property taxes and assessments increased \$150,813 for all activities.
- Program expenses of the City's governmental activities increased \$999,787 or 27.53% in fiscal year 2015 from fiscal year 2014. Community and Economic Development increased by \$371,791.
- The City's net position, as restated, for the primary government increased \$1,238,778 from June 30, 2014 to June 30, 2015. Of this amount, the net position of the governmental activities increased \$1,172,081 and the net position of the business-type activities increased by \$66,697.

Using This Annual Report

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the City as a whole and present an overall view of the City's finances.
- The Fund Financial Statements tell how governmental activities were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds.
- Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year, the City's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Other Supplementary Information provides detailed information about the nonmajor Special Revenue, permanent and Capital Projects Funds.

Reporting the City's Financial Activities

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City of Emmetsburg in a better financial position at the end of the fiscal year, compared to last year?"

The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents all of the City's assets and liabilities, with the difference between the two reported as "net position". Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. A person will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's infrastructure, to assess the overall health of the City.

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

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

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

The Government-wide financial statements can be found on pages 16-17 of this report.

Fund Financial Statements

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

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

- The City maintains 36 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Road Use Tax Fund, Debt Service Fund, Special Assessment Fund, Lakes Street Improvement Fund, Community Center Street Fund and Downtown Façade Fund, all of which are considered to be major funds. Data from the other 29 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements located in the supplementary information section of this report.

The basic Governmental Fund Financial Statements can be found on pages 18-20 of this report.

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

- The basic Proprietary Fund Financial Statements can be found on pages 21-23 of this report.

Government-Wide Financial Analysis

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

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Assets:		Not Restated		Not Restated		Not Restated
Current and other assets	\$ 7,254,465	6,242,548	686,671	611,158	7,941,136	6,853,706
Capital assets	14,367,837	11,574,488	218,857	223,044	14,586,694	11,797,532
Total assets	21,622,302	17,817,036	905,528	834,202	22,527,830	18,651,238
Deferred Outflows of Resources	89,107	-	9,901	-	99,008	-
Liabilities:						
Long-term debt	4,235,007	2,545,227	34,985	-	4,269,992	2,545,227
Other liabilities	1,459,775	548,271	16,988	38,839	1,476,763	587,110
Total liabilities	5,694,782	3,093,498	51,973	38,839	5,746,755	3,132,337
Deferred Inflows of Resources	2,046,132	1,761,410	22,526	-	2,068,658	1,761,410
Net position:						
Net Investment in capital assets	10,732,837	9,105,662	218,857	223,044	10,951,694	9,328,706
Restricted	2,299,446	2,067,709	-	-	2,299,446	2,067,709
Unrestricted	938,212	1,788,757	622,073	572,319	1,560,285	2,361,076
Total net position	\$ 13,970,495	12,962,128	840,930	795,363	14,811,425	13,757,491

Net position, as restated of governmental activities increased from June 30, 2014 by \$1,172,081 or 8.92%. This increase was due primarily to the continued strength of the property tax base and casino revenues and donations for community center received by the City. Net position, as restated, of business-type activities increased from June 30, 2014 by \$66,697 or 8.61%. This increase was due to solid waste revenues received by the City. The City's net position is primarily invested in cash and capital assets, less related debt. By definition, restricted net position represents resources that are subject to external restrictions, bond covenants, constitutional provisions or enabling legislation on how they can be used. Unrestricted net position, the part of net position that can be used to finance day-to-day operations, is \$1,560,285 at the end of the 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 \$163,714 and \$32,885, 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.

For the year ended June 30, 2015 and 2014, net position changed as follows:

	Governmental activities		Business-type activities		Total	
	2015	2014 Not Restated	2015	2014 Not Restated	2015	2014 Not Restated
Revenues:						
Program Revenues						
Charges for services	\$ 96,819	89,682	484,863	453,835	581,682	543,517
Operating grants and contributions	451,685	441,663	-	-	451,685	441,663
Capital grants and contributions	820,148	555,154	-	-	820,148	555,154
General Revenues						
Property taxes and assessments	1,750,374	1,599,561	-	-	1,750,374	1,599,561
TIF revenues	128,704	197,388	-	-	128,704	197,388
Other City taxes	599,299	622,649	-	-	599,299	622,649
Use of money and property						
	88,324	52,393	1,336	1,210	89,660	53,603
Miscellaneous	1,889,741	1,784,748	-	7,060	1,889,741	1,791,808
Gain on disposal of capital assets	4,050	43,362	-	36,960	4,050	80,322
Total revenues	5,829,144	5,386,600	486,199	499,065	6,315,343	5,885,665
Expenses						
Public safety	724,862	660,220	-	-	724,862	660,220
Public works	1,222,091	1,067,054	-	-	1,222,091	1,067,054
Culture and recreation	1,158,424	1,027,567	-	-	1,158,424	1,027,567
Community and economic development						
	773,542	401,751	-	-	773,542	401,751
General government	680,071	397,495	-	-	680,071	397,495
Debt service	72,051	77,167	-	-	72,051	77,167
Solid waste	-	-	413,265	427,014	413,265	427,014
Cemetery	-	-	32,259	30,574	32,259	30,574
Total expenses	4,631,041	3,631,254	445,524	457,588	5,076,565	4,088,842
Increase (decrease) in net position before transfers	1,198,103	1,755,346	40,675	41,477	1,238,778	1,796,823
Transfers	(26,022)	(12,508)	26,022	12,508	-	-
Increase (decrease) in net position	1,172,081	1,742,838	66,697	53,985	1,238,778	1,796,823
Net position, beginning restated	12,798,414	11,219,290	774,263	741,378	13,572,677	11,960,668
Net position, ending	\$ 13,970,495	12,962,128	840,960	795,363	14,811,455	13,757,491

The increase in Capital grants and contributions for the governmental activities of \$264,994 was primarily due to grants for the community center of \$282,183.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,232,564. \$242,387 is nonspendable for long-term share of Emmetsburg Municipal Utilities advances payable, perpetual cemetery care and inventory. \$2,653,956 is restricted for road use, Lake Street Improvements, Wild Rose allocation, Community Center, Downtown Facade, Dredging Five Island Lake, debt service and other non-major governmental funds. \$322,317 is committed for economic development, hotel motel tax, local option sales tax, community beautification and other donations. \$532,931 is assigned for funds to cover revenue short-falls, capital improvements, revolving funds and various set-aside funds.

This leaves an unreserved balance of \$480,973.

The governmental fund balance increased by \$530,323 or 14.32%. The increase was primarily due to general obligation bonds and notes issued in excess of expenditures during 2015. The significant increase in expenses was for the community center new construction of \$2,175,791 compared to \$756,295 in 2014.

The General Fund is the chief operating fund of the City of Emmetsburg. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$619,921, while the total fund balance totaled \$1,012,785. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balances and total fund balances to total fund expenditures. Unassigned fund balance represents 28% of the total General Fund expenditures, while the total fund balance represents 46% of that same amount.

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

	FY15 Amount	FY14 Amount	Increase (Decrease)
Road Use Tax Fund	\$ 395,876	370,510	25,366
Debt Service Fund	316,334	290,169	26,165
Special Assesments Fund	19,337	54,784	(35,447)
Lake Street Improvement Fund	955,848	-	955,848
Community Center Fund	(99,691)	646,523	(746,214)
Downtown Facade Fund	28,285	62,588	(34,303)
Other Governmental Funds	1,603,790	1,287,963	315,827

The Street Improvement Fund had the largest increase in fund balance for the major funds. This increase was due to Bonds issued in excess of expenditures during 2015.

The largest decrease in fund balance for the major funds occurred in the Community Center Fund due to expenditures incurred to complete the construction of the community center.

The following schedule presents a summary of the governmental fund revenues for the fiscal year ended June 30, 2015 and June 30, 2014:

<u>Revenues</u>	<u>FY15 Amount</u>	<u>Percent of Total</u>	<u>FY14 Amount</u>	<u>Increase (Decrease) from FY14</u>	<u>Percent of Increase (Decrease)</u>
Property taxes and assessments	\$ 1,673,862	28.60%	\$ 1,532,482	\$ 141,380	27.60%
Tax increment financing	128,704	2.20%	197,388	(68,684)	-13.40%
Other city tax	217,116	3.70%	228,189	(11,073)	-2.20%
Licenses and permits	23,282	0.40%	31,339	(8,057)	-1.60%
Use of money and property	88,324	1.50%	52,393	35,931	7.00%
Intergovernmental	1,729,130	29.50%	1,423,429	305,701	59.70%
Charges for services	96,819	1.70%	89,682	7,137	1.40%
Special assessments	29,418	0.50%	32,928	(3,510)	-0.70%
Miscellaneous, including fines	<u>1,866,459</u>	<u>31.90%</u>	<u>1,753,409</u>	<u>113,050</u>	<u>22.20%</u>
	<u>\$ 5,853,114</u>	<u>100.00%</u>	<u>\$ 5,341,239</u>	<u>\$ 511,875</u>	<u>100.00%</u>

The most significant increase in revenues was intergovernmental. The increase was primarily due to the receipt of grants of \$282,183 for the new community center and \$351,283 for the downtown facade project.

The most significant decrease in revenues was in tax increment financing. The decrease was primarily due to no funding of the North TIF District in 2015. The North TIF district received \$58,576 in 2014.

The following schedule presents a summary of governmental expenditures for the fiscal years ended June 30, 2015 and June 30, 2014.

<u>Expenditures</u>	<u>FY15 Amount</u>	<u>Percent of Total</u>	<u>FY 14 Amount</u>	<u>Increase (Decrease) from FY14</u>	<u>Percent of Increase (Decrease)</u>
Public safety	\$ 654,016	8.60%	\$ 894,672	\$ (240,656)	-10.40%
Public works	893,813	11.70%	856,245	37,568	1.60%
Culture and recreation	743,251	9.70%	568,122	175,129	7.50%
Community and Economic Development	86,357	1.10%	90,308	(3,951)	-0.20%
General government	433,099	5.70%	390,217	42,882	1.80%
Debt Service	534,906	7.00%	602,852	(67,946)	-2.90%
Capital projects	<u>4,279,029</u>	<u>56.20%</u>	<u>1,898,033</u>	<u>2,380,996</u>	<u>102.60%</u>
	<u>\$ 7,624,471</u>	<u>100.00%</u>	<u>\$ 5,300,449</u>	<u>\$ 2,324,022</u>	<u>100.00%</u>

The most significant increase in expenditures occurred in the capital projects. The increase was primarily due to \$2,175,791 spent on the new community center. The significant decrease in expenditures incurred in public safety Development. In 2014 the City purchased a new fire truck for \$242,685.

