CITY OF LECLAIRE

LeClaire, Iowa

ANNUAL FINANCIAL REPORT

June 30, 2015

CITY OF LECLAIRE, IOWA
June 30, 2015

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CITY OF LECLAIRE, IOWA
June 30, 2015

OFFICIALS

Name	Title	Term Expires
Robert Scannell	Mayor	Jan 2016
Ray Allen	Council Member	Jan 2018
Barry Long	Mayor Pro-Tem	Jan 2018
Justin Graff	Council Member	Jan 2018
Terri Applegate	Council Member	Jan 2016
Jesse Anderson	Council Member	Jan 2016
Edwin N. Choate	Administrator/Clerk	Indefinite
Deborah F. Buskirk	Deputy Clerk	Indefinite
Jeffrey C. McDaniel	Attorney	Indefinite

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LeClaire, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LeClaire, 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.

Change in Accounting Principle

The City adopted the GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which modified certain disclosures in the notes to financial statements and the required supplementary information. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, other post employment benefit plan schedule of funding progress, schedule of the City's proportionate share of the net pension liability, schedule of the City contributions, and notes to pension liability on pages 3 through 11, 48 through 49, 50, 51, 52, and 53, respectively, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of 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 LeClaire, Iowa's basic financial statements. The introductory section, combining 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.

The combining financial statements and schedule of revenues by source and expenditures by function are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 7, 2015, on our consideration of the City of LeClaire, Iowa's internal control over financial reporting and on 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 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 City of LeClaire, Iowa's internal control over financial reporting and compliance.

Carpenter, Mitchell, Goddard & Company, LLC

Moline, Illinois
December 7, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

* Revenues of the City's governmental activities decreased 24.4%, or approximately $2,284,000, from fiscal 2014 to fiscal 2015. Tax increment financing revenues increased approximately $149,000.

* Revenues of the City's business-type activities decreased 20.3%, or approximately $175,000, from fiscal 2014 to fiscal 2015.

* Program expenses of the City's governmental activities increased 9.7%, or approximately $636,000, in fiscal 2015 from fiscal 2014.

* Program expenses of the City's business-type activities decreased 12.3%, or approximately $148,000, in fiscal 2015 from fiscal 2014.

* The City's net position decreased 2.3%, or approximately $453,500, from June 30, 2014 to June 30, 2015. Of this amount, the net position of the governmental activities increased approximately $96,500 and the net position of the business-type activities decreased approximately $550,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

REPORTING THE FINANCIAL STATEMENTS

Government-wide Financial Statements

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

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

The 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.

The Statement of Net Position and the Statement of Activities report two kinds of activities:

* Governmental activities include public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and capital outlay. Property tax and state and federal grants finance most of these activities.

* Business-type activities include the sanitary sewer system. This activity is financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

Governmental funds

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

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

Proprietary funds

The proprietary fund accounts for the City's Enterprise Fund. This fund reports services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. The major difference between proprietary funds and the business-type activities included in the government-wide

statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Fund is the Sewer Fund, a major fund of the City.

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

NET POSITION AT YEAR-END

June 30, 2015	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current and other assets	$ 11,572,587	$ (335,905)	$ 11,236,682
Capital assets	27,207,702	17,021,491	44,229,193
Total assets	$ 38,780,289	$ 16,685,586	$ 55,465,875
DEFERRED OUTFLOWS OF RESOURCES	$ 128,010	$ 34,590	$ 162,600
Long-term liabilities	$ 27,795,989	$ 125,082	$ 27,921,071
Other liabilities	363,619	183,950	547,569
Total liabilities	$ 28,159,608	$ 309,032	$ 28,468,640
DEFERRED INFLOWS OF RESOURCES	$ 5,311,434	$ 41,337	$ 5,352,771
NET POSITION			
Net investment in capital assets	$ 4,363,519	$ 17,021,491	$ 21,385,010
Restricted	854,218	- - -	854,218
Unrestricted	219,520	(651,684)	(432,164)
Total net position	$ 5,437,257	$ 16,369,807	$ 21,807,064

NET POSITION AT YEAR-END – (Continued)

June 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current and other assets	$ 6,437,792	$ 1,301,412	$ 7,739,204
Capital assets	28,088,435	16,721,324	44,809,759
Total assets	$ 34,526,227	$ 18,022,736	$ 52,548,963
LIABILITIES			
Long-term liabilities	$ 23,460,128	$ 16,401	$ 23,476,529
Other liabilities	691,608	965,667	1,657,275
Total liabilities	$ 24,151,736	$ 982,068	$ 25,133,804
DEFERRED INFLOWS OF RESOURCES	$ 4,729,940	$ - - -	$ 4,729,940
NET POSITION			
Net investment in capital assets	$ 4,720,636	$ 16,721,324	$ 21,441,960
Restricted	489,692	- - -	489,692
Unrestricted	434,223	319,344	753,567
Total net position	$ 5,644,551	$ 17,040,668	$ 22,685,219

Net position of governmental activities increased approximately $96,500, or 1.8%, from FY14 restated balance. Net position of business-type activities decreased approximately $550,000, from FY14 restated balance. The largest portion of the City's net position is invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net position represent resources subject to external restrictions, 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 without constraints established by debt covenants, legislation or other legal requirements, for governmental activities is $219,520 at the end of this year.

CHANGES IN NET POSITION

Year Ended June 30, 2015

	Governmental Activities	Business-Type Activities	Total
REVENUES			
Program revenues:			
Charges for services	$ 475,046	$ 683,797	$ 1,158,843
Operating grants, contributions and restricted interest	515,500	- - -	515,500
Capital grants, contributions and restricted interest	- - -	- - -	- - -
General revenues:			
Property tax levies for:			
General purposes	1,281,320	- - -	1,281,320
Debt service	150,024	- - -	150,024
Tax increment financing	3,820,063	- - -	3,820,063
Hotel/motel tax	237,384	- - -	237,384
Local option sales tax	553,419	- - -	553,419
Unrestricted investment earnings	38,559	1,011	39,570
Gain on sale of capital assets	5,414	5,542	10,956
Total revenues	$ 7,076,729	$ 690,350	$ 7,767,079
EXPENSES			
Program expenses:			
Public safety	$ 990,917	$ - - -	$ 990,917
Public works	2,369,852	- - -	2,369,852
Culture and recreation	355,602	- - -	355,602
Community and economic development	2,040,522	- - -	2,040,522
General government	352,774	- - -	352,774
Debt service	1,061,349	- - -	1,061,349
Sewer	- - -	1,049,399	1,049,399
Total expenses	$ 7,171,016	$ 1,049,399	$ 8,220,415
Increase (decrease) in net position before transfers	$ (94,287)	$ (359,049)	$ (453,336)
Transfers	190,787	(190,787)	- - -
Increase (decrease) in net position	$ 96,500	$ (549,836)	$ (453,336)
Net position, beginning of year, restated	5,340,757	16,919,643	22,260,400
Net position, end of year	$ 5,437,257	$ 16,369,807	$ 21,807,064

CHANGES IN NET POSITION – (Continued)

Year Ended June 30, 2014

	Governmental Activities	Business-Type Activities	Total
REVENUES			
Program revenues:			
Charges for services	$ 510,067	$ 720,004	$ 1,230,071
Operating grants, contributions and restricted interest	461,089	- - -	461,089
Capital grants, contributions and restricted interest	2,587,130	132,000	2,719,130
General revenues:			
Property tax levies for:			
General purposes	1,239,896	- - -	1,239,896
Debt service	47,014	- - -	47,014
Tax increment financing	3,670,713	- - -	3,670,713
Hotel/motel tax	238,910	- - -	238,910
Local option sales tax	536,467	- - -	536,467
Unrestricted investment earnings	33,782	13,738	47,520
Gain (loss) on sale of capital assets	35,937	- - -	35,937
Total revenues	$ 9,361,005	$ 865,742	$ 10,226,747
EXPENSES			
Program expenses:			
Public safety	$ 1,068,966	$ - - -	$ 1,068,966
Public works	1,882,623	- - -	1,882,623
Culture and recreation	362,123	- - -	362,123
Community and economic development	2,030,861	- - -	2,030,861
General government	330,582	- - -	330,582
Debt service	859,502	- - -	859,502
Sewer	- - -	1,197,047	1,197,047
Total expenses	$ 6,534,657	$ 1,197,047	$ 7,731,704
Increase in net position before transfers	$ 2,826,348	$ (331,305)	$ 2,495,043
Transfers	(3,838,916)	3,838,916	- - -
Increase in net position	$(1,012,568)	$ 3,507,611	$ 2,495,043
Net position, beginning of year	6,657,119	13,533,057	20,190,176
Net position, end of year	$ 5,644,551	$ 17,040,668	$ 22,685,219

Revenues decreased overall approximately $2,460,000 or 24.1%, from FY14 to FY15. Charges for services decreased approximately $71,000. Tax increment financing increased approximately $149,000 due to a combination of an increase in debt certified on the TIF debt certificate and an increase in property valuation.

