

**ANNUAL FINANCIAL REPORT
OF THE
CITY OF SERGEANT BLUFF, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

**CITY OF SERGEANT BLUFF, IOWA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015
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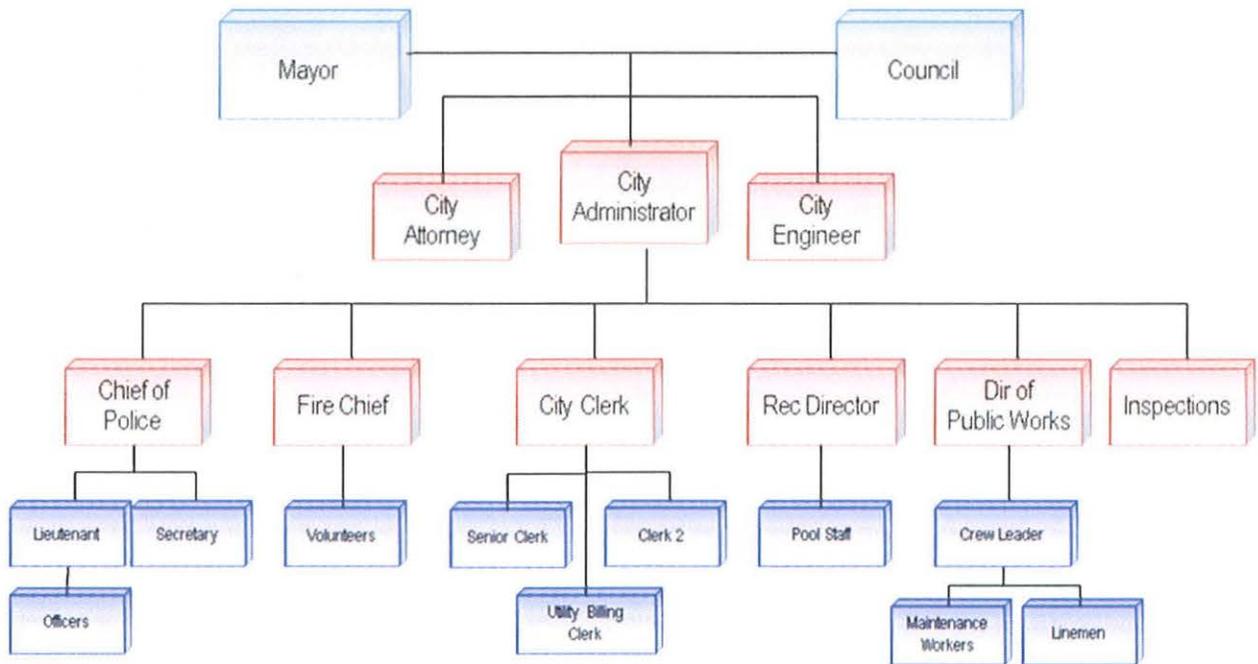
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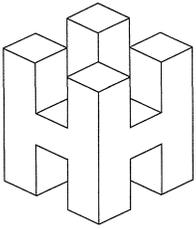
City of Sergeant Bluff, Iowa

Organizational Chart



City of Sergeant Bluff, Iowa
List of Principal Officials
June 30, 2015

Title	Name	Term Expires
City Council		
Mayor	Jon Winkel	2018
Council Member and Mayor Pro-Tem.....	Ron Hanson	2018
Council Member.....	Bill Gaukel	2018
Council Member.....	Nicole Cleveland	2016
Council Member.....	Dave Woodford	2016
Council Member.....	Deb Huser	2018
City Officials		
City Attorney.....	Sarah Kleber	
City Administrator/Engineer	Aaron Lincoln	
City Clerk/Finance Officer	Shari Bentley	
Public Works Director	Mark Huntley	
Code Enforcement Officer	Dave Christensen	
Chief of Police.....	Scott Pack	
Fire Chief.....	Anthony Gaul	
Recreation Director	Brent Brown	
Library Director	Mary Torgerson	



**HENJES, CONNER &
WILLIAMS, P.C.**

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Sergeant Bluff, 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 SERGEANT BLUFF, 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 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sergeant Bluff, Iowa as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the City of Sergeant Bluff, Iowa adopted new accounting guidance related to the Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No.27*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Schedule, Budget to GAAP Reconciliation, the Schedule of the City's Proportionate Share of the Net Pension Liability, the Schedule of the City's Contributions, and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and pages 56 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of 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 Supplementary Information