Proprietary Fund Highlights

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

Unrestricted net position of the Solid Waste and Cemetery funds at the end of the year amounted to \$622,103. Total net position amounted to \$840,960.

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

The City's enterprise operations are comprised of two separate and distinct activities: Solid Waste and the Cemetery funds. Results of operations for these funds for the year ended June 30, 2015 and June 30, 2014 are as follows:

	(2014 is not restated)			
	Solid Waste		Cemetery	
	2015	2014	2015	2014
Operating Revenues	\$ 462,575	438,110	22,288	22,785
Operating Expense	413,265	427,014	32,259	30,574
Non-Operating revenues	1,121	37,893	215	277
Operating transfers in, net	-	-	26,022	12,508
Changes in Net Position	50,431	48,989	16,266	4,996

Budgetary Highlights

Over the course of the year, the City Council revised the budget once. The budget amendment increased total appropriations primarily for changes in capital projects. The budget amendment was done on May 12, 2015. The City exceeded the amended budgeted by \$6,110 in the public safety function.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2015, the City had \$14,586,694 net of depreciation invested in capital assets including police and fire equipment, buildings, park facilities, and infrastructure. This does not include the Component Units that had \$10,276,238 invested in net capital assets. Infrastructure prior to July 1, 2003 is not included in the financial statements unless it was considered as construction in progress on July 1, 2003.

A schedule of capital assets, net of depreciation, as of June 30, 2015 and 2014 is as follows.

	Governmental activities		Business-type activities		Total	
	2015	2014	2015	2014	2015	2014
Land and improvements	\$ 579,528	579,779	40,662	28,308	620,190	608,087
Machinery, equipment, and vehicles	1,734,055	1,366,068	119,825	134,216	1,853,880	1,500,284
Buildings	3,671,634	949,199	58,370	60,520	3,730,004	1,009,719
Infrastructure	7,462,320	7,681,265	-	-	7,462,320	7,681,265
Construction in process	920,300	998,177	-	-	920,300	998,177
	<u>\$ 14,367,837</u>	<u>11,574,488</u>	<u>218,857</u>	<u>223,044</u>	<u>14,586,694</u>	<u>11,797,532</u>

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

- Community center project cost of \$1,2175,791.

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

Debt

At year-end, the City had \$4,210,758 in outstanding bonds and agreements compared to \$2,436,191 last year. That is an increase of \$1,774,567, or 72.84%.

	Governmental activities	
	2015	2014
General obligation bonds	\$ 3,530,000	2,150,000
Long-term notes	400,000	-
Risk under loan guarantee	280,758	286,191
Total	<u>\$ 4,210,758</u>	<u>2,436,191</u>

State statutes limit the amount of general obligation debt a government entity may issue to 5% of its total assessed valuation. As of June 30, 2015, the City's legal debt margin was \$6,375,543.

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

Economic Factors and Next Year's Budget and Rates

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

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

The tax levy rates per \$1,000 of taxable valuation for fiscal year 2016 are provided below:

General levy	\$	8.10
Liability, property & self insurance		0.32
Instrumental/vocal music levy		0.13
Ag Land		3.00
Emergency levy		0.27
Employee benefit levy		4.10
Debt service levy		<u>0.66</u>
Total	\$	<u>16.58</u>

REQUESTS FOR INFORMATION

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

John Bird
City Administrator

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 4,702,856	623,422	5,326,278
Investments	2,353	-	2,353
Receivables:			
Property taxes	1,718,092	-	1,718,092
Tax increment financing	125,304	-	125,304
Special assessments	176,806	-	176,806
Accounts and other	14,156	138	14,294
Current portion of notes receivable	-	-	-
Current portion of primary government - Urban Renewal Tax Increment Revenue Bond	-	-	-
Due from primary government	-	-	-
Due from component unit	262,922	38,178	301,100
Due from other governments	231,044	-	231,044
Inventories	20,932	14,196	35,128
Prepays and other assets	-	10,737	10,737
Restricted assets:			
Cash	-	-	-
Notes receivable	-	-	-
Due from primary government - Urban Renewal Tax Increment Revenue Bond	-	-	-
Loan fees (net of \$21,005 amortization)	-	-	-
Capital assets:			
Land and construction in progress	1,475,487	5,870	1,481,357
Other capital assets, net of accumulated depreciation	12,892,350	212,987	13,105,337
Total assets	21,622,302	905,528	22,527,830
DEFERRED OUTFLOWS OF RESOURCES-Pension related	89,107	9,901	99,008
LIABILITIES			
Accounts payable	869,269	5,661	874,930
Accrued liabilities	28,724	2,202	30,926
Due to primary government	-	-	-
Customer deposits	-	-	-
Accrued payroll	40,182	2,486	42,668
Compensated absences- due within one year	-	3,364	3,364
Due to component unit	40,059	3,275	43,334
Due to component unit-Urban Renewal Tax Increment Revenue Bond	4,631	-	4,631
Long-term liabilities:			
Due to component unit-Urban Renewal Tax Increment Revenue Bond	4,748	-	4,748
Portion due or payable within one year:			
Bonds and other payables	472,162	-	472,162
Portion due or payable after one year:			
Advances to primary government	-	-	-
Bonds and other payables	3,859,036	-	3,859,036
Compensated absences	61,103	-	61,103
Net pension liability	314,868	34,985	349,853
Total liabilities	5,694,782	51,973	5,746,755
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenues			
Succeeding year property taxes and tax increment	1,843,396	-	1,843,396
Pension related deferred inflows	202,736	22,526	225,262
	2,046,132	22,526	2,068,658
NET POSITION			
Net Investment in capital assets	10,732,837	218,857	10,951,694
Restricted:			
Expendable for:			
Capital improvements	1,500,178	-	1,500,178
State and grant purposes	395,876	-	395,876
Donor restrictions	11,958	-	11,958
Debt service	316,334	-	316,334
Nonexpendable for:			
Perpetual care	75,100	-	75,100
Unrestricted	938,212	622,103	1,560,315
Total net position	\$ 13,970,495	840,960	14,811,455

Component Units

Gas Utility	Water Utility	Sanitation Utility
4,614,237	979,528	557,344
-	-	-
-	-	-
-	-	-
72,994	46,016	81,243
9,310	-	-
602	2,015	2,014
6,676	17,828	15,555
-	-	-
-	-	-
11,483	-	-
12,000	23,317	28,795
61,818	14,800	-
25,000	-	-
641	2,053	2,054
-	17,875	11,520
5,357	127,409	137,522
<u>629,619</u>	<u>4,265,247</u>	<u>5,111,084</u>
<u>5,449,737</u>	<u>5,496,088</u>	<u>5,947,131</u>
<u>12,009</u>	<u>12,009</u>	<u>11,302</u>
16,771	83,548	57,717
8,219	4,930	2,956
59,756	52,101	50,246
61,818	14,800	-
-	-	-
4,904	6,181	2,493
-	-	-
-	-	-
6,971	164,000	129,000
-	69,500	69,500
273,787	1,918,704	1,341,460
-	-	-
<u>80,309</u>	<u>80,309</u>	<u>75,585</u>
<u>512,535</u>	<u>2,394,073</u>	<u>1,728,957</u>
-	-	-
<u>35,103</u>	<u>35,103</u>	<u>33,036</u>
<u>35,103</u>	<u>35,103</u>	<u>33,036</u>
354,218	2,309,952	3,778,146
-	-	-
-	-	-
-	-	-
-	-	-
<u>4,559,890</u>	<u>768,969</u>	<u>418,294</u>
<u>4,914,108</u>	<u>3,078,921</u>	<u>4,196,440</u>

City of Emmetsburg, Iowa
Statement of Activities
For the Year Ended June 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Functions/Programs				
Primary government:				
Governmental activities:				
Public safety	\$ 724,862	6,572	450	-
Public works	1,222,091	-	415,969	-
Culture and recreation	1,158,424	88,477	35,266	106,966
Community and economic development	773,542	1,770	-	713,182
General government	680,071	-	-	-
Interest on long-term debt and related fees	72,051	-	-	-
Total governmental activities	<u>4,631,041</u>	<u>96,819</u>	<u>451,685</u>	<u>820,148</u>
Business-type activities:				
Solid Waste	413,265	462,575	-	-
Cemetery	32,259	22,288	-	-
Total business-type activities	<u>445,524</u>	<u>484,863</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 5,076,565</u>	<u>581,682</u>	<u>451,685</u>	<u>820,148</u>
Component units				
Gas Utility	\$ 1,951,037	1,963,427	-	-
Water Utility	743,685	717,418	-	-
Sanitation Utility	748,830	711,060	-	-
Total component units	<u>\$ 3,443,552</u>	<u>3,391,905</u>	<u>-</u>	<u>-</u>
General revenues:				
Property taxes and assessments				
Tax increment financing				
Local option sales tax				
Hotel/motel taxes				
Use of money and property				
Miscellaneous				
Gain on disposal of capital assets				
Utility transfers in lieu of taxes and donation				
Transfers				
Total general revenues and transfers				
Change in net position				
Net position - beginning restated				
Net position - ending				

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Primary Government		Component Units		
	Business-type Activities	Total	Gas Utility	Water Utility	Sanitation Utility
(717,840)	-	(717,840)	-	-	-
(806,122)	-	(806,122)	-	-	-
(927,715)	-	(927,715)	-	-	-
(58,590)	-	(58,590)	-	-	-
(680,071)	-	(680,071)	-	-	-
(72,051)	-	(72,051)	-	-	-
<u>(3,262,389)</u>	<u>-</u>	<u>(3,262,389)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	49,310	49,310	-	-	-
-	(9,971)	(9,971)	-	-	-
-	<u>39,339</u>	<u>39,339</u>	-	-	-
<u>(3,262,389)</u>	<u>39,339</u>	<u>(3,223,050)</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	12,390	-	-
-	-	-	-	(26,267)	-
-	-	-	-	-	(37,770)
-	-	-	<u>12,390</u>	<u>(26,267)</u>	<u>(37,770)</u>
\$ 1,750,374	-	1,750,374	-	-	-
128,704	-	128,704	-	-	-
453,086	-	453,086	-	-	-
146,213	-	146,213	-	-	-
88,324	1,336	89,660	7,864	1,374	566
1,513,428	-	1,513,428	-	-	-
4,050	-	4,050	-	-	-
376,313	-	376,313	-	-	-
(26,022)	26,022	-	-	-	-
<u>4,434,470</u>	<u>27,358</u>	<u>4,461,828</u>	<u>7,864</u>	<u>1,374</u>	<u>566</u>
1,172,081	66,697	1,238,778	20,254	(24,893)	(37,204)
12,798,414	774,263	13,572,677	4,893,854	3,103,814	4,233,644
<u>\$ 13,970,495</u>	<u>840,960</u>	<u>14,811,455</u>	<u>4,914,108</u>	<u>3,078,921</u>	<u>4,196,440</u>