Expenses increased overall approximately $489,000, or 6.3%. Public works expenses increased approximately $487,000 due to more street work.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As the City of LeClaire completed fiscal 2015, its governmental funds reported a combined fund balance of $6,214,230, which is more than the $1,088,463 total fund balance at June 30, 2014. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The Debt Service Fund ended fiscal 2015 with a $4,966,502 balance compared to the prior year ending balance of $32,721. The increase is due to the issuance of 2015 Refunding bonds of which the net proceeds are held in escrow until the refunding of the 2011B bonds takes place on June 1, 2017.

The Capital Projects Fund ended fiscal 2015 with a $26,063 balance compared to the prior year ending balance of $(63,943). The increase in fund balance is the result of transfers from other funds.

Proprietary Fund Highlights

The Enterprise Sewer Fund ended fiscal 2015 with a $16,369,807 net position balance compared to the restated prior year ending net position balance of $16,919,643. The decrease is due to a decrease in charges for services revenues, an increase in depreciation expense, and an increase in transfers out.

BUDGETARY HIGHLIGHTS

The City of LeClaire amended its original budget on May 18, 2015.

The City's revenues and other financing sources were $4,281,805 less than budgeted, due primarily to other financing sources being less than expected.

Total expenditures were $545,657 less than budgeted, due primarily to expenses being less than expected for public safety, public works and community and economic development, and more than expected for capital projects and outlay.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled $27,207,702 (net of accumulated depreciation) at June 30, 2015. Capital assets for business-type activities totaled $17,021,491 (net of accumulated depreciation) at June 30, 2015. See Note 3 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included the purchase of two trucks, a squad car, and completed projects capitalized for street improvements and fiber optics and hardware.

For business-type activities, the major fixed asset additions consisted of the sewer and lift station improvements, two pumps, and a dump truck.

An addition of a cold storage building's cost was split between governmental and business-type activities.

LONG-TERM DEBT

At June 30, 2015, the City had $27,795,989 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business-type activities was $125,082 at June 30, 2015.

The City does not have a formal bond rating issued by one of the nationally recognized bond rating agencies. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5 percent of the 100% assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of $11,122,858 is below its constitutional debt limit of $17,494,185. Additional information about the City's long-term debt is presented in Note 4 of the financial statements.

ECONOMIC FACTORS BEARING ON THE CITY'S FUTURE

Several economic factors affected decisions made by the City in setting its fiscal 2016 budget. The City's assessed valuations continue to increase and the Council continues to carefully review its options with respect to the amounts certified for TIF purposes and for use within the General (and other) funds, both for the City and the other Scott County taxing entities dependent upon the City's valuations for revenue.

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

General	$ 8.10000
Levy Improvement	0.06750
Insurance	0.60236
Emergency	0.27000
Employee Benefits	4.43054
Debt Service	0.82764
Total Regular Tax Levy Rate	$ 14.29804
Agricultural Tax Levy Rate	$ 3.00375

The City's property tax rate for fiscal 2016 is $14.29804/$1,000 of valuation, which is .1746 lower than fiscal 2015.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information, please contact the City Administrator at (563)-289-4242, via email at echoate@leclaireiowa.gov or at 325 Wisconsin Street, LeClaire, Iowa 52753.

CITY OF LECLAIRE, IOWA
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and pooled assets	$ 554,613	$ 5	$ 554,618
Receivables:			
Property tax:			
Delinquent	12,757	-	12,757
Succeeding year	1,284,560	-	1,284,560
Tax increment financing:			
Delinquent	9,302	-	9,302
Succeeding year	3,819,845	-	3,819,845
Customer accounts and unbilled usage	17,793	79,345	97,138
Accounts	25,008	-	25,008
Special assessments	5,266	19,718	24,984
Due from other governments	213,426	-	213,426
Internal balances	601,795	(601,795)	-
Inventories	89,509	4,558	94,067
Prepaid expenses	1,097	1,765	2,862
Restricted assets:			
Cash with fiscal agent	4,937,616	-	4,937,616
Cash and pooled investments:			
Customer deposits	-	160,499	160,499
Capital assets not being depreciated	777,122	85,590	862,712
Capital assets (net of accumulated depreciation)	26,430,580	16,935,901	43,366,481
Total assets	$ 38,780,289	$ 16,685,586	$ 55,465,875
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	$ 128,010	$ 34,590	$ 162,600
LIABILITIES			
Accounts payable	$ 172,547	$ 23,451	$ 195,998
Salaries and benefits payable	13,723	-	13,723
Accrued interest payable	109,667	-	109,667
Unearned revenue	23,528	-	23,528
Liabilities payable from restricted assets:			
Customer deposits	44,154	160,499	204,653
Long-term liabilities:			
Portion due or payable within one year:			
General obligation bonds/notes	1,910,000	-	1,910,000
Urban renewal tax increment revenue bonds	81,250	-	81,250
Capital lease purchase agreement	39,227	-	39,227
Compensated absences	74,155	16,693	90,848

	Governmental Activities	Business-Type Activities	Total
Liabilities - (Continued)			
Portion due or payable after one year:			
General obligation bonds/notes	25,040,000	-	25,040,000
Capital lease purchase agreement	453,706	-	453,706
Net pension liability	179,915	108,389	288,304
Net OPEB liability	17,736	-	17,736
Total liabilities	$ 28,159,608	$ 309,032	$ 28,468,640
DEFERRED INFLOWS OF RESOURCES			
Deferred revenues:			
Pension related deferred inflows	$ 207,029	$ 41,337	$ 248,366
Succeeding year property tax	1,284,560	-	1,284,560
Tax increment financing	3,819,845	-	3,819,845
Total deferred inflows of resources	$ 5,311,434	$ 41,337	$ 5,352,771
Total liabilities and deferred inflows of resources	$ 33,471,042	$ 350,369	$ 33,821,411
NET POSITION			
Net investment in capital assets	$ 4,363,519	$ 17,021,491	$ 21,385,010
Restricted for:			
Development	142,099	-	142,099
Cash with fiscal agent	257,616	-	257,616
Debt service	28,886	-	28,886
Street maintenance	170,870	-	170,870
Other purposes	254,747	-	254,747
Unrestricted	219,520	(651,684)	(432,164)
Total net position	$ 5,437,257	$ 16,369,807	$ 21,807,064

The accompanying notes are an integral part of these financial statements.

CITY OF LECLAIRE, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

		Program	
	Expenses	Charges for Services	Operating Grants, Contributions, and Restricted Interest
FUNCTION/PROGRAMS			
Governmental activities:			
Public safety	$ 990,917	$ 70,048	$ 69,802
Public works	2,369,852	297,917	401,159
Culture and recreation	355,602	35,640	19,539
Community and economic development	2,040,522	16,009	25,000
General government	352,774	55,432	-
Interest on long-term debt	1,061,349	-	-
Total governmental activities	$ 7,171,016	$ 475,046	$ 515,500
Business-Type activities:			
Sewer	1,049,399	683,797	-
Total government	$ 8,220,415	$ 1,158,843	$ 515,500

General revenues:
Property and other city tax levied for:
General purposes
Debt service
Tax increment financing
Hotel/motel tax
Sales taxes
Unrestricted investment earnings
Gain on sale of capital assets
Transfers

Total general revenues and transfers

Change in net position

NET POSITION, Beginning, Restated

NET POSITION, Ending

Revenues	Net (Expense) Revenue and Changes in Net Assets		
Capital Grants, Contributions, and Restricted Interest	Governmental Activities	Business-Type Activities	Total
$ -	$ (851,067)	$ -	$ (851,067)
-	(1,670,776)	-	(1,670,776)
-	(300,423)	-	(300,423)
-	(1,999,513)	-	(1,999,513)
-	(297,342)	-	(297,342)
-	(1,061,349)	-	(1,061,349)
$ -	$ (6,180,470)	$ -	$ (6,180,470)
-	-	(365,602)	(365,602)
$ -	$ (6,180,470)	$ (365,602)	$ (6,546,072)
	$ 1,281,320	$ -	$ 1,281,320
	150,024	-	150,024
	3,820,063	-	3,820,063
	237,384	-	237,384
	553,419	-	553,419
	38,559	1,011	39,570
	5,414	5,542	10,956
	190,787	(190,787)	-
	$ 6,276,970	$ (184,234)	$ 6,092,736
	$ 96,500	$ (549,836)	$ (453,336)
	5,340,757	16,919,643	22,260,400
	$ 5,437,257	$ 16,369,807	$ 21,807,064

The accompanying notes are an integral part of these financial statements.