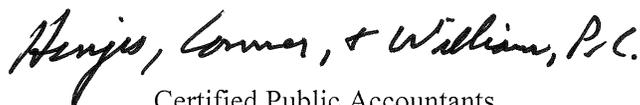
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sergeant Bluff, Iowa's basic financial statements. The introductory section on pages 1 and 2 and other supplementary information included on pages 67 through 71 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information on pages 67 through 71 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 other supplementary information on pages 67 through 71 is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section on pages 1 and 2 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 *Government Auditing Standards*, we have also issued our report dated March 2, 2016, on our consideration of the City of Sergeant Bluff, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sergeant Bluff, Iowa's internal control over financial reporting and compliance.


Certified Public Accountants

Sioux City, Iowa
March 2, 2016

Management's Discussion and Analysis

This discussion and analysis of the City of Sergeant Bluff's financial performance for the year ended June 30, 2015 provides a narrative overview of its financial activities. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements, which follow.

Financial Highlights

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows of resources at June 30, 2015 by \$25,872,954. Of this amount, approximately \$4.5 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- At June 30, 2015, the City of Sergeant Bluff's governmental funds reported combined ending fund balances of approximately \$5.1 million.
- The unassigned fund balance for the general fund, at the end of the current fiscal year was \$1,386,901. This represents 42% percent of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Sergeant Bluff's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Sergeant Bluff's finances, in a manner similar to a private-sector business. The Statement of Net Position is essentially a balance sheet that combines all funds on a government-wide basis. Changes in net position over time may be an indicator of whether the City's financial position is improving or worsening.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in the net position are reported as soon as the underlying event occurs, giving rise to the change regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Sergeant Bluff that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Sergeant Bluff include general government, public safety, public works, health and social services, community and economic development, culture and recreation and debt service. The Business-Type Activities of the City include an electric, water, sewer, solid waste and storm water utility. The government-wide financial statements can be found on pages 14-16 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sergeant Bluff, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statement, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Sergeant Bluff maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund, the special revenue –road use tax fund and the special revenue – local option sales tax fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements as supplementary information.

The basic governmental fund financial statements can be found on pages 17-22 of this report.

Proprietary Funds. The City of Sergeant Bluff maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Electric, Water, Sewer, Storm Water, and Solid Waste Utilities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Electric, Water, Sewer, Storm Water, and Solid Waste Utilities.

The basic proprietary fund financial statements can be found on pages 23-30 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties external to the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Sergeant Bluff's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements are reported in a separate statement of fiduciary net position found on page 31 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 32-55 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The largest part of the City's net position reflects its net investment in capital assets (land, buildings and improvements, and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparative chart shows the changes in net position for the years ended June 30, 2014 and 2015:

	Governmental Activities		Business-Type Activities		Total City	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 7,530,148	\$ 4,751,208	\$ 1,916,199	\$ 2,940,975	\$ 9,446,347	\$ 7,692,183
Capital assets	12,952,131	11,941,979	18,242,663	18,535,414	31,194,794	30,477,393
Total assets	20,482,279	16,693,187	20,158,862	21,476,389	40,641,141	38,169,576
Pension Related Deferred Outflows	119,220	-	78,709	-	197,929	-
Total Deferred Outflows of Resources	119,220	-	78,709	-	197,929	-
Long-term debt outstanding	5,026,702	2,343,140	5,928,000	6,518,860	10,954,702	8,862,000
Other liabilities	1,028,152	415,158	754,451	604,125	1,782,603	1,019,283
Total liabilities	6,054,854	2,758,298	6,682,451	7,122,985	12,737,305	9,881,283
Unavailable Revenue-Property Tax	1,880,676	1,869,402	-	-	1,880,676	1,869,402
Pension Related Deferred Inflows	230,471	-	117,664	-	348,135	-
Total Deferred Inflows of Resources	2,111,147	1,869,402	117,664	-	2,228,811	1,869,402
Net position:						
Net Investment in Capital Assets	7,741,376	9,417,415	12,314,663	12,016,554	20,056,039	21,433,969
Restricted	1,263,374	1,251,702	-	-	1,263,374	1,251,702
Unrestricted	3,430,748	1,396,370	1,122,793	2,336,850	4,553,541	3,733,220
Total net position	\$ 12,435,498	\$ 12,065,487	\$ 13,437,456	\$ 14,353,404	\$ 25,872,954	\$ 26,418,891

This summary reflects a 3.1% increase in governmental activities net position and a decrease of 6.4% in the business-type activities net position.