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

	Special Revenue		Debt Service	
	General Fund	Road Use Tax Fund	Debt Service Fund	Special Assessment Fund
ASSETS				
Cash	\$ 1,033,277	474,384	109,433	19,337
Investments	-	-	-	-
Receivables:				
Property taxes	1,070,189	-	87,747	-
Tax increment financing	-	-	-	-
Special assessments	-	-	-	176,805
Accounts	663	-	-	-
Other	149	201	-	-
Due from Component Unit	50,602	-	209,320	-
Due from other governments	39,112	40,142	-	-
Inventories	20,932	-	-	-
Total assets	<u>\$ 2,214,924</u>	<u>514,727</u>	<u>406,500</u>	<u>196,142</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts and contracts payable	\$ 86,360	110,860	-	-
Accrued liabilities	9,142	-	-	-
Accrued payroll	32,191	7,991	-	-
Due to Component Unit	4,257	-	2,419	-
Total liabilities	<u>131,950</u>	<u>118,851</u>	<u>2,419</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues:				
Succeeding year property taxes and tax increments	1,070,189	-	87,747	-
Special assessments	-	-	-	176,805
Local option sales tax	-	-	-	-
Total deferred inflows of resources	<u>1,070,189</u>	<u>-</u>	<u>87,747</u>	<u>176,805</u>
FUND BALANCES				
Nonspendable	20,932	-	139,000	-
Restricted	-	395,876	177,334	19,337
Committed	159,046	-	-	-
Assigned	212,886	-	-	-
Unassigned	619,921	-	-	-
Total fund balances	<u>1,012,785</u>	<u>395,876</u>	<u>316,334</u>	<u>19,337</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,214,924</u>	<u>514,727</u>	<u>406,500</u>	<u>196,142</u>

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$5,023,893

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

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

Accrued compensated absences and net pension liability are not due in the current period and so, are not reported in the funds.

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

Bonds payable and contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds, net of unamortized (premium) and discount of \$(120,440).

Pension related deferred outflows of resources and deferred inflows of resources, are not due and payable in the current period and, are not reported in the funds,

Deferred outflows of resources
Deferred inflows of resources
Net position of governmental activities

Capital Projects

<u>Lake Street Improvement Fund</u>	<u>Community Center Fund</u>	<u>Downtown Facade Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
1,315,981	113,575	22,497	1,614,373	4,702,857
-	-	-	2,353	2,353
-	-	-	560,156	1,718,092
-	-	-	125,304	125,304
-	-	-	-	176,805
-	-	-	-	663
-	-	5,788	7,355	13,493
-	-	-	3,000	262,922
-	-	-	151,790	231,044
-	-	-	-	20,932
<u>1,315,981</u>	<u>113,575</u>	<u>28,285</u>	<u>2,464,331</u>	<u>7,254,465</u>
326,750	213,266	-	132,033	869,269
-	-	-	-	9,142
-	-	-	-	40,182
<u>33,383</u>	-	-	-	<u>40,059</u>
<u>360,133</u>	<u>213,266</u>	-	<u>132,033</u>	<u>958,652</u>
-	-	-	685,460	1,843,396
-	-	-	-	176,805
-	-	-	43,048	43,048
-	-	-	<u>728,508</u>	<u>2,063,249</u>
-	-	-	82,455	242,387
955,848	-	28,285	1,077,276	2,653,956
-	-	-	163,271	322,317
-	-	-	320,045	532,931
-	(99,691)	-	(39,257)	480,973
<u>955,848</u>	<u>(99,691)</u>	<u>28,285</u>	<u>1,603,790</u>	<u>4,232,564</u>
<u>1,315,981</u>	<u>113,575</u>	<u>28,285</u>	<u>2,464,331</u>	
				14,367,837
				219,853
				(19,582)
				(375,971)
				(9,379)
				(4,331,198)
				89,107
				<u>(202,736)</u>
				<u>\$ 13,970,495</u>

City of Emmetsburg, Iowa
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

	Special Revenue		Debt Service	
	General Fund	Road Use Tax Fund	Debt Service Fund	Special Assessment Fund
Revenues:				
Property taxes and assessments	\$ 1,151,141	-	59,944	-
Tax increment financing	-	-	-	-
Other city taxes	203,391	-	1,530	-
Licenses and permits	23,282	-	-	-
Use of money and property	75,662	-	3,193	135
Intergovernmental	33,427	415,969	-	-
Charges for services	95,049	-	-	-
Special Assessments	-	-	-	29,418
Fines and forfeitures	7,871	-	-	-
Miscellaneous	189,848	-	55,500	-
Utility transfers in lieu of taxes and donations	91,699	-	6,614	-
Total revenues	1,871,370	415,969	126,781	29,553
Expenditures:				
Current:				
Public safety	654,016	-	-	-
Public works	311,384	582,429	-	-
Culture and recreation	724,600	-	-	-
Community and economic development	66,485	-	-	-
General government	433,099	-	-	-
Debt service	-	-	534,906	-
Capital projects	-	-	-	-
Total expenditures	2,189,584	582,429	534,906	-
Excess (deficiency) of revenues over (under) expenditures	(318,214)	(166,460)	(408,125)	29,553
Other financing sources (uses):				
Gain on sale of capital assets	-	550	-	-
Transfers in	470,842	207,776	434,290	-
Transfers out	(129,547)	(16,500)	-	(65,000)
General obligation bonds issued and notes	-	-	-	-
Premium on general obligations bonds	-	-	-	-
Total other financing sources (uses)	341,295	191,826	434,290	(65,000)
Net change in fund balances	23,081	25,366	26,165	(35,447)
Fund balances, beginning	989,704	370,510	290,169	54,784
Fund balances, ending	\$ 1,012,785	395,876	316,334	19,337

Capital Projects

Lake Street Improvement Fund	Community Center Fund	Downtown Facade Fund	Other Governmental Funds	Total Governmental Funds
-	-	-	462,777	1,673,862
-	-	-	128,704	128,704
-	-	-	12,195	217,116
-	-	-	-	23,282
212	687	30	8,405	88,324
-	282,183	351,283	646,268	1,729,130
-	-	-	1,770	96,819
-	-	-	-	29,418
-	-	-	-	7,871
-	523,207	145,505	568,215	1,482,275
-	150,000	125,000	3,000	376,313
<u>212</u>	<u>956,077</u>	<u>621,818</u>	<u>1,831,334</u>	<u>5,853,114</u>
-	-	-	-	654,016
-	-	-	-	893,813
-	-	-	18,651	743,251
-	-	-	19,872	86,357
-	-	-	-	433,099
-	-	-	-	534,906
<u>676,516</u>	<u>2,175,791</u>	<u>656,121</u>	<u>770,601</u>	<u>4,279,029</u>
<u>676,516</u>	<u>2,175,791</u>	<u>656,121</u>	<u>809,124</u>	<u>7,624,471</u>
<u>(676,304)</u>	<u>(1,219,714)</u>	<u>(34,303)</u>	<u>1,022,210</u>	<u>(1,771,357)</u>
-	-	-	-	550
-	73,500	-	653,682	1,840,090
-	-	-	(1,655,065)	(1,866,112)
1,540,000	400,000	-	295,000	2,235,000
92,152	-	-	-	92,152
<u>1,632,152</u>	<u>473,500</u>	<u>-</u>	<u>(706,383)</u>	<u>2,301,680</u>
955,848	(746,214)	(34,303)	315,827	530,323
-	646,523	62,588	1,287,963	3,702,241
<u>955,848</u>	<u>(99,691)</u>	<u>28,285</u>	<u>1,603,790</u>	<u>4,232,564</u>

City of Emmetsburg, Iowa
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2015

Net change in fund balances - total governmental \$ 530,323

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

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

Net acquisition of capital assets	3,332,046
Depreciation expense	(538,698)

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

Gain on trade in capital assets	3,500
---------------------------------	-------

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

Local option sales tax	(4,211)
Special assessments	(23,809)

The issuance of long-term debt provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position:

Proceeds from issuance of bonds and notes	(2,235,000)
Premiums on issuance of bonds-current year	(92,152)

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

Repaid Bonds, tax increment and guaranteed loans	460,434
Component Unit-Urban Renewal bonds paid	4,518
Accrued interest	(6,444)
Amortization of premium on refunding notes and bonds	7,000
Amortization of discount on general obligation bonds	(2,653)

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	1,400
Pension expense	(264,783)
Change in inventory	610

Change in net position of governmental activities \$ 1,172,081

**City of Emmetsburg, Iowa
Statement of Net Position
Proprietary Funds
June 30, 2015**

	Business-type Activities- Enterprise Funds		
	Solid Waste	Nonmajor Cemetery	Total
ASSETS			
Current assets:			
Cash	\$ 584,989	38,433	623,422
Other receivables	77	61	138
Inventories	14,196	-	14,196
Prepaid insurance	9,510	1,227	10,737
Due from component unit	38,178	-	38,178
Total current assets	<u>646,950</u>	<u>39,721</u>	<u>686,671</u>
Capital assets:			
Land	-	5,870	5,870
Land and improvements	-	44,052	44,052
Buildings	28,508	52,882	81,390
Equipment and vehicles	282,207	3,738	285,945
Accumulated depreciation	<u>(175,230)</u>	<u>(23,170)</u>	<u>(198,400)</u>
Total capital assets	<u>135,485</u>	<u>83,372</u>	<u>218,857</u>
Total assets	<u>782,435</u>	<u>123,093</u>	<u>905,528</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	<u>9,931</u>	<u>-</u>	<u>9,931</u>
LIABILITIES			
Current liabilities:			
Accounts payable	-	5,661	5,661
Other payables	2,202	-	2,202
Due to Component Unit	3,275	-	3,275
Accrued payroll and vacation	5,850	-	5,850
Net pension liability	<u>34,985</u>	<u>-</u>	<u>34,985</u>
Total current liabilities	<u>46,312</u>	<u>5,661</u>	<u>51,973</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	<u>22,526</u>	<u>-</u>	<u>22,526</u>
NET POSITION			
Net Investment in capital assets	135,485	83,372	218,857
Unrestricted	588,043	34,060	622,103
Total net position	<u>\$ 723,528</u>	<u>117,432</u>	<u>840,960</u>