CITY OF LECLAIRE, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Special Revenue Urban Renewal Tax Increment Financing	Debt Service
ASSETS			
Cash and pooled investments	$ 382,156	$ 53,447	$ 9,065
Receivables:			
Property tax:			
Delinquent	7,712	-	821
Succeeding year	730,009	-	164,371
Tax increment financing:			
Delinquent	-	9,302	-
Succeeding year	-	3,819,845	-
Customer accounts	17,793	-	-
Accounts	25,008	-	-
Special assessments	5,266	-	-
Due from other governments	85,249	-	-
Due from other funds	286,633	151,437	19,000
Inventories	1,162	-	-
Prepaid expenditures	97	-	-
Restricted assets:			
Cash with fiscal agent	-	-	4,937,616
Total assets	$ 1,541,085	$ 4,034,031	$ 5,130,873
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 75,722	$ 72,087	$ -
Salaries and benefits payable	13,723	-	-
Due to other funds	-	-	-
Unearned revenue	23,528	-	-
Payable from restricted assets:			
Customer deposits	44,154	-	-
Total liabilities	$ 157,127	$ 72,087	$ -
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	$ 730,009	$ -	$ 164,371
Unavailable revenue - tax increment financing	-	3,819,845	-
Total deferred inflows of resources	$ 730,009	$ 3,819,845	$ 164,371
Total liabilities and deferred inflows of resources	$ 887,136	$ 3,891,932	$ 164,371

Capital Projects	Other Governmental Funds	Total Governmental Funds
$ -	$ 109,945	$ 554,613
-	4,224	12,757
-	390,180	1,284,560
-	-	9,302
-	-	3,819,845
-	-	17,793
-	-	25,008
-	-	5,266
-	128,177	213,426
106,284	116,030	679,384
-	88,347	89,509
-	1,000	1,097
-	-	4,937,616
$ 106,284	$ 837,903	$ 11,650,176
$ 14,069	$ 10,669	$ 172,547
-	-	13,723
66,152	11,437	77,589
-	-	23,528
-	-	44,154
$ 80,221	$ 22,106	$ 331,541
$ -	$ 390,180	$ 1,284,560
-	-	3,819,845
$ -	$ 390,180	$ 5,104,405
$ 80,221	$ 412,286	$ 5,435,946

(Continued)

CITY OF LECLAIRE, IOWA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General Fund	Special Revenue Urban Renewal Tax Increment Financing	Debt Service
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (Continued)			
FUND BALANCES			
Nonspendable:			
Inventories	$ 1,162	$ -	$ -
Prepaid expenditures	97	-	-
Endowment	-	-	-
Restricted			
Debt service	-	-	4,966,502
Special Revenue	-	142,099	-
Committed			
Insurance reserve and sale proceeds	-	-	-
Assigned			
Special Levies	80,952	-	-
Park, levee and recreation	83,153	-	-
Tourism	122,183	-	-
Garbage	20,426	-	-
Library	50,485	-	-
Capital projects	-	-	-
Unassigned			
General Fund	295,491	-	-
Total fund balances	$ 653,949	$ 142,099	$ 4,966,502
Total liabilities, deferred inflows of resources, and fund balances	$ 1,541,085	$ 4,034,031	$ 5,130,873

Capital Projects	Other Governmental Funds	Total Governmental Funds
$ -	$ 88,347	$ 89,509
-	1,000	1,097
-	52,213	52,213
-	-	4,966,502
-	284,057	426,156
-	-	-
-	-	80,952
-	-	83,153
-	-	122,183
-	-	20,426
-	-	50,485
26,063	-	26,063
-	-	295,491
$ 26,063	$ 425,617	$ 6,214,230
$ 106,284	$ 837,903	$ 11,650,176

CITY OF LECLAIRE, IOWA
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2015

Total fund balance - governmental funds	$ 6,214,230
Amounts reported for governmental activities in the statements of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	27,207,702
Pension related deferred outflows	128,010
Long-term liabilities, including general obligation bonds/notes, urban renewal tax increment revenue bonds, capital lease purchase agreement, compensated absences, net pension liability, other postemployment benefits payable, and accrued interest payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	(27,905,656)
Pension related deferred inflows	(207,029)
Net position of governmental activities	$ 5,437,257

The accompanying notes are an integral part of these financial statements.

CITY OF LECLAIRE, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General Fund	Special Revenue Urban Renewal Tax Increment Financing	Debt Service
REVENUES			
Taxes:			
Property	$ 743,010	$ -	$ 145,674
Tax increment financing	-	3,790,417	-
Other city tax	332,636	29,646	4,350
Licenses and permits	13,589	-	-
Use of money and property	56,285	12,285	545
Intergovernmental	80,264	-	-
Charges for service	314,699	-	-
Special assessments	41	-	-
Miscellaneous	98,170	-	-
Total revenues	$ 1,638,694	$ 3,832,348	$ 150,569
EXPENDITURES			
Operating:			
Public safety	$ 702,802	$ -	$ -
Public works	345,463	-	-
Culture and recreation	277,801	-	-
Community and economic development	183,821	1,856,435	-
General government	246,501	-	-
Debt service	4,141	91,325	2,802,662
Capital projects	-	-	-
Capital outlay	139,594	-	-
Total expenditures	$ 1,900,123	$ 1,947,760	$ 2,802,662
Excess (deficiency) of revenues over (under) expenditures	$ (261,429)	$ 1,884,588	$ (2,652,093)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	$ 520,028	$ 388,183	$ 2,522,869
Operating transfers out	(420,772)	(2,280,697)	(35)
General obligation bonds/notes issued	133,114	-	5,063,040
Sale of capital assets	20,294	-	-
Total other financing sources (uses)	$ 252,664	$ (1,892,514)	$ 7,585,874
Net change in fund balances	$ (8,765)	$ (7,926)	$ 4,933,781
FUND BALANCES – Beginning	662,714	150,025	32,721
FUND BALANCES – Ending	$ 653,949	$ 142,099	$ 4,966,502

Capital Projects	Other Governmental Funds	Total Governmental Funds
$ -	$ 417,692	$ 1,306,376
-	-	3,790,417
-	578,744	945,376
-	-	13,589
4,513	15,142	88,770
-	401,159	481,423
-	-	314,699
-	-	41
6,683	23,611	128,464
$ 11,196	$ 1,436,348	$ 7,069,155
$ -	$ 170,806	$ 873,608
-	442,165	787,628
-	52,595	330,396
-	385	2,040,641
-	53,775	300,276
24,389	-	2,922,517
770,244	-	770,244
35,403	9,162	184,159
$ 830,036	$ 728,888	$ 8,209,469
$ (818,840)	$ 707,460	$ (1,140,314)
$ 50,000	$ -	$ 3,481,080
-	(588,789)	(3,290,293)
858,846	-	6,055,000
-	-	20,294
$ 908,846	$ (588,789)	$ 6,266,081
$ 90,006	$ 118,671	$ 5,125,767
(63,943)	306,946	1,088,463
$ 26,063	$ 425,617	$ 6,214,230

(Continued)

CITY OF LECLAIRE, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year ended June 30, 2015

Net change in fund balances - governmental funds		$ 5,125,767
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. Depreciation expense exceeded capital outlay expenditures and contributed capital assets in the current year, as follows:		
Expenditures for capital assets	$ 184,159	
Depreciation expense	(1,052,172)	(868,013)
The net effect of various miscellaneous transactions involving assets (i.e., sales, trade-ins, and donations) is to decrease net position		(12,720)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issues exceeded repayments, as follows:		
Issued	$ (6,055,000)	
Repaid	1,898,616	(4,156,384)
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 the governmental funds, as follows:		
Compensated absences	$ 2,053	
Accrued interest on long-term debt	(37,448)	
Pension expense	44,860	
Other postemployment benefits	(1,615)	7,850
Change in net position of governmental activities		$ 96,500

The accompanying notes are an integral part of these financial statements.

CITY OF LECLAIRE, IOWA
STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2015

	Enterprise Sewer
ASSETS	
Cash and pooled investments	$ 5
Receivables:	
Customer accounts and unbilled usage	79,345
Special assessments	19,718
Inventories	4,558
Prepaid expenses	1,765
Restricted assets:	
Cash and pooled investments:	
Customer deposits	160,499
Capital assets not being depreciated	85,590
Capital assets (net of accumulated depreciation)	16,935,901
Total assets	$ 17,287,381
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows	$ 34,590
LIABILITIES	
Current liabilities:	
Accounts payable	$ 23,451
Compensated absences	16,693
Due to other funds	601,795
Payable from restricted assets:	
Customer deposits	160,499
Net pension liability	108,389
Total liabilities	$ 910,827
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows	$ 41,337
NET POSITION	
Net investment in capital assets	$ 17,021,491
Unrestricted	(651,684)
Total net position	$ 16,369,807

The accompanying notes are an integral part of these financial statements.