Total revenue reported in Fiscal Year 2015 was \$9,457,822. The following table breaks down revenues collected for governmental activities and business-type activities for fiscal year 2015 and 2014.

Revenue Source	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenues:						
Charges for services	\$ 521,451	\$ 559,608	\$ 4,811,716	\$ 4,787,053	\$ 5,333,167	\$ 5,346,661
Operating grants and contributions	1,146,058	524,318	-	-	1,146,058	524,318
Capital grants and contributions	51,929	25,335	-	267,490	51,929	292,825
Total program revenues	1,719,438	1,109,261	4,811,716	5,054,543	6,531,154	6,163,804
General revenues and interfund transfers:						
Property taxes	1,881,238	1,919,070	-	-	1,881,238	1,919,070
Franchise taxes	74,227	-	-	-	74,227	-
Local option sales tax	553,126	544,957	-	-	553,126	544,957
Hotel/motel tax	19,645	12,165	-	-	19,645	12,165
Interest	31,373	19,633	8,338	4,940	39,711	24,573
General intergovernmental revenue	-	214,866	-	-	-	214,866
Sale of non-capital asset	22,083	45,047	-	-	22,083	45,047
Miscellaneous	329,717	61,894	6,921	3,803	336,638	65,697
Interfund transfers	144,245	379,346	(144,245)	(379,346)	-	-
Total general revenues and interfund transfers	3,055,654	3,196,978	(128,986)	(370,603)	2,926,668	2,826,375
	\$ 4,775,092	\$ 4,306,239	\$ 4,682,730	\$ 4,683,940	\$ 9,457,822	\$ 8,990,179

Program revenues totaled \$6,531,154 for fiscal year 2015. Governmental activities provided \$1,719,438 and business-type activities provided \$4,811,716. Revenue collected for charges for services during the year was \$5,333,167, accounting for 81.6% of total program revenues.

Revenue for capital grants and contributions increased \$26,594 for governmental activities due to a federal police grant. Capital grants and contributions decreased by \$267,490 for business-type activities due the completion of the 8th Street storm water relocation project and associated grant funding received from the Iowa Department of Transportation.

General revenues and transfers for fiscal year 2015 totaled \$2,926,668, with governmental activities providing \$3,055,654, and business-type activities decreasing this amount by \$128,986. Property tax revenues for fiscal year 2015 totaled \$1,881,238, accounting for almost 62% of general revenues.

Expenses for fiscal year 2015 totaled \$9,186,795. Expenses for governmental activities totaled \$3,957,199, accounting for 43.1% of total expenses. Business-type activity expenses totaled \$5,229,596, for 56.9% of the total. The following table shows total expenses by Function/Program:

Program Level	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Public safety	\$ 1,201,384	\$ 1,330,993	\$ -	\$ -	\$ 1,201,384	\$ 1,330,993
Public works	1,008,577	896,044	-	-	1,008,577	896,044
Health and social services	9,600	9,600	-	-	9,600	9,600
Culture and recreation	479,084	608,471	-	-	479,084	608,471
Community and economic development	320,431	60,977	-	-	320,431	60,977
General government	744,931	641,632	-	-	744,931	641,632
Debt service	193,192	79,645	-	-	193,192	79,645
Electric utility	-	-	3,175,464	2,852,074	3,175,464	2,852,074
Water utility	-	-	862,073	740,833	862,073	740,833
Sewer utility	-	-	772,843	735,317	772,843	735,317
Solid waste utility	-	-	296,403	296,468	296,403	296,468
Storm water utility	-	-	122,813	121,774	122,813	121,774
Total expenses	\$ 3,957,199	\$ 3,627,362	\$ 5,229,596	\$ 4,746,466	\$ 9,186,795	\$ 8,373,828

Economic development increased \$259,454 due to an increase in contributions to the Sergeant Bluff Community Development Corporation of \$100,000, investments in the Senior Center of \$45,000 and investments in Dogwood Trail Project which included the construction of a bypass road on the south side of town which will spur development. Debt service increased \$113,547 due to the issuance of new debt. Electric utility expenditures increased \$323,390 due to an increase in rates for electrical power purchased.