City of Emmetsburg, Iowa
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities- Enterprise Funds		
	Solid Waste	Nonmajor Cemetery	Total
Operating revenues:			
Charges for services	\$ 461,648	13,650	475,298
Other	927	8,638	9,565
Total operating revenues	<u>462,575</u>	<u>22,288</u>	<u>484,863</u>
Operating expenses:			
Personal services	197,450	3,180	200,630
Contractual services	176,095	19,569	195,664
Supplies and equipment	24,431	7,066	31,497
Depreciation	15,289	2,444	17,733
Total operating expenses	<u>413,265</u>	<u>32,259</u>	<u>445,524</u>
Operating income (loss)	<u>49,310</u>	<u>(9,971)</u>	<u>39,339</u>
Nonoperating revenues (expenses):			
Interest revenue	1,121	215	1,336
Total nonoperating revenues (expenses)	<u>1,121</u>	<u>215</u>	<u>1,336</u>
Income (loss) before transfers	50,431	(9,756)	40,675
Transfers in	-	26,321	26,321
Transfers out	-	(299)	(299)
	<u>-</u>	<u>26,022</u>	<u>26,022</u>
Change in net position	50,431	16,266	66,697
Net position, beginning	673,097	101,166	774,263
Net position, ending	<u>\$ 723,528</u>	<u>117,432</u>	<u>840,960</u>

City of Emmetsburg, Iowa
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Business-type Activities- Enterprise Funds		
	Solid Waste	Nonmajor Cemetery	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 461,006	22,291	483,297
Payments to suppliers	(223,766)	(4,976)	(228,742)
Payments to employees	(168,866)	(26,635)	(195,501)
Net cash provided by (used in) operating activities	<u>68,374</u>	<u>(9,320)</u>	<u>59,054</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from other funds	-	26,321	26,321
Transfers to other funds	-	(299)	(299)
Net cash provided by noncapital financing activities	<u>-</u>	<u>26,022</u>	<u>26,022</u>
CASH FLOWS FROM CAPITAL ACTIVITIES			
Purchase of capital assets	-	(13,545)	(13,545)
Net cash (used) in capital activities	<u>-</u>	<u>(13,545)</u>	<u>(13,545)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	1,121	215	1,336
Net increase (decrease) in cash	<u>69,495</u>	<u>3,372</u>	<u>72,867</u>
CASH BALANCES, Beginning	<u>515,494</u>	<u>35,061</u>	<u>550,555</u>
CASH BALANCES, Ending	<u>\$ 584,989</u>	<u>38,433</u>	<u>623,422</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ 49,310	(9,971)	39,339
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	15,289	2,444	17,733
Change in assets and liabilities:			
(Increase) decrease in:			
Customer and other receivables	(78)	3	(75)
Inventories	(1,535)	-	(1,535)
Prepaid insurance	589	(135)	454
Due from component unit	(1,491)	-	(1,491)
Increase (decrease) in current liabilities	(26,137)	(1,661)	(27,798)
(Increase) decrease in deferred outflows of resources	9,901	-	9,901
Increase (decrease) in deferred inflows of resources	22,526	-	22,526
Net cash provided by operating activities	<u>\$ 68,374</u>	<u>(9,320)</u>	<u>59,054</u>

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

A. Reporting Entity

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

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

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

Emmetsburg Municipal Utilities
2021 Main Street
Emmetsburg, Iowa 50536

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

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

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

The City reports the following major governmental funds:

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

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

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

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

The *lake street improvement fund* accounts for funds accumulated and the cost of improvements to Lake Street.

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

The *downtown facade fund* accounts for funds accumulated and the cost of the facade Improvements of the downtown businesses.

The City reports the following major proprietary funds:

The solid waste fund accounts for the operations of the City garbage collection.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

The principal operating revenue of the solid waste fund and cemetery funds are charges to customers for services.

Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Deferred Outflows of Resources Liabilities, Deferred Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

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

State statutes authorize the City and the Utilities to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. Investments of the City and Utilities are reported at fair value. Due to legal and budgetary reasons, the General Fund is assigned a portion of the investment earnings associated with the Road Use Tax Fund. The Cemetery Fund is assigned the investment earnings associated with the Cemetery Perpetual Care Fund. Due to budgetary and policy reasons the General Fund is assigned a portion of the investment earnings associated with the Employee Benefit Fund, Capital Improvements Revolving Fund and the Lake Project Fund. The City transfers the interest from the General Fund to the Lake Project Fund in the form of a transfer.

2. Receivables and Payables

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

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

The County Treasurer bills and collects taxes for the City. Taxes for the year ended June 30, 2015, were certified with the County during the preceding fiscal year and were due in two equal installments by September 30, 2014 and March 31, 2015.

On July 1, 2014 the taxes were levied by the County and became an enforceable lien against property. Any County collections on the 2014-2015 tax levy remitted to the City within sixty days subsequent to June 30, 2015, are recorded as property tax revenues. Taxes not collected and remitted to the City within sixty days subsequent to June 30, 2015, are delinquent but have not been recorded as receivables and deferred revenue due to their immateriality.

By statute, the City is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is reported as unavailable revenues and will not be recognized as revenue until the year for which it is levied.

3. *Inventories and Prepaid Items*

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

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. There were no such payments for the year ended June 30, 2015.

4. *Capital Assets*

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

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

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

Machinery and equipment	5-20	Years
Vehicles	5-10	Years
Improvements	15-40	Years
Infrastructure	20-40	Years
Buildings	15-50	Years

5. *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 consist 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.

6. *Compensated Absences*

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

All accrued vacation pay is recorded in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental fund financial statements only for employees that have resigned or retired. The compensated absence liability has been computed based on rates of pay in effect on June 30, 2015.

7. *Long-term Obligations*

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

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

8. *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 that 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, the unamortized portion of the net difference between projected and actual earnings on pension plan investments and other unrecognized items not yet charged to pension expense.

9. *Fund Equity*

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

- **Nonspendable fund balance** – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- **Restricted fund balance** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed fund balance** – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- **Assigned fund balance** – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.
- **Unassigned fund balance** – amounts not included in other spendable classifications reported.

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

As of June 30, 2015, fund balances are composed of the following:

<u>Fund Balance Classification</u>	<u>Purpose</u>	<u>Fund</u>	<u>Amount</u>
Nonspendable	Inventory	General	\$ 20,932
	Advance to Component Unit	Debt Service	139,000
	Railroad project receivable	Non-major Governmental	7,355
	Cemetery perpetual care	Non-major Governmental	75,100
			<u>\$ 242,387</u>
Restricted	Road Use Tax	Road Use Tax	\$ 395,876
	Debt service	Debt Service	177,334
	Special assessments	Special Assessments	19,337
	Lake Street improvements	Lake Street Improvement	955,848
	Downtown facade	Downtown Facade	28,285
	Employee Benefit payments	Non-major Governmental	87,544
	Capital improvements -Wild Rose Casino	Non-major Governmental	146,714
	School reunion	Non-major Governmental	1,350
	Make a difference day	Non-major Governmental	34
	Fireworks	Non-major Governmental	10,574
	Five Island Campground	Non-major Governmental	189,475
	Sidewalk improvements	Non-major Governmental	20,003
	Housing rehabilitation	Non-major Governmental	14,202
	Gaming proceeds for capital improvements	Non-major Governmental	100,672
	Airport improvements	Non-major Governmental	186,212
	Dredging Five Island Lake	Non-major Governmental	320,496
		<u>\$ 2,653,956</u>	
Assigned	Funds to cover revenue short-falls	General	\$ 200,000
	Vehicle inspection	General	2,566
	Police reserve	General	5,748
	Tobacco compliance	General	742
	Museum-Victorian house	General	3,640
	Airport	General	190
	Industrial Development	Non-major Governmental	3,628
	Community transportation and miscellaneous	Non-major Governmental	6,832
	Swimming pool	Non-major Governmental	62
	Flag football	Non-major Governmental	13
	Golf course	Non-major Governmental	1,280
	Capital improvements revolving funds	Non-major Governmental	123,554
	Future Railroad projects	Non-major Governmental	20,600
	Kearny Park improvements	Non-major Governmental	78,198
	Sewell Park	Non-major Governmental	85,878
		<u>\$ 532,931</u>	

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

10. Implementation of GASB Statement No. 68 and GASB Statement No. 71

For fiscal year ended June 30, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows or resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 4, section A and the additional disclosures required by these standards are included in Note 4, Section F.

Note 2. Stewardship, Compliance, and Accountability

A. Budgetary information

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

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

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

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

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

The City Council adopts the amended budget by resolution and certifies it to the County Auditor by May 31 of the budget year. The amended budget becomes the appropriation for operations of the City. The City Council adopted one budget amendment resolution during the year ended June 30, 2015.

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

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

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

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

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

The City's actual expenditures in public safety was \$6,110 more than appropriations.

B. Deficit fund balances

The Community Center Fund, a major capital projects fund, has a deficit fund balance of \$99,691. This deficit fund balance is expected to be recovered through future revenue, grants and transfers. The Highway 18/Urban Fund a capital projects fund included in Nonmajor governmental funds, has a deficit fund balance of \$47,104. This deficit fund balance is expected to be recovered through transfers.