CITY OF LECLAIRE, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2015

	Enterprise Sewer
OPERATING REVENUES	
Charges for services	$ 678,555
Miscellaneous	5,242
Total operating revenues	$ 683,797
OPERATING EXPENSES	
Business type activities:	
Cost of sales and services	$ 591,079
Depreciation	458,320
Total operating expenses	$ 1,049,399
OPERATING INCOME (LOSS)	$ (365,602)
NONOPERATING REVENUES (EXPENSES)	
Investment income	1,011
Gain on sale of assets	5,542
Net income before contributions and transfers	$ (359,049)
Contributions and transfers:	
Transfers in	$ 1,147,477
Transfers out	(1,338,264)
Total contributions and transfers	$ (190,787)
Change in net position	$ (549,836)
Net position, beginning of year, restated	16,919,643
Net position, end of year	$ 16,369,807

The accompanying notes are an integral part of these financial statements.

CITY OF LECLAIRE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2015

	Enterprise Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers and users	$ 685,089
Cash received from other revenues	5,242
Cash paid for personal services	(262,742)
Cash paid to suppliers	(1,111,563)
Net cash used by operating activities	$ (683,974)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Advances from other funds	$ 601,795
Transfers from other funds	1,147,477
Transfers to other funds	(1,338,264)
Net cash provided by noncapital financing activities	$ 411,008
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	$ (758,487)
Cash on sale of capital assets	5,542
Net cash used by capital and related financing activities	$ (752,945)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	$ 1,011
Net increase in cash and cash equivalents	$ (1,024,900)
Cash and cash equivalents, beginning of year	1,024,905
Cash and cash equivalents, end of year	$ 5

(Continued)

CITY OF LECLAIRE, IOWA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2015

	Enterprise Sewer
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	$ (365,602)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	458,320
Increase in customer accounts, unbilled usage and other receivables	(1,369)
Decrease in prepaid expenses	2,655
Decrease in inventories	9,336
Increase in pension related deferred outflows	(34,590)
Decrease in accounts payable	(789,620)
Increase in compensated absences	292
Increase in customer deposits	7,903
Increase in pension related deferred inflows	41,337
Increase in net pension liability	(12,636)
Net cash used by operating activities	$ (683,974)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES:	
Restatement of retained earnings-net pension liability	$ (121,025)

The accompanying notes are an integral part of these financial statements.

NOTE 1 - NATURE OF OPERATIONS, REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS –

The City of LeClaire is a political subdivision of the State of Iowa located in Scott County. It was first incorporated in 1834 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City of LeClaire, Iowa provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. It also provides sewer utilities.

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

FINANCIAL REPORTING ENTITY –

For financial reporting purposes, the City of LeClaire, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. Accounting principles generally accepted in the United States of America require the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

These financial statements present the City of LeClaire, Iowa and its blended component unit. The component unit discussed below is included in the City's reporting entity because of its operational or financial relationship with the City.

Blended Component Unit – The following component unit is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and blended into the appropriate fund.

Friends of the LeClaire Community Library, Inc. (Friends of the Library) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act for the purpose of supporting the LeClaire Community Library. In accordance with criteria set by the Governmental Accounting Standards Board, Friends of the Library meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

Jointly Governed Organizations – The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives

NOTE 1 - (Continued)

to the following boards and commissions: Scott County Assessor's Conference Board, Scott County Emergency Management Commission, Scott County Area Solid Waste Management Commission, and Bi-State Regional Commission. Financial transactions of these organizations are not included in the City's financial statements.

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 nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by property tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

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

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

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

Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which 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. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items properly not included among program revenues are reported instead as general revenues.

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

Fund Balance

Governmental funds equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance is reported for amounts that are either not in spendable form or legally or contractually required to be maintained intact. Restrictions of fund balance are reported for amounts constrained by legal restrictions from outside parties for use for

NOTE 1 - (Continued)

a specific purpose, or externally imposed by outside entities. Committed fund balance is constrained by formal actions of the City Council, which is considered the City's highest level of decision making authority. Formal actions include resolutions and ordinances by the City's intent to use them for a specific purpose. Assigned fund balances are amounts intended to be used for specific purposes, as authorized by the City Council. Any residual fund balance of the General Fund and any deficits in other funds, if any, are reported as unassigned.

The City's flow of funds assumption prescribes that the funds with the highest level of constraint are expended first. If restricted or unrestricted funds are available for spending, the restricted funds are spent first. Additionally, if different levels of unrestricted funds are available for spending the City considers committed funds to be expended first followed by assigned and then unassigned funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION –

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

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

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

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

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

NOTE 1 - (Continued)

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

The City maintains its financial records on the accrual basis.

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

The City reports the following major proprietary fund:

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

ASSETS, LIABILITIES AND FUND EQUITY –

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

CASH, POOLED INVESTMENTS AND CASH EQUIVALENTS –

The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments consist of money market accounts, which are stated at cost.

NOTE 1 - (Continued)

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

PROPERTY TAX RECEIVABLE, INCLUDING TAX INCREMENT FINANCING –

Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

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

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

CUSTOMER ACCOUNTS AND UNBILLED USAGE –

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

DUE FROM AND DUE TO OTHER FUNDS –

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

DUE FROM OTHER GOVERNMENTS –

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

NOTE 1 - (Continued)

INVENTORIES –

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

RESTRICTED ASSETS –

Restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers, and cash with fiscal agent restricted for debt service.

CAPITAL ASSETS –

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

Asset Class	Amount
Equipment and vehicles	$ 5,000
Land, buildings, and improvements	10,000
Infrastructure	10,000

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Asset Class	Life in Years
Buildings and improvements	15-50
Equipment	5-20
Vehicles	4-30
Infrastructure	10-100

UNEARNED REVENUES –

Unearned revenues represent amounts received for which services have not yet been rendered.

BUDGETS AND BUDGETARY ACCOUNTING –

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

NOTE 1 - (Continued)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES –

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one type of item that qualifies for reporting in this category. The governmental activities reports deferred expenses from one source: pension related deferred outflows. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become expendable.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. The City activities reports deferred revenues from three sources: property taxes, tax increment financing, and pension related deferred inflows. The funds report unavailable revenues from two sources: property taxes and tax increment financing. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

COMPENSATED ABSENCES –

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. The City also allows employees to accumulate compensatory time during the fiscal year in lieu of overtime pay. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated liability attributable to the governmental activities will be paid primarily by the General and Road Use Tax Funds.

LONG-TERM LIABILITIES –

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

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

FUND EQUITY –

In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2 - CASH AND POOLED INVESTMENTS

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

The City is authorized by statute to invest in 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 as of June 30, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash with fiscal agent	$ 4,937,616

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with its investment policy, the City limits its exposure to interest rate risk by structuring the portfolio to maximize yields while maintaining safety of principal.

As of June 30, 2015, the City had the following investments:

		Investment Maturities (in Years)	
	Fair Value	Less than 1 Year	1 to 5
U.S. government securities	$ 4,937,616	$ 138,520	$ 4,799,096

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. The City's investments at June 30, 2015 are not subject to credit risk.

Concentration of Credit Risk

The City had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments or investments by reporting unit (primary government, discretely presented component unit, governmental activities, major fund, nonmajor funds in the aggregate, fiduciary funds, etc.).

NOTE 2 - (Continued)

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2015, there was not investment custodial risk for the City.

NOTE 3 - CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 683,439	$ - - -	$ 12,720	$ 670,719
Land, right of way	106,403	- - -	- - -	106,403
Construction in progress, infrastructure	730,091	35,403	765,494	- - -
Total capital assets, not being depreciated	$ 1,519,933	$ 35,403	$ 778,214	$ 777,122
Capital assets, being depreciated:				
Buildings and improvements	$ 4,544,531	$ 31,868	$ - - -	$ 4,576,399
Equipment and vehicles	3,428,141	162,257	32,907	3,557,491
Infrastructure, road network	27,513,337	702,405	- - -	28,215,742
Infrastructure, other	252,041	17,720	- - -	269,761
Total capital assets, being depreciated	$ 35,738,050	$ 914,250	$ 32,907	$ 36,619,393
Less accumulated depreciation for:				
Buildings and improvements	$ 923,876	$ 95,079	$ - - -	$ 1,018,955
Equipment and vehicles	2,035,651	174,360	32,907	2,177,104
Infrastructure, road network	6,138,612	773,741	- - -	6,912,353
Infrastructure, other	71,409	8,992	- - -	80,401
Total accumulated depreciation	$ 9,169,548	$ 1,052,172	$ 32,907	$ 10,188,813
Total capital assets, being depreciated, net	$ 26,568,502	$ (137,922)	$ - - -	$ 26,430,580
Governmental activities capital assets, net	$ 28,088,435	$ (102,519)	$ 778,214	$ 27,207,702