The following table shows the activities included within each program level:

Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, General Streets, Transportation Services
Health and Social Services	Community health assistance and pollution control
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development and Community Beautification
General Government	Administration, Accounting, Support Services
Debt Service	Payment of Interest
Capital Projects	Construction of Capital Facilities
Electric Utility	Operation of Electric Distribution System
Water Utility	Operation of Water Supply Distribution System
Sewer Utility	Operation of Waste Water Treatment Plant/Collection System
Solid Waste Utility	Operation of Garbage and Recycling Collection and Disposal System
Storm Water Utility	Operation of Storm Water Drainage System

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional clarification is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, the City spent \$1,201,384 for Public Safety and received \$299,261 in revenue, leaving a cost to taxpayers of \$902,123 to be funded by various methods. The format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent
Culture and Recreation	Fees, State Aid
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$3,957,199. Of these costs, \$521,451 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions were \$1,197,987, leaving a Net Expense of \$2,237,761 for Governmental Activities. These expenses were covered with tax revenues, interest, and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net Expense by Governmental Activity is shown in the following table:

<u>Functions/Programs</u>	<u>Net (Expense) Revenue</u>	
	<u>2015</u>	<u>2014</u>
Governmental activities:		
Public safety	\$ (902,123)	\$ (1,043,210)
Public works	(503,463)	(401,024)
Health and Social Services	(9,600)	(9,600)
Culture and recreation	(204,486)	(384,120)
Community and economic development	279,795	(31,271)
General government	(710,224)	(569,231)
Debt service	<u>(187,660)</u>	<u>(79,645)</u>
Total net (expense) governmental activities	(2,237,761)	(2,518,101)
General revenues and inter-fund transfers	<u>3,055,654</u>	<u>3,196,978</u>
Change in net position	<u>\$ 817,893</u>	<u>\$ 678,877</u>

Total resources available during the year to finance governmental operations were \$16,392,697, consisting of net position at July 1, 2014, as restated of \$11,617,605, program revenues of \$1,719,438 and general revenues and transfers of \$3,055,654. Total governmental activities during the year expended \$3,957,199; thus, net position increased by \$817,893 to \$12,435,498.

Business-Type Activities

Business-type activities decreased the City's net position by \$546,866.

The cost of all business-type activities this year was \$5,229,596. As shown in the Statement of Activities, program revenue was \$4,811,716, resulting in a total Net Expense of \$417,880.

<u>Business-Type Activities</u>	<u>Net (Expense) Revenue</u>	
	<u>2015</u>	<u>2014</u>
Electric utility	\$ (454,392)	\$ (131,852)
Water utility	(47,586)	75,310
Sewer utility	97,546	116,354
Solid waste utility	18,659	15,976
Storm water utility	<u>(32,107)</u>	<u>232,289</u>
Total net revenue business-type activities	(417,880)	308,077
General revenues and interfund transfers	<u>(128,986)</u>	<u>(370,603)</u>
Change in net position	<u>\$ (546,866)</u>	<u>\$ (62,526)</u>

Total resources available during the year to finance proprietary fund activities were \$18,667,052 consisting of net position at July 1, 2014, as restated of \$13,984,322, program revenues of \$4,811,716, and general revenues and transfers of (\$128,986). Total proprietary fund activities during the year expended \$5,229,596 thus; net position decreased by (\$546,866) to \$13,437,456.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances \$5,072,519. The combined Governmental fund balance increased \$2,435,931 from the prior year.

The General Fund is the primary operating fund of the City. During the year, revenues and transfers exceeded expenditures in the General Fund by \$226,812. Debt Service expenditures exceeded revenues, transfers and other financing sources by \$52,151.

The Capital Projects fund is used to account for the purchase of city infrastructure projects. During 2015, revenues and transfers exceeded expenditures by \$2,110,618 due to a new bond issue for scheduled projects.

The Road Use Tax fund is used to account for revenues from State revenues allocated to the City for maintenance and improvement of City streets. Revenues and transfers exceeded expenditures by \$10,385.