Note 3

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

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

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

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

Concentration of credit risk: The City's investment policy does not allow for a prime bankers' acceptance or commercial paper and other corporate debt balances. The City held no such investments during the year.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's deposits are entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

B. Capital Assets

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

Primary Government

Governmental activities:

Governmental activities:	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets, not being depreciated:				
Land	\$ 555,187	-	-	555,187
Construction in progress	998,177	778,461	(856,338)	920,300
Total capital assets, not being depreciated	<u>1,553,364</u>	<u>778,461</u>	<u>(856,338)</u>	<u>1,475,487</u>
Capital assets, being depreciated:				
Land improvements	25,596	-	-	25,596
Machinery and equipment, Vehicles	3,875,688	603,097	(17,000)	4,461,785
Buildings	1,490,672	2,764,953	-	4,255,625
Infrastructure	9,131,363	41,873	-	9,173,236
Total capital assets, being depreciated	<u>14,523,319</u>	<u>3,409,923</u>	<u>(17,000)</u>	<u>17,916,242</u>
Less accumulated depreciation for:				
Land improvements	1,004	251	-	1,255
Machinery and equipment, Vehicles	2,509,620	235,110	(17,000)	2,727,730
Buildings	541,473	42,518	-	583,991
Infrastructure	1,450,098	260,818	-	1,710,916
Total accumulated depreciation	<u>4,502,195</u>	<u>538,697</u>	<u>(17,000)</u>	<u>5,023,892</u>
Total capital assets, being depreciated, net	<u>10,021,124</u>	<u>2,871,226</u>	<u>-</u>	<u>12,892,350</u>
Governmental activities capital assets, net	<u>\$ 11,574,488</u>	<u>3,649,687</u>	<u>(856,338)</u>	<u>14,367,837</u>

Business- type activities:

	Balance July 1, 2014	<u>Increases</u>	<u>Decreases</u>	Balance June 30, 2015
Capital assets, not being depreciated:				
Land	\$ 5,870	-	-	5,870
Capital assets, being depreciated:				
Land improvements	30,509	13,547	-	44,056
Machinery and equipment, Vehicles	285,945	-	-	285,945
Buildings	81,390	-	-	81,390
Total capital assets, being depreciated	<u>397,844</u>	<u>13,547</u>	<u>-</u>	<u>411,391</u>
Less accumulated depreciation for:				
Land improvements	8,072	1,192	-	9,264
Machinery and equipment, Vehicles	151,729	14,391	-	166,120
Buildings	20,870	2,150	-	23,020
Total accumulated depreciation	<u>180,671</u>	<u>17,733</u>	<u>-</u>	<u>198,404</u>
Total capital assets, being depreciated, net	<u>217,173</u>	<u>(4,186)</u>	<u>-</u>	<u>212,987</u>
Business- type assets, net	<u>\$ 223,043</u>	<u>(4,186)</u>	<u>-</u>	<u>218,857</u>

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

Depreciation by function/program

Governmental activities:

Public safety	\$ 62,013
Public works	357,475
Culture and recreation	110,619
Community and economic development	863
General government	<u>7,727</u>
Total depreciation expense - governmental activities	<u>\$ 538,697</u>

Business-type activities:

Solid Waste	\$ 15,289
Cemetery	<u>2,444</u>
Total depreciation expense - business-type activities	<u>\$ 17,733</u>

The following is included in construction in progress:

Construction In progress

	<u>Project Authorization</u>	<u>Expensed to Date</u>	<u>Remaining Commitment</u>
Crushed rock for future street project	\$ -	83,758	-
Dock	11,424	5,712	5,712
Sewer Mapping	3,887	3,512	375
Kearney Park	-	475	-
5 Island campground	-	9,294	-
Airport Hanger Project	520,520	152,277	368,243
Airport land Purchase	-	19,370	(19,370)
Airport layout new runway	-	28,197	(28,197)
Lake Street improvement	2,106,221	601,101	1,505,120
	<u>\$ 2,642,052</u>	<u>903,696</u>	<u>1,831,883</u>

Discretely Presented Component Units

	<u>Balance July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30, 2015</u>
Gas department:				
Capital assets, not being depreciated:				
Land	\$ 1,039	-	-	1,039
Construction in progress	-	4,318	-	4,318
Total capital assets, not being depreciated	<u>1,039</u>	<u>4,318</u>	<u>-</u>	<u>5,357</u>
Capital assets, being depreciated:				
Structures and plant	342,097	18,462	-	360,559
Distribution system	1,135,609	2,551	-	1,138,160
Equipment, meters and mains	642,119	81,450	-	723,569
Total capital assets, being depreciated	<u>2,119,825</u>	<u>102,463</u>	<u>-</u>	<u>2,222,288</u>
Less accumulated depreciation				
Structures and plant	268,711	5,311	-	274,022
Distribution system	753,591	22,750	-	776,341
Equipment, meters and mains	518,259	24,047	-	542,306
Total accumulated depreciation	<u>1,540,561</u>	<u>52,108</u>	<u>-</u>	<u>1,592,669</u>
Total capital assets, being depreciated, net	<u>579,264</u>	<u>50,355</u>	<u>-</u>	<u>629,619</u>
Gas department capital assets, net	<u>\$ 580,303</u>	<u>54,673</u>	<u>-</u>	<u>634,976</u>

	<u>Balance</u> <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
Water Department:				
Capital assets, not being depreciated:				
Land	\$ 67,067	-	-	67,067
Construction in progress	-	60,342	-	60,342
Total capital assets, not being depreciated	<u>67,067</u>	<u>60,342</u>	<u>-</u>	<u>127,409</u>
Capital assets, being depreciated:				
Structures and plant	4,968,888	23,295	-	4,992,183
Distribution system	1,955,542	-	-	1,955,542
Equipment and meters	731,612	157,843	-	889,455
Total capital assets, being depreciated	<u>7,656,042</u>	<u>181,138</u>	<u>-</u>	<u>7,837,180</u>
Less accumulated depreciation				
Structures and plant	1,844,255	172,156	-	2,016,411
Distribution system	1,015,500	44,947	-	1,060,447
Equipment and meters	450,117	44,958	-	495,075
Total accumulated depreciation	<u>3,309,872</u>	<u>262,061</u>	<u>-</u>	<u>3,571,933</u>
Total capital assets, being depreciated, net	<u>4,346,170</u>	<u>(80,923)</u>	<u>-</u>	<u>4,265,247</u>
Water department capital assets, net	<u>\$ 4,413,237</u>	<u>(20,581)</u>	<u>-</u>	<u>4,392,656</u>

	Balance <u>July 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2015</u>
Sanitation Department:				
Capital assets, not being depreciated:				
Land	\$ 84,542	-	-	84,542
Construction in progress	-	52,980	-	52,980
Total capital assets, not being depreciated	<u>84,542</u>	<u>52,980</u>	<u>-</u>	<u>137,522</u>
depreciated:				
Structures and plant	6,086,835	29,568	-	6,116,403
Distribution system	2,869,215	-	-	2,869,215
Equipment, meters and mains	479,150	142,611	-	621,761
Total capital assets, being depreciated	<u>9,435,200</u>	<u>172,179</u>	<u>-</u>	<u>9,607,379</u>
Less accumulated depreciation				
Structures and plant	2,530,418	151,479	-	2,681,897
Distribution system	1,372,556	86,514	-	1,459,070
Equipment, meters and mains	326,562	28,766	-	355,328
Total accumulated depreciation	<u>4,229,536</u>	<u>266,759</u>	<u>-</u>	<u>4,496,295</u>
Total capital assets, being depreciated, net	<u>5,205,664</u>	<u>(94,580)</u>	<u>-</u>	<u>5,111,084</u>
Sanitation department capital assets, net	<u>\$ 5,290,206</u>	<u>(41,600)</u>	<u>-</u>	<u>5,248,606</u>

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

C. Long-term Debt

General Obligation Bonds

Unmatured general obligation bonds totaling \$3,650,440 net of unamortized premium, unamortized discount and unamortized deferred amount on refunding, are outstanding as of June 30, 2015. These bonds bear interest with rates ranging from .95% to 4.50%, mature in varying annual amounts through June 1, 2027, and were originally issued for \$5,375,000. Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 465,000	87,221
2017	485,000	79,555
2018	410,000	69,680
2019	420,000	59,900
2020	430,000	49,300
2021-2024	805,000	110,653
2025-2027	515,000	31,350
Total	<u>\$ 3,530,000</u>	<u>487,659</u>

Risk under Loan Guarantee

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

\$485,000 USDA Rural Development, due in annual payments of \$12,894 to November 7, 2040 and interest at 4.125%. The loan balance at June 30, 2015 totaled \$199,615.

\$200,000 Iowa Trust and Savings Bank, due in annual payments of \$7,977 to November 5, 2032 and variable interest at 6.75%. The loan balance at June 30, 2014 totaled \$81,143.

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 7,162	13,711
2017	7,523	13,350
2018	7,903	12,970
2019	8,304	12,569
2020	8,727	12,146
2021-2025	50,814	53,550
2026-2030	65,415	38,949
2031-2035	65,872	20,637
2036-2040	56,788	7,681
2041	2,250	93
Total	<u>\$ 280,758</u>	<u>185,656</u>

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

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

Estimated Actual valuation of tax	\$ <u>198,110,869</u>
Debt limit - 5% of total actual valuation	\$ 9,905,543
Debt applicable to debt limit:	
General obligation bonds	<u>3,530,000</u>
Legal debt margin	\$ <u>6,375,543</u>

All tax-exempt debt issued by the City is subject to IRS arbitrage rebate, unless the City meets the \$5 million small issuers exemption in a given year. As of June 30, 2015, the City had no arbitrage liability.

Debt Summary

Following is a summary of the City's debt transactions for the year ended June 30, 2015, and the total bonded indebtedness of the City as of that date.

Governmental Activities:	Date of Issue	Balance July 1, 2014	Incurred/ Issued	Redeemed/ Issued	Balance June 30, 2015	Amount Due Within One Year
<u>General obligation bonds:</u>						
\$1,760,000 corporate purpose and refunding notes, series 2010	2010	730,000	-	(220,000)	510,000	100,000
\$1,470,000 corporate purpose bonds, series 2011	2011	1,185,000	-	(155,000)	1,030,000	160,000
\$310,000 general obligation refunding notes, series 2013	2013	235,000	-	(80,000)	155,000	75,000
\$2,500,000 Corporate Notes, City portion	2015	-	1,835,000	-	1,835,000	130,000
		2,150,000	1,835,000	(455,000)	3,530,000	465,000
Add unamortized premium		37,624	92,152	(7,000)	122,776	-
Less unamortized discount		3,554	-	(1,218)	2,336	-
Less unamortized deferred amount on refunding		1,435	-	(1,435)	-	-
		2,182,635	1,927,152	(459,347)	3,650,440	465,000
<u>Long-term notes:</u>						
\$400,000 Iowa Trust and Savings Bank loan		-	400,000	-	400,000	-
<u>Risk under loan guarantee:</u>						
USDA Rural Development	2010	203,081	-	(3,466)	199,615	4,660
Iowa Trust and Savings Bank	2010	83,110	-	(1,967)	81,143	2,502
		286,191	-	(5,433)	280,758	7,162
Governmental activity total						
Long - term debt		\$ 2,468,826	2,327,152	(464,780)	4,331,198	472,162

Component Unit Debt Information:

Revenue Bonds and Installment Agreements – Water and Sanitation Utilities

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

Risk under Loan Guarantee – Gas Utility

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

Debt Summary – Gas, Water and Sanitation Utility

Long-term debt activity for the year ended June 30, 2015 was as follows:

	Balance 7/1/2014	Additions	Reductions	Balance 6/30/2015	Amount Due Within One Year
Water Revenue Bonds:					
Series 2005	\$ 1,840,000	-	(130,000)	1,710,000	134,000
Sewer Revenue Bonds:					
Series 2005	375,000	-	(30,000)	345,000	30,000
Series 1998B	52,000	-	(10,000)	42,000	13,000
Series 1998A	90,000	-	(20,000)	70,000	20,000
Series 2009A	723,000	-	(35,000)	688,000	36,000
Corporate purpose 2015	-	665,000	-	665,000	60,000
Obligations Under Guarantee:					
USDA Rural Development	204,090	-	(4,475)	199,615	4,541
Iowa Trust and Savings Bank	83,413	-	(2,270)	81,143	2,422
Total	3,367,503	665,000	(231,745)	3,800,758	299,963
Add: unamortized Premium	-	33,396	(232)	33,164	-
\$	3,367,503	698,396	(231,977)	3,833,922	299,963

The projected maturity of long-term debts at June 30, 2015 is as follows:

Year Ending June 30,	Principal	Interest
2016	\$ 299,963	98,049
2017	317,722	80,961
2018	323,903	75,843
2019	294,304	69,262
2020	299,727	63,171
2021-2025	1,628,814	219,493
2026-2030	511,415	62,617
2031-2035	65,872	20,637
2036-2040	56,788	7,681
2041	2,250	93
	<u>\$ 3,800,758</u>	<u>697,807</u>

D. Due to Component Unit

The City issued the Emmetsburg Municipal Utilities a \$40,000 Urban Renewal Tax Increment Revenue Bond dated October 11, 2006. Principal on this bond shall bear interest at the rate of 4% per annum. The bond is due in 20 equal semi-annual installments of \$2,508 each December 1 and June 1, commencing December 1, 2007. The bond matures on June 1, 2017. The June 30, 2015 balance is \$9,379.

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2016	\$ 4,631	203
2017	4,748	89
	<u>\$ 9,379</u>	<u>292</u>

Following is a summary of the City's activity for accrued compensated absences for the year ended June 30, 2015, and the total liability of the City as of that date, as reported on the government-wide statement of net position:

E. Long-term Liabilities – Accrued Compensated Absences

Compensated absences

	Balance July 1, 2015	Increases	Decreases	Balance June 30, 2015	Amount Pay- able Within One Year
Governmental activities	\$ 62,504	-	(1,401)	61,103	-
Business-type activities	\$ 3,746	-	(382)	3,364	3,364

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

F. Interfund Transactions

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

Transfer To	Transfer from	Amount
General Fund	Nonmajor Governmental Funds	\$ 470,842
Road Use Tax Fund	Nonmajor Governmental Funds	207,776
Debt Service Fund	Special Assessment Fund	65,000
	Nonmajor Governmental Funds	369,290
		<u>434,290</u>
Community Center Fund	Nonmajor Governmental Funds	73,500
Nonmajor Governmental Funds	General Fund	129,547
	Road Use Tax Fund	16,500
	Nonmajor Governmental Funds	507,635
		<u>653,682</u>
	Total	\$ <u>1,840,090</u>

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

Other governmental funds transferred \$26,321 to the Cemetery Fund and Cemetery Fund transferred \$299 to other governmental funds.

Note 4. Other Notes

A. Retirement Systems

IPERS

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, PO 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 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.)

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% of 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.

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.

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 of pay and the City contributed 10.14 percent for a total rate of 16.80 percent.

The City's total contributions to IPERS for the year ended June 30, 2015 were \$91,622.

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 \$349,853 for its proportionate share of the net pension liability. The 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 as of that date. The City's proportion of the 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 collective proportion was 0.0088215 percent which was a decrease of 0.0020062 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$33,136. At June 30, 2015, the City 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	\$ 4,487	5,680
Changes of assumptions	18,222	136
Net difference between projected and actual earnings on pension plan investments	-	219,446
Changes in proportion and difference between City contributions and proportionate share of contributions.	(15,323)	-
City contributions subsequent to the measurement date	91,622	-
	<u>\$ 99,008</u>	<u>225,262</u>

\$91,622 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>	<u>Total</u>
2016	\$ (51,756.00)
2017	(51,756.00)
2018	(51,755.00)
2019	(51,755.00)
2020	778.00
	<u>\$ (206,244.00)</u>

There were no non-employer contributing entities at IPERS.

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 increases (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 of 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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
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.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability:	\$ 846,650	349,853	-69,306

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.

Payables to the Pension Plan - At June 30, 2015, the City reported no payables to the defined benefit pension plan for legally required employer contributions and legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Deferred Compensation Plan

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

B. Other Employee Benefits

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

C. Related Party Transactions

The Component Unit bills and collects for garbage and recycling services provided for by the Solid Waste Fund to its residents. During the year ended June 30, 2015, the Component Unit collected \$461,648 in fees for the Solid Waste Fund.

The amounts due from the Component Unit at June 30, 2015, were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
Primary Government:		
Debt Service	\$ 209,320	2,419
General Fund	50,602	4,257
Lake Street Improvement	-	33,383
Nonmajor Funds	3,000	-
Solid Waste Fund	38,178	3,275
	<u>\$ 301,100</u>	<u>43,334</u>
Component Unit:		
Gas Utility	\$ 6,676	59,756
Water Utility	17,828	121,601
Sanitation Utility	15,555	119,746
	<u>\$ 40,059</u>	<u>301,103</u>

The amount differs by \$3,275, which is not material to the financial statements.

The City also conducted business transactions with Go Gutters, a business owned by Bill Burdick Jr., a council member.

D. Risk Management

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

E. Other Postemployment Benefits (OPEB)

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

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

F. 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 establish 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:

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:

	Governmental Activities	Business Type Activities Solid Waste
Net position June 30, 2014, as previously reported	\$ 12,962,128	795,363
Net pension liability at June 30, 2014	(244,656)	(27,184)
Change in outflows of resources related to contributions made after the June 30, 2013 measurement date	80,942	6,084
Net position July 1, 2014, as restated	<u>\$ 12,798,414</u>	<u>774,263</u>

G. Governmental Accounting Standards Board Statements

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

Statement No. 72, Fair Value Measurement, issued February 2015, will be effective for the fiscal year ending June 30, 2016. The objective of this Statement is to improve financial reporting by clarifying the definition of fair value for financial reporting purpose, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements.

Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, issued June 2015, will be effective for the fiscal year ending June 30, 2016. The objective of this Statement is to improve the usefulness of information for decisions made by the various users of the general purpose external financial reports of governments whose employees are provided with pensions that are not within the scope of Statement 68.

Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, issued June 2015, will be effective for the fiscal year ending June 30, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of governments. This Statement replaces Statement 43 and 57.

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans, issued June 2015, will be effective for the fiscal year ending June 30, 2018. The objective of this Statement is to improve the accounting and financial reporting of governments for postemployment benefits other than pensions. This Statement replaces Statement 45 and 57.

Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, issued June 2015, will be effective for the fiscal year ending June 30, 2016. The objective of this Statement is to identify the hierarchy of generally accepted accounting principles (GAAP).

Statement No. 77, Tax Abatement Disclosures, will be effective for the fiscal year June 30, 2017. The objective of this Statement is to improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users.

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

City of Emmetsburg, Iowa
Budgetary Comparison Schedule - Function Budget
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Property taxes and assessments	\$ 1,632,710	1,632,710	1,673,862	(41,152)
Tax increment financing	128,700	128,700	128,704	(4)
Other City taxes	549,278	664,278	217,116	447,162
Licenses and permits	35,205	35,205	23,282	11,923
Use of money and property	65,336	66,086	99,464	(33,378)
Intergovernmental	3,231,924	3,412,735	1,729,130	1,683,605
Charges for services	4,437,034	4,464,234	3,973,587	490,647
Special assessments	44,000	44,000	29,418	14,582
Miscellaneous	8,447	9,372	1,866,459	(1,857,087)
Total revenues	10,132,634	10,457,320	9,741,022	716,298
Expenditures:				
Current:				
Public safety	647,906	647,906	654,016	(6,110)
Public works	1,060,931	1,060,931	893,813	167,118
Culture and recreation	692,281	754,574	743,251	11,323
Community and economic development	160,166	160,416	86,357	74,059
General government	433,870	433,870	433,099	771
Debt service	535,155	543,155	534,906	8,249
Capital projects	4,231,345	5,240,231	4,279,029	961,202
Business-type	3,695,843	3,872,163	3,852,508	19,655
Total expenditures	11,457,497	12,713,246	11,476,979	1,236,267
Excess (deficiency) of revenues over (under) expenditures	(1,324,863)	(2,255,926)	(1,735,957)	(519,969)
Other financing sources (uses):				
Gain on sale of capital assets	-	-	550	(550)
Transfers in	1,963,358	2,690,699	1,866,411	824,288
Transfers out	(1,963,358)	(2,690,699)	(1,866,411)	(824,288)
Proceeds from Debt	1,044,800	2,906,700	2,327,152	579,548
Total other financing sources (uses)	1,044,800	2,906,700	2,327,702	578,998
Excess (deficiency) of revenues and other financing sources	(280,063)	650,774	591,745	59,029
over (under) expenditures and other financing uses				
Fund balances, beginning	16,062,027	16,062,027	16,707,816	(645,789)
Fund balances, ending	\$ 15,781,964	16,712,801	17,299,561	(586,760)

City of Emmetsburg, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
For the Year Ended June 30, 2015

Budgetary Reporting

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

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No.41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the modified accrual basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the budget basis and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of expenditures known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function expenditures required to be budgeted include expenditures for the general fund, special revenue funds, debt service fund, capital projects fund, and enterprise funds. Although the budget document presents function expenditures by fund, the legal level of control is at that aggregated function level, not by fund.

During the year, there was one budget amendment that decreased budgeted expenses and expenditures by \$1,255,749. This budget amendment is reflected in the final budgeted amounts.

City of Emmetsburg, Iowa
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement system
June 30, 2015

	<u>2015</u>
City's proportion of the net pension liability (asset)	0.0088215 %
City's proportionate share of the net pension liability	349,853
City's covered-employee Payroll	1,052,668
City's proportionate share of the net pension liability as a Percentage of its covered - employee Payroll	33.23 %
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 Emmetsburg, Iowa
Schedule of City Contributions
Iowa Public employers' Retirement System
Last 10 years**

Required Supplementary Information

		<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$	91,622.00	87,026.00	84,498.00
Contributions in relation to the statutorily required contribution		<u>(91,622.00)</u>	<u>(87,026.00)</u>	<u>(84,498.00)</u>
Contribution deficiency (excess)	\$	-	-	-
City's covered - employee Payroll	\$	1,052,668.00	996,258.00	977,304.00
Contributions as a percentage of covered - employee Payroll		8.70%	8.74%	8.65%

* information is unavailable for prior years.