NOTE 3 - (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 85,590	$ - - -	$ - - -	$ 85,590
Construction in progress - infrastructure, sewer network	1,795,792	- - -	1,795,792	- - -
Total capital assets, not being depreciated	$ 1,881,382	$ - - -	$ 1,795,792	$ 85,590
Capital assets, being depreciated:				
Buildings	$ 478,624	$ 12,466	$ - - -	$ 491,090
Equipment and vehicles	905,541	43,897	17,415	932,023
Infrastructure, sewer network	15,332,905	2,497,916	- - -	17,830,821
Total capital assets, being depreciated	$ 16,717,070	$ 2,554,279	$ 17,415	$ 19,253,934
Less accumulated depreciation for:				
Buildings	$ 172,912	$ 21,706	$ - - -	$ 194,618
Equipment and vehicles	338,701	63,083	17,415	384,369
Infrastructure, sewer network	1,365,515	373,531	- - -	1,739,046
Total accumulated depreciation	$ 1,877,128	$ 458,320	$ 17,415	$ 2,318,033
Total capital assets, being depreciated, net	$ 14,839,942	$ 2,095,959	$ - - -	$ 16,935,901
Business-type activities capital assets, net	$ 16,721,324	$ 2,095,959	$ 1,795,792	$ 17,021,491

NOTE 3 - (Continued)

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

Governmental activities:	
Public safety	$ 140,118
Public works	824,441
Culture and recreation	32,499
General government	55,114
Total depreciation expense - governmental activities	$ 1,052,172
Business-type activities:	
Sewer	$ 458,320

NOTE 4 - LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds/notes	$ 22,675,000	$ 6,055,000	$ 1,780,000	$ 26,950,000	$ 1,910,000
Urban renewal tax increment revenue bonds	162,500	- - -	81,250	81,250	81,250
Capital lease purchase agreement	530,299	- - -	37,366	492,933	39,227
Compensated absences	76,208	74,155	76,208	74,155	74,155
Net pension liability	- - -	383,775	203,860	179,915	- - -
Net OPEB liability	16,121	1,615	- - -	17,736	- - -
Governmental activity long-term liabilities	$ 23,460,128	$ 6,514,545	$ 2,178,684	$ 27,795,989	$ 2,104,632
Business-type activities:					
Compensated absences	$ 16,401	$ 16,693	$ 16,401	$ 16,693	$ 16,693
Net pension liability	- - -	136,995	28,606	108,389	- - -
Business-type activity long-term liabilities	$ 16,401	$ 153,688	$ 45,007	$ 125,082	$ 16,693

GENERAL OBLIGATION BONDS/NOTES –

Ten issues of general obligation bonds/notes totaling $26,950,000 are outstanding at June 30, 2015. General obligation bonds/notes bear interest at rates ranging from 1.00% to 5.00% per annum and mature in varying annual amounts, ranging from $55,000 to $735,000, with the final maturities due in the year ending June 30, 2030.

NOTE 4 - (Continued)

REVENUE BONDS –

One issue of urban renewal tax increment revenue bonds totaling $81,250 is outstanding at June 30, 2015. Urban renewal tax increment revenue bonds bear interest at rates ranging from 4.85% to 6.40% per annum and mature in amount of $81,250, with the final maturity due in the year ending June 30, 2016.

Details of general obligation and revenue bonds/notes payable at June 30, 2015 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2015
Governmental Activities: General obligation bonds/notes:						
Corporate purpose annual appropriation	June 15, 2009	4.00-5.00	June 1, 2020	$95,000-105,000	$ 995,000	$ 505,000
Corporate purpose	May 1, 2010	4.00-4.90	May 1, 2030	100,000-430,000	4,600,000	4,600,000
Refunding bonds annual appropriation	April 1, 2011	2.00-3.50	June 1, 2019	170,000-265,000	1,655,000	645,000
Corporate purpose annual appropriation	May 1, 2011	4.20-5.00	June 1, 2027	140,000-725,000	5,300,000	5,300,000
Corporate purpose	Dec. 1, 2011	2.00-2.90	June 1, 2022	215,000-265,000	2,385,000	1,725,000
Refunding bonds annual appropriation	June 1, 2012	1.25-3.75	June 1, 2020	100,000-490,000	2,395,000	1,490,000
Corporate purpose annual appropriation	June 1, 2012	1.25-3.75	June 1, 2023	95,000-115,000	1,030,000	840.000
Corporate purpose annual appropriation and refunding bonds	October 15, 2013	1.00-5.00	June 1, 2028	300,000-735,000	6,910,000	5,790,000
Corporate purpose	July 1, 2014	1.00-3.50	June 1, 2030	55,000-85,000	1,015,000	1,015,000
Refunding bonds Annual appropriation	April 1, 2015	2.0-3.55	June 1, 2027	55,000-725,000	5,040,000	5,040,000
	Total					$26,950,000

NOTE 4 - (Continued)

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2015
Governmental activities:						
Revenue bonds:						
Urban renewal tax increment annual appropriation	April 17, 2006	4.85-6.40	June 1, 2016	$81,250	$650,000	$ 81,250
Total revenue bonds						$ 81,250
Total governmental activities						$27,031,250

A summary of the annual general obligation and revenue bonds/notes principal and interest requirements to maturity by year is as follows:

For the Year Ending June 30	General Obligation Bond/Notes		
	Principal	Interest	Total
2016	$ 1,910,000	$ 1,001,294	$ 2,911,294
2017	6,660,000	933,165	7,593,165
2018	2,310,000	662,858	2,972,858
2019	1,765,000	595,296	2,360,296
2020	1,870,000	409,686	2,279,686
2021-2025	7,715,000	1,682,238	9,397,238
2026-2030	4,720,000	502,117	5,222,117
Total	$ 26,950,000	$ 5,786,654	$ 32,736,654

For the Year Ending June 30	Urban Renewal Tax Increment Revenue Bonds		
	Principal	Interest	Total
2016	$ 81,250	$ 5,200	$ 86,450
Total	$ 81,250	$ 5,200	$ 86,450

NOTE 4 - (Continued)

CROSSOVER ADVANCE REFUNDING –

In April 2015, the City issued $5,040,000 in General Obligation Annual Appropriation Refunding Bonds, Series 2015A with interest rates ranging from 2.0% to 3.55%. The proceeds were used to advance refund $4,680,000 of outstanding General Obligation Annual Appropriation Corporate Purpose Bonds, Series 2011B, which had interest rates ranging from 4.20% to 5.0%. The net proceeds of $4,937,616 (after payment of $102,384 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, $4,680,000 of the General Obligation Annual Appropriation Corporate Purpose Bonds, Series 2011B are not considered defeased until the call date (crossover date) for the bonds of June 1, 2017, therefore, the liability for those bonds has not been removed from the statement of net position. The City will reduce its total debt service payments over the life of the bonds by $124,066 and obtain an economic gain (difference between present values of the debt service payments on the old debt and the new debt) of $101,631.

URBAN RENEWAL TAX INCREMENT FINANCING REVENUE BONDS –

The City issued urban renewal tax increment financing revenue bonds of $350,000 in March 2004 and $650,000 in April 2006 for the purpose of providing an economic development grant and construction of public infrastructure within the urban renewal districts. The bonds are payable solely from the TIF revenues generated by increased property values in the City's TIF districts and credited to the Special Revenue, Urban Renewal Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF revenues are generally projected to produce 100% of the debt service requirements over the life of the bonds. The bonds are not a general obligation of the City. However, the amount of debt payable in the succeeding year is subject to the constitutional debt limitation of the City since the bonds are annual appropriation debt. Total principal and interest remaining on the bonds is $86,450, payable through June 2016. For the current year, total principal and interest paid from total TIF revenues was $81,250 and $10,075, respectively.

CAPITAL LEASE PURCHASE AGREEMENT –

The City entered into a capital purchase agreement for a fire truck. The following is a schedule of the future minimum lease payments, including interest at 4.98% per annum:

For the Year Ending June 30	Principal	Interest	Total
2016	$ 39,227	$ 24,548	$ 63,775
2017	41,181	22,594	63,775
2018	43,231	20,544	63,775
2019	45,384	18,391	63,775
2020	47,644	16,131	63,775
2021-2025	276,266	42,610	318,876
Total	$ 492,933	$ 144,818	$ 637,751

NOTE 4 - (Continued)

Principal and interest payments under the capital lease purchase agreement totaled $37,366 and $26,409, respectively, during the year ended June 30, 2015.

CONTINGENT LIABILITY FOR HYDRO-ELECTRIC PROMISSORY NOTE –

On January 15, 1990, the City entered into a loan agreement with Voith Hydro, Inc., for $700,000. The City received $250,000 on March 14, 1990 and $450,000 during the year ended June 30, 1991 for the purpose of paying costs related to the planning, design and development of the hydro-electric generating plant. The note bears interest payable at maturity at the rate of 7.25% per annum. The note will mature 30 days after the issuance of the notice to proceed. The outstanding balance at June 30, 2015 was $700,000.

The Federal Energy Regulatory Commission (FERC) imposed certain restrictions upon the City's license for the development of the generating plant. If the generating plant does not proceed, any accumulated assets are sold and used to satisfy the Voith Hydro, Inc. loan. Any remaining balance on the loan is forgiven. The future development of the generating plant remains uncertain.