The special revenue Local Option Sales Tax fund is used to account for revenues from the tax authorized by referendum and used for capital improvements, equipment and program services. During 2015, revenues and transfers exceeded expenditures by \$118,126.

BUDGETARY HIGHLIGHTS

The following table shows the budget variances by program structure:

Program	Final Budget	Actual (Cash Basis)	Variance Favorable (Unfavorable)
Public Safety	\$ 1,270,655	\$ 1,147,964	\$ 122,691
Public Works	589,350	504,585	84,765
Health and Social Services	9,700	9,600	100
Culture and Recreation	751,140	640,777	110,633
Community and Economic Development	217,900	225,057	(7,157)
General Government	719,749	666,119	56,630
Capital Projects	3,061,640	1,270,913	1,790,727
Debt Service	535,512	591,569	(56,057)
Business-Type/Enterprise	<u>5,243,688</u>	<u>5,555,233</u>	<u>(311,545)</u>
	<u>\$12,399,604</u>	<u>\$ 10,611,817</u>	<u>\$ 1,787,787</u>

See pages 56-60 for more detail information regarding the City's budget.

CAPITAL ASSETS

The City's net investment in capital assets, including land, buildings and improvements, equipment, streets, electric systems, sewer systems, water systems, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The net investment in capital assets as of June 30, 2015, was \$20,056,039, (net of accumulated depreciation and related debt). This is a decrease of \$1,377,930 from fiscal year 2014. The gross additions to capital assets for fiscal years 2015 and 2014 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 257,704	\$ -	\$ -	\$ -	\$ 257,704	\$ -
Infrastructure	376,925	146,060	-	-	376,925	146,060
Land Improvements	236,204	-	-	-	236,204	-
Buildings	57,100	101,641	-	-	57,100	101,641
Distribution system	-	-	114,752	266,289	114,752	266,289
Equipment	544,004	388,956	65,847	-	609,851	388,956
Construction in progress	<u>908,381</u>	<u>424,750</u>	<u>252,249</u>	<u>637,810</u>	<u>1,160,630</u>	<u>1,062,560</u>
Total	<u>\$ 2,380,318</u>	<u>\$ 1,061,407</u>	<u>\$ 432,848</u>	<u>\$ 904,099</u>	<u>\$ 2,813,166</u>	<u>\$ 1,965,506</u>

Construction in progress consisted of costs associated with road construction projects and associated utilities, recreation enhancements, residential and commercial development, and a sewer lift station.

See Note 4 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

On June 30, 2015 the City had \$7,415,000 of general obligation debt outstanding. During 2015, the City made payments of \$880,000 on existing debt. The City operates under State capacity limitations. The State limits the amount of General Obligation debt outstanding to 5% of the assessed value of all taxable property in the community. The City's debt capacity is \$11,441,155 and the City is utilizing 64.8% of this limit.

On June 30, 2015 the City had \$3,278,000 of outstanding debt from a state revolving loan which was used for water system improvements.

See Note 5 to the financial statements for more information on the City's long-term debt.

ECONOMIC FACTORS

The City of Sergeant Bluff continues to grow in population and industry. CF industries continues to construct its nearly \$2 billion plant expansion which has spurred residential needs, increased hotel/motel use, and provided opportunities for support businesses to form or expand in the area. Expansion in industry has pushed the City to expand into new housing subdivisions. The City has annexed 510 acres of ground into its corporate limits with opportunities for mixed use growth in residential, commercial, light manufacturing/industrial, and governmental (potential new high school) development. The CF Industries Urban Renewal Area has been established by Woodbury County and an agreement is in place to provide \$801,000 of TIF financing for a new light manufacturing technology park on 125 acres inside Sergeant Bluff.

The City of Sergeant Bluff is continuing to show steady residential and commercial property value growth, with residential property encompassing approximately 75% of the taxable property tax value and commercial/industrial uses encompassing 21% of the tax base.

Future plans for the City involves shifting focus from expanding housing development to accommodating commercial and industrial growth to broaden the overall tax base. In an effort to encourage commercial/industrial growth, the City continues to promote the two additional urban revitalization areas to provide commercial/industrial tax abatements. The City is working alongside its Community Development Corporation and the Woodbury County Economic Development Director to identify and pursue new commercial/industrial development.