See accompanying independent auditor's report

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
88,257.00	73,432.00	73,761.00	73,761.00	54,282.00	54,676.00	*
<u>(88,257.00)</u>	<u>(73,432.00)</u>	<u>(73,761.00)</u>	<u>(73,761.00)</u>	<u>(54,282.00)</u>	<u>(54,676.00)</u>	<u>*</u>
-						
1,073,611.00	1,049,209.00	1,044,210.00	951,077.00	840,188.00	849,049.00	*
8.22%	7.00%	7.06%	7.76%	6.46%	6.44%	*

City of Emmetsburg, Iowa

Notes to Required Supplementary information - Pension Liability Year ended June 30, 2015

Iowa Public Employees' Retirement System:

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.
- 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 received 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.

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015
(Page 1 of 5)

	Special Revenue		
	Emergency Fund	Employee Benefit Fund	South TIF Fund
ASSETS			
Cash	\$ -	87,544	-
Investments	-	-	-
Receivables			
Property taxes	34,596	525,560	-
Tax increment financing	-	-	49,447
Other	-	-	-
Due from Component Unit	-	-	-
Due from other governments	-	-	-
Total assets	<u>\$ 34,596</u>	<u>613,104</u>	<u>49,447</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues:			
Succeeding year property taxes and tax increments	34,596	525,560	49,447
Local option sales tax	-	-	-
Total deferred inflows of resources	<u>34,596</u>	<u>525,560</u>	<u>49,447</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	87,544	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances (deficit)	<u>-</u>	<u>87,544</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 34,596</u>	<u>613,104</u>	<u>49,447</u>

Special Revenue

North TIF Fund	East TIF Fund	ECDC Trust Fund
-	-	57,023
-	-	2,353
-	-	-
-	75,857	-
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>75,857</u>	<u>59,376</u>
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
-	-	-
-	-	-
-	75,857	-
-	-	-
<u>-</u>	<u>75,857</u>	<u>-</u>
-	-	-
-	-	11,958
-	-	27,756
-	-	11,815
-	-	7,847
<u>-</u>	<u>-</u>	<u>59,376</u>
<u>-</u>	<u>75,857</u>	<u>59,376</u>

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015
(Page 2 of 5)

	Special Revenue		
	ECDC Revolving Loan Fund	Community Beautification Fund	LOST Fund
ASSETS			
Cash	\$ 17,242	566	65,351
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Tax increment financing	-	-	-
Other	-	-	-
Due from Component Unit	-	-	-
Due from other governments	-	-	95,404
Total assets	<u>\$ 17,242</u>	<u>566</u>	<u>160,755</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues:			
Succeeding year property taxes and tax increments	-	-	-
Local option sales tax	-	-	43,048
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>43,048</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	-	-	-
Committed	17,242	566	117,707
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances (deficit)	<u>17,242</u>	<u>566</u>	<u>117,707</u>
Total liabilities and fund balances	<u>\$ 17,242</u>	<u>566</u>	<u>160,755</u>

Capital Projects

Improvement Revolving Fund	Rail Road Fund	Kearny Park Fund
123,554	20,600	78,198
-	-	-
-	-	-
-	7,355	-
-	-	-
-	-	-
<u>123,554</u>	<u>27,955</u>	<u>78,198</u>
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
-	7,355	-
-	-	-
-	-	-
123,554	20,600	78,198
<u>123,554</u>	<u>27,955</u>	<u>78,198</u>
<u>123,554</u>	<u>27,955</u>	<u>78,198</u>

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015
(Page 3 of 5)

	Capital Projects		
	Wild Rose Allocation Fund	Safe Routes to School Fund	Sewell Park Fund
ASSETS			
Cash	\$ 146,714		82,878
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Tax increment financing	-	-	-
Other	-	-	-
Due from Component Unit	-	-	3,000
Due from other governments	-	-	-
Total assets	<u>\$ 146,714</u>	<u>-</u>	<u>85,878</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	-	-
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues:			
Succeeding year property taxes and tax increments	-	-	-
Local option sales tax	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	146,714	-	-
Committed	-	-	-
Assigned	-	-	85,878
Unassigned	-	-	-
Total fund balances	<u>146,714</u>	<u>-</u>	<u>85,878</u>
Total liabilities and fund balances	<u>\$ 146,714</u>	<u>-</u>	<u>85,878</u>

Capital Projects

CDBG Housing Rehabilitation Fund	Airport Taxiine Improvement Fund	Airport Fuel Facility Fund
14,202	122	
-	-	-
-	-	-
-	-	-
-	-	-
<u>14,202</u>	<u>122</u>	<u>-</u>
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
-	-	-
14,202	122	-
-	-	-
-	-	-
<u>14,202</u>	<u>122</u>	<u>-</u>
<u>14,202</u>	<u>122</u>	<u>-</u>

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015
(Page 4 of 5)

	Capital Projects		
	Airport Hanger Fund	Lake Project Fund	Airport Land Fund
ASSETS			
Cash	\$ 173,656	337,821	10,648
Investments	-	-	-
Receivables			
Property taxes	-	-	-
Tax increment financing	-	-	-
Other	-	-	-
Due from Component Unit	-	-	-
Due from other governments	56,386	-	-
Total assets	<u>\$ 230,042</u>	<u>337,821</u>	<u>10,648</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 64,665	17,325	-
Due to other funds	-	-	-
Total liabilities	<u>64,665</u>	<u>17,325</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues:			
Succeeding year property taxes and tax increments	-	-	-
Local option sales tax	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable	-	-	-
Restricted	165,377	320,496	10,648
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>165,377</u>	<u>320,496</u>	<u>10,648</u>
Total liabilities and fund balances	<u>\$ 230,042</u>	<u>337,821</u>	<u>10,648</u>

Capital Projects

PA Gaming Corporation Allocation Fund	Sidewalk Improvement Fund	Highway 18/ Urban Fund
103,611	20,003	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
<u>103,611</u>	<u>20,003</u>	<u>-</u>
2,939	-	47,104
-	-	-
<u>2,939</u>	<u>-</u>	<u>47,104</u>
-	-	-
-	-	-
-	-	-
100,672	20,003	-
-	-	-
-	-	-
-	-	(47,104)
<u>100,672</u>	<u>20,003</u>	<u>(47,104)</u>
<u>103,611</u>	<u>20,003</u>	<u>-</u>

City of Emmetsburg, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015
(Page 5 of 5)

	Capital Projects		Permanent	Total
	Five Island Campground Fund	Airport Crack Sealing Fund	Perpetual Care Fund	Nonmajor Governmental Funds
ASSETS				
Cash	\$ 189,475	10,065	75,100	1,614,373
Investments	-	-	-	2,353
Receivables				
Property taxes	-	-	-	560,156
Tax increment financing	-	-	-	125,304
Other	-	-	-	7,355
Due from Component Unit	-	-	-	3,000
Due from other governments	-	-	-	151,790
Total assets	\$ 189,475	10,065	75,100	2,464,331
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	-	-	132,033
Due to other funds	-	-	-	-
Total liabilities	-	-	-	132,033
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues:				
Succeeding year property taxes and tax increments	-	-	-	685,460
Local option sales tax	-	-	-	43,048
Total deferred inflows of resources	-	-	-	728,508
FUND BALANCES				
Nonspendable	-	-	75,100	82,455
Restricted	189,475	10,065	-	1,077,276
Committed	-	-	-	163,271
Assigned	-	-	-	320,045
Unassigned	-	-	-	(39,257)
Total fund balances (deficit)	189,475	10,065	75,100	1,603,790
Total liabilities and fund balances	\$ 189,475	10,065	75,100	2,464,331

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015
(Page 1 of 5)

	Special Revenue		
	Emergency Fund	Employee Benefit Fund	South TIF Fund
Revenues:			
Property taxes and assessments	\$ 34,648	428,129	-
Tax increment financing	-	-	49,844
Other city taxes	914	11,281	-
Use of money and property	-	-	43
Intergovernmental	-	-	-
Charges for services	-	-	-
Miscellaneous	-	-	-
Utility donations	-	-	-
Total revenues	<u>35,562</u>	<u>439,410</u>	<u>49,887</u>
Expenditures:			
· Current:			
Public safety	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	-
Capital projects	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35,562</u>	<u>439,410</u>	<u>49,887</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(35,900)	(447,166)	(50,813)
General obligation bonds issued and notes	-	-	-
Total other financing sources (uses)	<u>(35,900)</u>	<u>(447,166)</u>	<u>(50,813)</u>
Net change in fund balances	(338)	(7,756)	(926)
Fund balances (deficits), beginning	<u>338</u>	<u>95,300</u>	<u>926</u>
Fund balances (deficits), ending	<u>\$ -</u>	<u>87,544</u>	<u>-</u>

North TIF Fund	East TIF Fund	ECDC Trust Fund
-	-	-
-	78,860	-
-	-	-
15	65	353
-	-	2,289
-	-	-
-	-	15,181
-	-	-
<u>15</u>	<u>78,925</u>	<u>17,823</u>
-	-	-
-	-	18,651
-	-	19,058
-	-	-
-	-	<u>37,709</u>
<u>15</u>	<u>78,925</u>	<u>(19,886)</u>
-	-	15,550
(8,255)	(79,941)	(965)
-	-	-
<u>(8,255)</u>	<u>(79,941)</u>	<u>14,585</u>
(8,240)	(1,016)	(5,301)
8,240	1,016	64,677
<u>-</u>	<u>-</u>	<u>59,376</u>

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015
(Page 2 of 5)

	Special Revenue		
	ECDC Revolving Loan Fund	Community Beautification Fund	LOST Fund
Revenues:			
Property taxes and assessments	\$ -	-	-
Tax increment financing	-	-	-
Other city taxes	-	-	-
Use of money and property	35	20	534
Intergovernmental	-	-	457,297
Charges for services	-	-	-
Miscellaneous	-	-	-
Utility donations	-	-	-
Total revenues	<u>35</u>	<u>20</u>	<u>457,831</u>
Expenditures:			
Current:			
Public safety	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	814	-
Capital projects	-	-	-
Total expenditures	<u>-</u>	<u>814</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>35</u>	<u>(794)</u>	<u>457,831</u>
Other financing sources (uses):			
Transfers in	-	-	5,844
Transfers out	-	(10,000)	(610,607)
General obligation bonds issued and notes	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(10,000)</u>	<u>(604,763)</u>
Net change in fund balances	35	(10,794)	(146,932)
Fund balances (deficits), beginning	17,207	11,360	264,639
Fund balances (deficits), ending	<u>\$ 17,242</u>	<u>566</u>	<u>117,707</u>