The note and interest payable are not general obligations of the City and are not payable from taxes or general revenues or funds of the City.

NOTE 5 - DEVELOPMENT AND REBATE AGREEMENTS

The City has entered into seventeen development and rebate agreements to assist in certain urban renewal projects. The City agreed to rebate incremental taxes paid by the developers in exchange for infrastructure improvements, development of commercial retail space and residential housing constructed by the developers as set forth in the urban renewal plan and the individual development and rebate agreements. The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa from the developers will be rebated for a period ranging from four to twenty years, beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. Certain of the agreements include provisions for payment of interest. To the extent there are insufficient tax increment revenues available to make the required schedule payment on any payment date, the unpaid amount shall be carried over to the next payment date without accruing any further interest.

During the year ended June 30, 2015, the City rebated $1,844,850 of incremental taxes to the developers, paying $1,844,850 of principal and $2,675 of interest. The outstanding principal balance on the rebate agreements at June 30, 2015 is $29,515,762.

The agreements are not general obligations of the City and, due to their nature, are not recorded as a liability in the City's financial statements. However, the agreements are subject to the constitutional debt limitation of the City, as described below.

Sixteen of the seventeen agreements with outstanding principal balances at June 30, 2015 include an annual appropriation clause and only the amount payable in the succeeding year is subject to the constitutional debt limitation. The remaining agreement does not include an annual appropriation clause and, accordingly, the entire outstanding principal balance of this agreement is subject to the constitutional debt limitation.

NOTE 6 - DUE FROM AND DUE TO OTHER FUNDS

The detail of interfund receivables and payables at June 30, 2015 is as follows:

	Receivable Fund:					
	General	Tax Increment Financing	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total
Payable Fund:						
Sewer	$ 286,633	$ 140,000	$ 19,000	$ 40,401	$ 115,761	$ 601,795
Capital Projects	- - -	- - -	- - -	65,883	269	66,152
Nonmajor Governmental Funds	- - -	11,437	- - -	- - -	- - -	11,437
Total	$ 286,633	$ 151,437	$ 19,000	$ 106,284	$ 116,030	$ 679,384

This balance results from the elimination of cash deficits. Repayments will be made from future revenues.

NOTE 7 - INTERFUND TRANSFERS

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

	Transfer In:					
	General Fund	Urban Renewal Tax Increment Financing	Debt Service	Capital Projects	Sewer	Total
Transfer Out:						
General Fund	$ 420,772	$ - - -	$ - - -	$ - - -	$ - - -	$ 420,772
Urban Renewal Tax Increment Financing	- - -	388,183	1,892,514	- - -	- - -	2,280,697
Debt Service	- - -	- - -	35	- - -	- - -	35
Nonmajor Governmental Funds	82,516	- - -	456,273	50,000	- - -	588,789
Sewer	16,740	- - -	174,047	- - -	1,147,477	1,338,264
Total	$ 520,028	$ 388,183	$ 2,522,869	$ 50,000	$ 1,147,477	$ 4,628,557

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

NOTE 8 - PENSION AND RETIREMENT BENEFITS

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

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

Pension Benefits – A regular member may retire at normal retirement age and receive 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 equal 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% 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% 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 benefits payments.

NOTE 8 - (Continued)

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% of pay and the City contributed 8.93% for a total rate of 14.88%. Protective occupation members contributed 6.76% of pay and the City contributed 10.14% for a total rate of 16.80%.

The City's total contributions to IPERS for the year ended June 30, 2015 were $ 98,249.

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 $288,304 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 .0072696% which was a decrease of .0018004% from its proportion measured as of June 30. 2013.

NOTE 8 - (Continued)

For the year ended June 30, 2015, the City recognized pension expense of $47,504. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4,166	$ 8,561
Changes of assumptions	16,918	204
Net difference between projected and actual earnings on pension plan investments	- - -	239,601
Changes in proportion and differences between City contributions and proportionate share of contributions	43,267	- - -
City contributions subsequent to the measurement date	98,249	- - -
Total	$ 162,600	$ 248,366

$98,249 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 pensions will be recognized in pension expense as follows:

Year Ended June 30	Amount
2016	$ (46,913)
2017	(46,912)
2018	(46,913)
2019	(46,913)
2020	3,636
Total	$ (184,015)

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

NOTE 8 - (Continued)

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.

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 or 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	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.5%. 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%, 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%) or 1-percentage-point higher (8.5%) 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	$ 824,494	$ 288,304	$ (164,010)

NOTE 8 - (Continued)

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 payables to the defined benefit pension plan of $0 for legally required employer contributions and $0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

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 GASB 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:

	Governmental Activities	Business-type Activities
		Sewer
Net position June 30, 2014, as previously reported	$ 5,644,551	$ 17,040,668
Net pension liability at June 30, 2014	(383,775)	(136,995)
Change in outflows of resources related to contributions made after the June 30, 2013 measurement date	79,981	15,970
Net position July 1, 2014, as restated	$ 5,340,757	$ 16,919,643

NOTE 9 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The City operates a single-employer retiree benefit plan which provides medical, hospitalization, prescription drug, and dental benefits for retirees and their spouses. The retirees are responsible for paying 100% of the associated premiums for these benefits. Actuarially there are 21 active and three retired members in the plan. Participants must have worked full-time for the City for a minimum of ten (10) years at the time of retirement.

The medical, hospitalization, prescription drug, and dental benefits are provided through a fully-insured plan with United HealthCare. Retirees under age 65 (Medicare eligibility age) pay the same premium for the medical, hospitalization, prescription drug, and dental benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

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

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

Annual required contribution	$ 12,462
Interest on net OPEB obligation	806
Adjustment to annual required contribution	(647)
Annual OPEB cost	12,621
Contributions made	11,006
Increase in net OPEB obligation	1,615
Net OPEB obligation beginning of year	16,121
Net OPEB obligation end of year	$ 17,736

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

NOTE 9 - (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2015 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2013	$ 12,546	0.0%	$ 12,927
June 30, 2014	12,590	0.0	16,121
June 30, 2015	12,621	0.0	17,736

Funded Status and Funding Progress

In the June 30, 2013 actuarial valuation, the actuarial accrued liability was $197,553, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $197,553. The covered payroll (annual payroll of active employees covered by the plan) was $890,321 and the ratio of the UAAL to covered payroll was 22.20%. As of June 30, 2015, there were no trust fund assets.

Actuarial Methods and Assumptions

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

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

In the June 30, 2013 actuarial valuation, the entry-age actuarial cost method was used. The actuarial assumptions included 5.0% investment rate of return (net of administrative expenses) and an initial annual healthcare cost trend rate of 10.0% reduced by 0.5% each year to arrive at an ultimate healthcare cost trend rate of 5.0%. Both rates include a 3.0% inflation assumption. The actuarial value of assets was $0. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

NOTE 10 - DEFICIT BALANCES

At June 30, 2015, the City did not have any deficit fund balances.

NOTE 11 - RISK MANAGEMENT

The City of LeClaire, Iowa 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 purchase of commercial insurance. The City assumes liabilities 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.

The City has a group insurance policy which provides comprehensive medical coverage for eligible employees and, if elected, their spouses and dependents. The City's group insurance is a partial self-funded health plan. Under the partial self-funded plan, the City will reimburse an eligible employee for a portion of the deductible. The amount of the deductibles for the employees and the City are as follows:

	Single	Family
Employee	$ 750	$ 1,200
City	2,750	5,800

The City self funds dental coverage of eligible employees and, if elected, their spouses and dependents. The maximum annual coverage is $1,000 per person.

The City self funds short-term disability benefits for employees. Benefits equal 100% of the employee's salary for the first three working days and 75% of the employee's salary for the remaining days up to six months, at which time the City's long-term disability insurance coverage begins. The City records the plan assets and related liabilities for the self-funded plan in the General Fund.

NOTE 12 - COMMITMENTS

Effective January 1, 2015, the City renewed the contract with QC Analytical Services to provide a certified wastewater plant operator to comply with Iowa Department of Natural Resources regulations. The contractor oversees the wastewater treatment facility and manages essential City wastewater personnel and contractor personnel. The fee for these services is $296 per week, which is paid from the Proprietary Sewer Fund. During the year ended June 30, 2015, payments under the agreement totaled $15,565.

The City has committed to undertake a joint project with the Pleasant Valley Community School District (PVCSD) for the Bridgeview School Expansion Project – Regional Detention Basin Construction. The City will reimburse PVCSD $31,190 upon completion and acceptance by PVCSD and final approval by the City engineer. As of June 30, 2015, no amount has been recorded in the financial statements for this project.

Effective March 1, 2014, the City entered into a noncancelable 60 month agreement for IT support. The agreement calls for monthly payments of $1,700 for the year ending June 30, 2015. Payments under the agreement totaled $20,400.