The City continues to budget for the use of the General Fund monies and makes it a priority to invest in the City's infrastructure through street projects and utility system improvements and extensions. Efforts have been taken in current and future planning to use excess capital in the General Fund to fund one-time capital projects in a process to bring the General Fund closer to a level of 25% of total General Fund expenditures in future years.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Sergeant Bluff's financial position for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Sergeant Bluff, Administration Office, Sergeant Bluff, Iowa.

Basic Financial Statements

City of Sergeant Bluff, Iowa
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 2,603,177	\$ -	\$ 2,603,177
Investments	480,568	2,909,014	3,389,582
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	938	512,909	513,847
Taxes	6,914	-	6,914
Subsequent Year Taxes	1,880,676	-	1,880,676
Estimated Unbilled Usage	-	109,156	109,156
Internal Balances	1,904,029	(1,904,029)	-
Due from Other Governmental Agencies	600,734	13,266	614,000
Inventories	-	224,890	224,890
Prepaid Assets	53,112	50,993	104,105
Land	650,813	469,777	1,120,590
Construction in Progress	683,178	720,593	1,403,771
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	11,618,140	17,052,293	28,670,433
Total Assets	20,482,279	20,158,862	40,641,141
Deferred Outflows of Resources			
Pension related deferred outflows	119,220	78,709	197,929
LIABILITIES			
Accounts Payable	468,167	287,833	756,000
Accrued Wages and Related Taxes	53,352	18,899	72,251
Accrued Expenses	319	8,703	9,022
Accrued Interest Payable	7,424	16,546	23,970
Claims Incurred But Not Reported	1,473	793	2,266
Customer Deposits	-	66,950	66,950
Unearned Revenue	530	-	530
Noncurrent Liabilities:			
Due within one year:			
Revenue Bonds Payable	-	159,000	159,000
General Obligation Bonds (includes \$35,558 of unamortized premium)	370,558	265,000	635,558
Notes Payable	20,000	-	20,000
Capital Lease	52,079	-	52,079
Compensated Absences and Benefits	58,421	28,275	86,696
Due in more than one year:			
Revenue Bonds	-	3,119,000	3,119,000
General Obligation Bonds (includes \$226,144 of unamortized premium)	4,656,144	2,385,000	7,041,144
Notes Payable	20,000	-	20,000
Capital Lease	102,426	-	102,426
Net Pension Liability	195,108	308,534	503,642
Net OPEB Liability	48,853	17,918	66,771
Total Liabilities	6,054,854	6,682,451	12,737,305
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Subsequent Year Property Taxes	1,880,676	-	1,880,676
Pension Related Deferred Inflows	230,471	117,664	348,135
Total Deferred Inflows of Resources	2,111,147	117,664	2,228,811
NET POSITION			
Net Investment in Capital Assets	7,741,376	12,314,663	20,056,039
Restricted for:			
Debt Service	91,751	-	91,751
Specific Tax Levy Purposes	4,946	-	4,946
Local Option Sales Tax Purposes	776,832	-	776,832
Street Purposes	272,767	-	272,767
Fire Department Purposes	117,078	-	117,078
Unrestricted	3,430,748	1,122,793	4,553,541
Total Net Position	\$ 12,435,498	\$ 13,437,456	\$ 25,872,954

See Accompanying Notes to Financial Statements

City of Sergeant Bluff, Iowa
Statement of Activities
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 1,201,384	\$ 175,313	\$ 72,019	\$ 51,929
Public Works	1,008,577	54,135	450,979	-
Health and Social Services	9,600	-	-	-
Culture and Recreation	479,084	269,557	5,041	-
Community and Economic Development	320,431	1,361	598,865	-
General Government	744,931	21,085	13,622	-
Debt Service	193,192	-	5,532	-
Total governmental activities	<u>3,957,199</u>	<u>521,451</u>	<u>1,146,058</u>	<u>51,929</u>
Business-Type Activities:				
Electric Utility	3,175,464	2,721,072	-	-
Water Utility	862,073	814,487	-	-
Sewer Utility	772,843	870,389	-	-
Solid Waste Utility	296,403	315,062	-	-
Storm Water Utility	122,813	90,706	-	-
Total Business-Type Activities:	<u>5,229,596</u>	<u>4,811,716</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 9,186,795</u>	<u>\$ 5,333,167</u>	<u>\$ 1,146,058</u>	<u>\$ 51,929</u>