Capital Projects

Improvement Revolving Fund	Rail Road Fund	Kearny Park Fund
-	-	-
-	-	-
-	-	-
875	41	126
-	-	-
-	-	-
-	-	-
<u>875</u>	<u>41</u>	<u>126</u>
-	-	-
-	-	-
-	-	-
-	-	-
<u>875</u>	<u>41</u>	<u>126</u>
68,000	-	17,136
(16,540)	-	-
-	-	-
<u>51,460</u>	<u>-</u>	<u>17,136</u>
52,335	41	17,262
<u>71,219</u>	<u>27,914</u>	<u>60,936</u>
<u><u>123,554</u></u>	<u><u>27,955</u></u>	<u><u>78,198</u></u>

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015
(Page 3 of 5)

	Capital Projects		
	Wild Rose Allocation Fund	Safe Routes to School Fund	Sewell Park Fund
Revenues:			
Property taxes and assessments	\$ -	-	-
Tax increment financing	-	-	-
Other city taxes	-	-	-
Use of money and property	367	-	166
Intergovernmental	-	-	-
Charges for services	-	-	-
Miscellaneous	152,371	-	2,270
Utility donations	-	-	3,000
Total revenues	<u>152,738</u>	<u>-</u>	<u>5,436</u>
Expenditures:			
Current:			
Public safety	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	-
Capital projects	-	-	2,666
Total expenditures	<u>-</u>	<u>-</u>	<u>2,666</u>
Excess (deficiency) of revenues over (under) expenditures	<u>152,738</u>	<u>-</u>	<u>2,770</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(189,900)	(50)	-
General obligation bonds issued and notes	-	-	-
Total other financing sources (uses)	<u>(189,900)</u>	<u>(50)</u>	<u>-</u>
Net change in fund balances	(37,162)	(50)	2,770
Fund balances (deficits), beginning	183,876	50	83,108
Fund balances (deficits), ending	<u>\$ 146,714</u>	<u>-</u>	<u>85,878</u>

Capital Projects

CDBG Housing Rehabilitation Fund	Airport Taxiline Improvement Fund	Airport Fuel Facility Fund
-	-	-
-	-	-
-	-	-
29	-	1
18,768	-	-
-	-	-
-	-	-
-	-	-
<u>18,797</u>	<u>-</u>	<u>1</u>
-	-	-
-	-	-
-	-	-
4,846	-	-
<u>4,846</u>	<u>-</u>	<u>-</u>
13,951	-	1
-	-	-
-	-	(9,090)
-	-	-
-	-	<u>(9,090)</u>
13,951	-	(9,089)
251	122	9,089
<u>14,202</u>	<u>122</u>	<u>-</u>

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015
(Page 4 of 5)

	Capital Projects		
	Airport Hanger Fund	Lake Project Fund	Airport Land Fund
Revenues:			
Property taxes and assessments	\$ -	-	-
Tax increment financing	-	-	-
Other city taxes	-	-	-
Use of money and property	35	-	39
Intergovernmental	56,386	106,966	-
Charges for services	-	-	-
Miscellaneous	-	4,600	-
Utility donations	-	-	-
Total revenues	<u>56,421</u>	<u>111,566</u>	<u>39</u>
Expenditures:			
Current:			
Public safety	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	-
Capital projects	152,277	275,945	19,370
Total expenditures	<u>152,277</u>	<u>275,945</u>	<u>19,370</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(95,856)</u>	<u>(164,379)</u>	<u>(19,331)</u>
Other financing sources (uses):			
Transfers in	261,233	75,230	-
Transfers out	-	(39,140)	-
General obligation bonds issued and notes	-	295,000	-
Total other financing sources (uses)	<u>261,233</u>	<u>331,090</u>	<u>-</u>
Net change in fund balances	165,377	166,711	(19,331)
Fund balances (deficits), beginning	-	153,785	29,979
Fund balances (deficits), ending	<u>\$ 165,377</u>	<u>320,496</u>	<u>10,648</u>

Capital Projects

<u>PA Gaming Corporation Allocation Fund</u>	<u>Sidewalk Improvement Fund</u>	<u>Highway 18/ Urban Fund</u>
-	-	-
-	-	-
-	-	-
222	3	-
-	-	-
-	-	-
393,793	-	-
-	-	-
<u>394,015</u>	<u>3</u>	<u>-</u>
-	-	-
-	-	-
-	-	-
315,215	-	-
<u>315,215</u>	<u>-</u>	<u>-</u>
-	-	-
78,800	3	-
-	-	-
30,375	20,000	47,104
(156,698)	-	-
-	-	-
<u>(126,323)</u>	<u>20,000</u>	<u>47,104</u>
(47,523)	20,003	47,104
148,195	-	(94,208)
<u>100,672</u>	<u>20,003</u>	<u>(47,104)</u>

City of Emmetsburg, Iowa
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2015
(Page 5 of 5)

	Five Island Campground Fund	Airport Crack Sealing Fund	Permanent Perpetual Care Fund	Total Nonmajor Governmental Funds
Revenues:				
Property taxes and assessments	\$ -	-	-	462,777
Tax increment financing	-	-	-	128,704
Other city taxes	-	-	-	12,195
Use of money and property	5,424	12	-	8,405
Intergovernmental	-	4,562	-	646,268
Charges for services	-	-	1,770	1,770
Miscellaneous	-	-	-	568,215
Utility donations	-	-	-	3,000
Total revenues	<u>5,424</u>	<u>4,574</u>	<u>1,770</u>	<u>1,831,334</u>
Expenditures:				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	18,651
Community and economic development	-	-	-	19,872
Capital projects	282	-	-	770,601
Total expenditures	<u>282</u>	<u>-</u>	<u>-</u>	<u>809,124</u>
Excess (deficiency) of revenues over (under) expenditures	<u>5,142</u>	<u>4,574</u>	<u>1,770</u>	<u>1,022,210</u>
Other financing sources (uses):				
Transfers in	113,210	-	-	653,682
Transfers out	-	-	-	(1,655,065)
General obligation bonds issued and notes	-	-	-	295,000
Total other financing sources (uses)	<u>113,210</u>	<u>-</u>	<u>-</u>	<u>(706,383)</u>
Net change in fund balances	118,352	4,574	1,770	315,827
Fund balances (deficits), beginning	71,123	5,491	73,330	1,287,963
Fund balances (deficits), ending	<u>\$ 189,475</u>	<u>10,065</u>	<u>75,100</u>	<u>1,603,790</u>

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

	Modified Accrual Basis			
	2015	2014	2013	2012
Revenues:				
Property taxes and assessments	\$ 1,673,862	1,532,482	1,476,668	1,463,704
Tax increment financing	128,704	197,388	209,670	251,356
Other City taxes	217,116	228,189	187,857	187,586
Licenses and permits	23,282	31,339	5,700	16,640
Use of money and property	88,324	52,393	40,736	32,983
Intergovernmental	1,729,130	1,423,429	1,002,777	1,248,525
Charges for services	96,819	89,682	118,374	132,463
Special assessments	29,418	32,928	89,899	85,511
Miscellaneous	1,490,146	1,580,186	1,039,491	739,579
Utilities transfers in lieu of taxes and donations	376,313	173,223	-	-
Total revenues	\$ 5,853,114	5,341,239	4,171,172	4,158,347
Expenditures:				
Current:				
Public safety	\$ 654,016	894,672	581,341	630,120
Public works	893,813	856,245	714,777	808,565
Culture and recreation	743,251	568,122	490,815	633,998
Community and economic development	86,357	90,308	198,626	161,950
General government	433,099	390,217	365,514	375,332
Debt service	534,906	602,852	626,548	498,647
Capital projects	4,279,029	1,898,033	1,069,623	2,099,132
Total expenditures	\$ 7,624,471	5,300,449	4,047,244	5,207,744

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



**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
City of Emmetsburg, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Emmetsburg, Iowa, (City) 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, and have issued our report thereon dated March 20, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be significant deficiencies and on other deficiency that we considered to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the Schedule of Findings and Responses as item I-C-15 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying schedule of Findings and Responses as items I-A-15 and I-B-15 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City and are reported in Part II of the accompanying Schedule of Findings and Responses. 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's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Kiesling Associates, LLP

Emmetsburg, Iowa
March 20, 2016

Schedule of Findings and Responses

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES

I-A-15 **Segregation of Duties**

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

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

Cause – The City has limited time and staffing constraints.

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

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

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

Conclusion – Response accepted.

I-B-15 **Preparation of Financial Statements**

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

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

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

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

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

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

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

Response - The City has hired a CPA as its financial director who possess an understanding of applicable generally accepted accounting principles to the extent required to utilize such a disclosure checklist. We will use that checklist in the future.

Conclusion - Response accepted.

MATERIAL WEAKNESSES

I-C-15 Material Audit Adjustment

Criteria - A properly designed system of internal control over financial reporting allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition - During the course of our engagement, we proposed a material audit adjustment to the financial statements that would not have been identified as a result of the City's existing internal controls and, therefore, could have resulted in material misstatements of the City's financial statements.

Cause - The material audit adjustment was to increase accounts payable for Lake Street Improvements.

Effect - The effect of this condition was financial data not in accordance with generally accepted accounting principles.

Recommendation - We recommend that additional financial statement review procedures be implemented.

Response – We did not have an individual on staff that reviewed these type of transactions. We have hired a CPA as our financial director who will review such transactions in the future.

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting:

II-A-15 Certified Budget – Expenditures during the year ended June 30, 2015 exceeded the amount budgeted in the public safety function by 6,110.

II-B-15 Questionable Expenditures – There were no questionable expenditures that fell outside its established policy on such costs.

II-C-15 Travel Expense - No expenditures 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 as follows:

<u>Council member</u>	<u>Transaction description</u>	<u>Amount</u>
<u>Bill Burdick Jr.</u>		
Go Gutters	Repairs	\$ 280

In accordance with Chapter 362.5 of the Code of Iowa, the transaction does not appear represent a conflict of interest because the total transaction did not exceed a cumulative total of \$1,500 for the year.

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

II-H-15 Annual Urban Renewal Report – The urban renewal report was approved and certified to the Iowa Department of Management on or before December 1.