NOTE 13 - OPERATING LEASES

The City is committed under various noncancelable operating leases for computer equipment (principally in the general fund for governmental activities). Future minimum operating lease commitments are as follows:

Year Ending June 30	Governmental Activities	Business-Type Activities
2016	$ 24,290	$ 2,123
2017	24,290	2,123
2018	24,290	2,123
2019	24,290	2,123
2020	4,048	810
Total minimum payments required	$ 101,208	$ 9,302

Rental expense for city-wide operating leases was $21,555 for the year ended June 30, 2015.

NOTE 14 - SUBSEQUENT EVENT

Subsequent to June 30, 2015, the City issued $1,350,000 in General Obligation Annual Appropriation Corporate Purpose Notes Series 2015B. The purpose of the notes is for street improvements, and fire department apparatus acquisition.

The City also issued $3,565,000 General Obligation Refunding Bonds, Series 2015C. The bond proceeds will be used to pay interest coming due on the 2015C Bonds through and including June1, 2019 and to pay the called $3,280,000 principal amount of the General Obligation Corporate Purpose Bonds, Series 2010A that will be refunded on June 1, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LECLAIRE, IOWA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
For the Year Ended June 30, 2015

	Governmental Actual Funds	Proprietary Fund Actual	Total Actual
REVENUES			
Property tax	$ 1,306,376	$ -	$ 1,306,376
Tax increment financing	3,790,417	-	3,790,417
Other city tax	945,376	-	945,376
Licenses and permits	13,589	-	13,589
Use of money and property	88,770	1,011	89,781
Intergovernmental	481,423	-	481,423
Charges for service	314,699	678,555	993,254
Special assessments	41	-	41
Miscellaneous	128,464	5,242	133,706
Total revenues	$ 7,069,155	$ 684,808	$ 7,753,963
EXPENDITURES			
Public safety	$ 873,608	$ -	$ 873,608
Public works	787,628	-	787,628
Culture and recreation	330,396	-	330,396
Community and economic development	2,040,641	-	2,040,641
General government	300,276	-	300,276
Debt service	2,922,517	-	2,922,517
Capital projects & Outlay	954,403	-	954,403
Business type activities	-	1,049,399	1,049,399
Total expenditures	$ 8,209,469	$ 1,049,399	$ 9,258,868
Excess (deficiency) of revenues over (under) expenditures	$ (1,140,314)	$ (364,591)	$ (1,504,905)
OTHER FINANCING SOURCES (USES), net	6,266,081	(185,245)	6,080,836
Excess (deficiency) of revenues and other sources over (under) expenditures and other financing uses	$ 5,125,767	$ (549,836)	$ 4,575,931
BALANCES – Beginning of year, restated	1,088,463	16,919,643	18,008,106
BALANCES – Ending of year	$ 6,214,230	$ 16,369,807	$ 22,584,037

Less Funds Not Required to be Budgeted	Net	Budgeted Amounts: Original 2015	Budgeted Amounts: Final 2015	Final to Net Variance
$ -	$ 1,306,376	$ 1,305,840	$ 1,307,691	$ (1,315)
-	3,790,417	3,889,424	3,889,424	(99,007)
-	945,376	859,550	885,437	59,939
-	13,589	10,900	13,345	244
12,591	77,190	63,405	72,611	4,579
-	481,423	453,355	496,381	(14,958)
-	993,254	1,025,240	1,028,480	(35,226)
-	41	300	315	(274)
7,909	125,797	109,354	112,597	13,200
$ 20,500	$ 7,733,463	$ 7,717,368	$ 7,806,281	$ (72,818)
$ -	$ 873,608	$ 1,039,761	$ 1,049,703	$ 176,095
-	787,628	916,612	953,766	166,138
3,570	326,826	386,940	406,269	79,443
-	2,040,641	2,138,332	2,161,304	120,663
-	300,276	309,414	309,499	9,223
-	2,922,517	2,768,803	2,995,000	72,483
-	954,403	1,178,393	849,391	(105,012)
-	1,049,399	644,385	1,076,023	26,624
$ 3,570	$ 9,255,298	$ 9,382,640	$ 9,800,955	$ 545,657
$ 16,930	$ (1,521,835)	$ (1,665,272)	$ (1,994,674)	$ 472,839
-	6,080,836	1,052,500	10,289,823	(4,208,987)
$ 16,930	$ 4,559,001	$ (612,772)	$ 8,295,149	$ (3,736,148)
51,144	17,956,962	18,752,117	17,403,853	553,109
$ 68,074	$ 22,515,963	$ 18,139,345	$ 25,699,002	$ (3,183,039)

CITY OF LECLAIRE, IOWA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION – BUDGET COMPARISONS
June 30, 2015

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

I. BUDGETARY BASIS

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

II. BUDGETARY INFORMATION

Formal and legal budgetary control is based upon eight major classes of expenditures known as functions, not by fund. These eight functions are: public safety, public works, 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Fund. Although the budget document presents function expenditures by fund, the legal level of control is at the aggregated function level, not by fund.

III. EXCESS OF EXPENDITURES OVER BUDGET

Expenditures exceeded budget in the following functions: capital projects and outlay $105,012.

CITY OF LECLAIRE, IOWA
REQUIRED SUPPLEMENTARY INFORMATION ON
OTHER POSTEMPLOYMENT BENEFIT
PLAN FUNDING PROGRESS
June 30, 2015

Other Postemployment Benefit Plan-

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)— Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (OAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL (OAAL) Percentage of Covered Payroll ((b-a)/c)
6/30/15	6/30/13	$ - - -	$ 197,553	$ 197,553	0.00%	$ 890,321	22.20%
6/30/14	6/30/13	- - -	197,553	197,553	0.00	890,321	22.20
6/30/13	6/30/13	- - -	197,553	197,553	0.00	890,321	22.20
6/30/12	6/30/10	- - -	24,985	24,985	0.00	900,620	2.78

The City implemented GASB Statement No. 45 for the fiscal year ended June 30, 2010. Information for prior years is not available.

N/A- Information is not available.

CITY OF LECLAIRE, IOWA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
June 30, 2015

Fiscal year ended June 30,	2014
City's proportion of the net pension liability (asset)	0.007270%
City's proportionate share of the net pension liability	$ 288,304
City's covered-employee payroll	1,020,742
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	28.24%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

CITY OF LECLAIRE, IOWA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Last Ten Fiscal Years

	2015	2014	2013	2012
Statutorily required contribution	$ 98,278	$ 95,951	$ 86,170	$ 86,501
Contributions in relation to the statutorily required contribution	(98,278)	(95,951)	(86,170)	(86,501)
Contribution (excess) deficiency	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 1,048,239	$ 1,020,742	$ 918,005	$ 968,741
Contributions as a percentage of covered-employee payroll	9.38%	9.40%	9.39%	8.93%

N/A - not available

2011	2010	2009	2008	2007	2006
$ 76,708	$ 57,169	$ 64,604	$ 60,420	$ 58,783	$ 57,064
(76,708)	(57,169)	(64,604)	(60,420)	(58,783)	(57,064)
$ -	$ -	$ -	$ -	$ -	$ -
$ 940,184	$ 888,630	N/A	N/A	N/A	N/A
8.16%	6.43%	N/A	N/A	N/A	N/A

CITY OF LECLAIRE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON PENSION LIABILITY
Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% 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 inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

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

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

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

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

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

OTHER SUPPLEMENTARY INFORMATION

CITY OF LECLAIRE, IOWA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special		
	Road Use Tax	**Workers' Compensation**	**Employees' Retirement FICA/IPERS**
ASSETS			
Cash and pooled investments	$ 12,141	$ -	$ 1,314
Receivables:			
Property tax:			
Delinquent	-	3,908	-
Succeeding year	-	35,041	136,936
Due from other governments	38,713	-	-
Due from other funds	40,279	9,046	15,000
Inventories	88,347	-	-
Prepaid expenditures	1,000	-	-
Total assets	$ 180,480	$ 47,995	$ 153,250
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 9,610	$ -	$ 1,059
Due to other funds	-	-	-
Total liabilities	$ 9,610	$ -	$ 1,059
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property tax	$ -	$ 35,041	$ 136,936
Total liabilities and deferred inflows of resources	$ 9,610	$ 35,041	$ 137,995
FUND BALANCES			
Nonspendable			
Inventories	$ 88,347	$ -	$ -
Prepaid expenditures	1,000	-	-
Endowment	-	-	-
Restricted	81,523	12,954	15,255
Total fund balances	$ 170,870	$ 12,954	$ 15,255
Total liabilities, deferred inflows of resources, and fund balances	$ 180,480	$ 47,995	$ 153,250