General Revenues:

- Property taxes, levied for general purposes
- Property taxes, levied for tax increment financing debt
- Property taxes, levied for employee benefits
- Property taxes, levied for debt service
- Franchise Taxes
- Local Option Sales Tax
- Hotel/Motel Taxes
- Interest
- Sale of Non-capitalized Assets
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Prior Period Adjustment

Net position - beginning (as restated)

Net position - ending

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-Type Activities	Total
\$ (902,123)	\$ -	\$ (902,123)
(503,463)	-	(503,463)
(9,600)	-	(9,600)
(204,486)	-	(204,486)
279,795	-	279,795
(710,224)	-	(710,224)
(187,660)	-	(187,660)
<u>(2,237,761)</u>	<u>-</u>	<u>(2,237,761)</u>
-	(454,392)	(454,392)
-	(47,586)	(47,586)
-	97,546	97,546
-	18,659	18,659
-	<u>(32,107)</u>	<u>(32,107)</u>
-	<u>(417,880)</u>	<u>(417,880)</u>
<u>(2,237,761)</u>	<u>(417,880)</u>	<u>(2,655,641)</u>
1,141,267	-	1,141,267
105,419	-	105,419
274,515	-	274,515
360,037	-	360,037
74,227	-	74,227
553,126	-	553,126
19,645	-	19,645
31,373	8,338	39,711
22,083	-	22,083
329,717	6,921	336,638
144,245	<u>(144,245)</u>	<u>-</u>
<u>3,055,654</u>	<u>(128,986)</u>	<u>2,926,668</u>
817,893	(546,866)	271,027
12,065,487	14,353,404	26,418,891
<u>(447,882)</u>	<u>(369,082)</u>	<u>(816,964)</u>
<u>11,617,605</u>	<u>13,984,322</u>	<u>25,601,927</u>
<u>\$ 12,435,498</u>	<u>\$ 13,437,456</u>	<u>\$ 25,872,954</u>

City of Sergeant Bluff, Iowa
Balance Sheet
Governmental Funds
June 30, 2015

	General	Debt Service	Capital Projects
Assets			
Cash and Pooled Investments	\$ 128,921	\$ 97,802	\$ 2,255,505
Investments	480,568	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	938	-	-
Taxes	4,466	1,373	-
Subsequent Year Taxes	1,172,723	343,758	-
Due from Other Funds	995,138	-	20,211
Due from Other Governmental Agencies	17,084	-	436,890
Total Assets	2,799,838	442,933	2,712,606
Liabilities			
Accounts Payable	184,540	-	283,627
Accrued Wages	53,352	-	-
Accrued Expenses	319	-	-
Claims Incurred But Not Reported	1,473	-	-
Due to Other Funds	-	-	-
Unearned Revenue	530	-	-
Total Liabilities	240,214	-	283,627
Deferred Inflows of Resources			
Unavailable Revenue - Subsequent Year Property Taxes	1,172,723	343,758	-
Total Deferred Inflows of Resources	1,172,723	343,758	-
Fund Balances			
Restricted for:			
Debt Service	-	99,175	-
Local Option Sales Tax Purposes	-	-	-
Street Purposes	-	-	-
Specific Tax Levy Purposes	-	-	-
Fire Department Purposes	-	-	-
Assigned for:			
Capital Projects	-	-	2,428,979
Unassigned	1,386,901	-	-
Total Fund Balances	1,386,901	99,175	2,428,979
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 2,799,838	\$ 442,933	\$ 2,712,606

See Accompanying Notes to Financial Statements

Special Revenue Road Use Tax	Special Revenue Local Option Sales Tax	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 120,949	\$ 2,603,177
-	-	-	480,568
-	-	-	938
-	-	1,075	6,914
-	-	364,195	1,880,676
229,303	673,536	-	1,918,188
43,464	103,296	-	600,734
<u>272,767</u>	<u>776,832</u>	<u>486,219</u>	<u>7,491,195</u>
-	-	-	468,167
-	-	-	53,352
-	-	-	319
-	-	-	1,473
-	-	14,159	14,159
-	-	-	530
-	-	14,159	538,000
-	-	364,195	1,880,676
-	-	364,195	1,880,676
-	-	-	99,175
-	776,832	-	776,832
272,767	-	-	272,767
-	-	4,946	4,946
-	-	117,078	117,078
-	-	-	2,428,979
-	-	(14,159)	1,372,742
<u>272,767</u>	<u>776,832</u>	<u>107,865</u>	<u>5,072,519</u>
\$ 272,767	\$ 776,832	\$ 486,219	\$ 7,491,195