Revenues				
Group Insurance	Emergency	Local Option Sales Tax	Friends of the Library	Totals
$ 28,416	$ -	$ -	$ 68,074	$ 109,945
86	230	-	-	4,224
195,791	22,412	-	-	390,180
-	-	89,464	-	128,177
51,705	-	-	-	116,030
-	-	-	-	88,347
-	-	-	-	1,000
$ 275,998	$ 22,642	$ 89,464	$ 68,074	$ 837,903
$ -	$ -	$ -	$ -	$ 10,669
-	-	11,437	-	11,437
$ -	$ -	$ 11,437	$ -	$ 22,106
$ 195,791	$ 22,412	$ -	$ -	$ 390,180
$ 195,791	$ 22,412	$ 11,437	$ -	$ 412,286
$ -	$ -	$ -	$ -	$ 88,347
-	-	-	-	1,000
-	-	-	52,213	52,213
80,207	230	78,027	15,861	284,057
$ 80,207	$ 230	$ 78,027	$ 68,074	$ 425,617
$ 275,998	$ 22,642	$ 89,464	$ 68,074	$ 837,903

CITY OF LECLAIRE, IOWA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	Special		
	Road Use Tax	**Workers' Compensation**	**Employees' Retirement FICA/IPERS**
REVENUES			
Property tax	$ -	$ 26,592	$ 134,608
Other city tax	-	1,508	8,223
Use of money and property	-	38	134
Intergovernmental	401,159	-	-
Miscellaneous	-	1,665	-
Total revenues	$ 401,159	$ 29,803	$ 142,965
EXPENDITURES			
Operating:			
Public safety	$ -	$ 23,432	$ 77,169
Public works	369,559	11,009	25,483
Culture and recreation	-	1,983	24,589
Community and economic development	-	-	385
General government	-	558	19,507
Capital Projects	9,162	-	-
Total expenditures	$ 378,721	$ 36,982	$ 147,133
Excess (deficiency) of revenues over (under) expenditures	$ 22,438	$ (7,179)	$ (4,168)
OTHER FINANCING SOURCES (USES)			
Operating transfers in	$ -	$ -	$ -
Operating transfers out	(11,920)	-	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	$ 10,518	$ (7,179)	$ (4,168)
FUND BALANCES – Beginning of year	160,352	20,133	19,423
FUND BALANCES – End of year	$ 170,870	$ 12,954	$ 15,255

Revenues				
Group Insurance	Emergency	Local Option Sales Tax	Friends of the Library	Totals
$ 233,745	$ 22,747	$ -	$ -	$ 417,692
14,215	1,379	553,419	-	578,744
398	94	1,887	12,591	15,142
-	-	-	-	401,159
14,037	-	-	7,909	23,611
$ 262,395	$ 24,220	$ 555,306	$ 20,500	$ 1,436,348
$ 70,205	$ -	$ -	$ -	$ 170,806
36,114	-	-	-	442,165
22,453	-	-	3,570	52,595
-	-	-	-	385
23,710	-	10,000	-	53,775
-	-	-	-	9,162
$ 152,482	$ -	$ 10,000	$ 3,570	$ 728,888
$ 109,913	$ 24,220	$ 545,306	$ 16,930	$ 707,460
$ -	$ -	$ -	$ -	$ -
(58,344)	(24,172)	(494,353)	-	(588,789)
$ 51,569	$ 48	$ 50,953	$ 16,930	$ 118,671
28,638	182	27,074	51,144	306,946
$ 80,207	$ 230	$ 78,027	$ 68,074	$ 425,617

CITY OF LECLAIRE, IOWA
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
For the Last Eight Years

	Modified		
	2015	**2014**	**2013**
REVENUES:			
Property tax	$ 1,306,376	$ 1,220,915	$ 1,285,394
Tax increment financing	3,790,417	3,670,713	3,543,299
Other city tax	945,376	841,346	819,131
Licenses and permits	13,589	13,656	12,156
Use of money and property	88,770	83,573	97,008
Intergovernmental	481,423	434,177	640,275
Charges for service	314,699	354,284	294,448
Special assessments	41	24	37
Contributions	-	-	126,181
Miscellaneous	128,464	117,844	112,700
Total	$ 7,069,155	$ 6,736,532	$ 6,930,629
EXPENDITURES:			
Operating:			
Public safety	$ 873,608	$ 905,009	$ 939,497
Public works	787,628	806,857	655,540
Culture and recreation	330,396	308,782	303,037
Community and economic development	2,040,641	2,030,861	2,231,447
General government	300,276	271,934	263,216
Debt service	2,922,517	2,668,967	5,152,273
Capital projects	770,244	733,590	1,351,015
Capital outlay	184,159	4,005,552	288,827
Total	$ 8,209,469	$ 11,731,552	$ 11,184,852

Accrual Basis

2012	2011	2010	2009	2008
$ 1,266,318	$ 1,388,831	$ 1,328,025	$ 1,103,417	$ 892,042
3,320,326	3,022,919	2,466,913	2,020,568	1,659,131
805,828	670,351	598,856	621,701	642,378
11,189	9,504	8,506	8,566	8,576
100,418	105,360	60,986	51,114	64,068
431,157	533,245	394,443	387,734	306,058
296,559	290,860	275,240	274,123	233,216
11	29	2,387	4	21
-	-	-	-	-
131,152	223,034	142,462	189,574	211,139
$ 6,362,958	$ 6,244,133	$ 5,277,818	$ 4,656,801	$ 4,016,629
$ 860,406	$ 869,644	$ 836,692	$ 1,053,809	$ 917,346
657,738	5,178,372	4,564,676	644,949	762,216
263,342	263,348	292,172	437,462	393,521
1,381,072	1,244,174	1,179,838	768,643	591,119
358,230	247,710	239,457	266,608	246,797
2,667,325	2,475,951	2,138,728	4,138,712	1,721,182
2,017,344	627,064	938,780	648,450	2,395,749
101,323	187,493	-	-	-
$ 8,306,780	$ 11,093,756	$ 10,190,343	$ 7,958,633	$ 7,027,930

CARPENTIER
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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 LeClaire, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of LeClaire, Iowa, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City of LeClaire, Iowa's basic financial statements, and have issued our report thereon dated December 7, 2015.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

City of LeClaire, Iowa's Response to Findings

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

Purpose of this Report

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

Carpenter, Mitchell Goddard & Company, LLC

Moline, Illinois
December 7, 2015

I. Summary of Independent Auditor's Results

Significant Deficiencies:

A. Information Systems

The City has adopted a written policy for its information system but has not developed a written disaster recovery plan.

Recommendation

The City should develop a disaster recovery plan.

Response

The City is aware of the need for this policy. This activity is still "in process" and ideally will be completed by July 1, 2016.

Conclusion

Response accepted.

B. Capital Assets

A physical observation of capital assets has not been performed periodically by an employee having no responsibility for the assets.

Recommendation

A physical observation of capital assets should be performed periodically by an employee having no responsibility for the assets.

Response

The City will try to accomplish given the limited staffing and time available.

Conclusion

Response accepted.

Instances of Noncompliance:

No matters were noted.

(Continued)

CITY OF LECLAIRE, IOWA
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2015

Other Findings Related to Required Statutory Reporting:

1. Certified Budget – Expenditures during the year ended June 30, 2015 exceeded the amounts budgeted in the governmental activities Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

   Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before expenditures were allowed to exceed the budget.

   Response – The City is aware of this provision and will continue to review, monitor and amend the budget as needed on a more timely basis.

   Conclusion – Response accepted.

2. Questionable Expenditures – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

3. Travel Expenses – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

4. Business Transactions – No business transactions between the City and City officials or employees were noted.

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

6. Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

7. Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

8. Financial Condition – At June 30, 2015 and 2014, the City had deficit unassigned/unreserved fund balances in the following funds:

Fund	2015	2014
Special Revenue:		
Capital Project	$ - - -	$ 63,943

   Recommendation – The City should investigate alternatives to eliminate the deficits in order to return these funds to a sound financial position.

   Response – The City has been and is actively taking steps and implementing measures to correct the deficit positions (as noted by the improved position).

Conclusion – Response accepted.

9. Health Insurance Plan – The City provides employees health insurance and other benefits through a partially self-insured benefit plan. Chapter 509A.15 of the Code of Iowa requires the City to obtain an actuarial opinion issued by a member of the American Academy of Actuaries which attests to the adequacy of reserves, rates and the financial condition of the plan and to file an annual financial report with the Insurance Commissioner.

   Recommendation – The City should obtain an actuarial opinion, issued by a member of the American Academy of Actuaries, as required. The City should also file an annual financial report with the Insurance Commissioner, as required.

   Response – The City continues to maintain that, given the comparative limited nature of this benefit program and the excessive cost and limited availability of actuaries qualified to perform this analysis, this analysis is without merit and value and will continue to evaluate the merits, (financial, legal, logistical and otherwise) of this requirement.

   Conclusion – Response acknowledged. The City should obtain the actuarial opinion as required.

CITY OF LECLAIRE, IOWA
STAFF

This audit was performed by:

James Taylor, CPA, Partner
Dave Gosse, CPA, Senior Manager
Tami Winter, CPA, Senior Staff Auditor
Cassi Ballweg, Staff Auditor