City of Sergeant Bluff, Iowa
Reconciliation of the Balance Sheet -
Governmental Funds to the Statement of Net Position
June 30, 2015

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 18)		\$ 5,072,519
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$26,000,619 and the accumulated depreciation is \$13,048,488.		12,952,131
Accrued expenses from the balance sheet that require current financial resources for governmental activities.		(7,424)
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		53,112
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources	119,220	
Deferred inflows of resources	<u>(230,471)</u>	(111,251)
Long-term liabilities including bonds/notes payable, compensated absences payable, other post-employment benefits payable, net pension liabilities and accrued interest payable are not due and payable in the current year and therefore, are not reported as liabilities in the funds:		
Compensated Absences	(58,421)	
Note Payable	(40,000)	
Capital Leases	(154,505)	
General Obligations Bonds	(4,765,000)	
Unamortized Bond Premium	(261,702)	
Net Pension Liability	(195,108)	
Net OPEB Liability	<u>(48,853)</u>	(5,523,589)
		<hr/>
Total Net Position - Governmental Activities (page 14)		<u><u>\$ 12,435,498</u></u>

City of Sergeant Bluff, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2015

	General	Debt Service	Capital Projects
Revenue:			
Taxes	\$ 1,141,267	\$ 360,037	\$ -
Tax increment financing	-	-	-
Other city taxes	103,558	2,977	-
Special Assessments	-	-	1,361
Licenses and Permits	57,781	-	-
Intergovernmental Revenue	169,765	2,555	162,592
Charges for Services	200,379	-	-
Fines and Forfeits	22,692	-	-
Contributions	10,748	-	130,000
Refunds/Reimbursements	54,263	-	274,892
Rental Income	63,374	-	-
Proceeds from Sale of Assets	22,083	-	-
Interest	31,211	-	-
Miscellaneous	75,817	-	253,900
Total Revenue	<u>1,952,938</u>	<u>365,569</u>	<u>822,745</u>
Expenditures:			
Public Safety	1,060,651	-	-
Public Works	631,233	-	-
Health and Social Services	9,600	-	-
Culture and Recreation	655,013	-	-
Community and Economic Development	213,671	-	-
General Government	735,550	-	-
Capital Projects	-	-	1,542,989
Debt Service	-	591,569	-
Total Expenditures	<u>3,305,718</u>	<u>591,569</u>	<u>1,542,989</u>
Excess (deficiency) of revenues over expenditures	<u>(1,352,780)</u>	<u>(226,000)</u>	<u>(720,244)</u>
Other financing sources (uses):			
Proceeds from Note Payable	-	-	208,327
Payment on Notes Payable	-	-	(208,327)
Proceeds from Capital Leases	76,810	-	-
Proceeds from Debt	-	30,000	2,835,000
Premium on Bonds Issued	-	86,317	184,399
Proceeds of Refunding Bonds	-	2,210,000	-
Payment to Refunded Bond Escrow Agent	-	(2,262,830)	-
Transfers In	1,537,782	110,362	376,116
Transfers Out	(35,000)	-	(564,653)
Total other financing sources (uses)	<u>1,579,592</u>	<u>173,849</u>	<u>2,830,862</u>
Net Change in Fund Balance	226,812	(52,151)	2,110,618
Fund balances - beginning of year	1,160,089	151,326	318,361
Prior Period Adjustment	-	-	-
Fund balances - beginning of year, as restated	<u>1,160,089</u>	<u>151,326</u>	<u>318,361</u>
Fund balances - end of year	<u>\$ 1,386,901</u>	<u>\$ 99,175</u>	<u>\$ 2,428,979</u>

See Accompanying Notes to Financial Statements

Special Revenue Road Use Tax	Special Revenue Local Option Sales Tax	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 274,515	\$ 1,775,819
-	-	105,419	105,419
-	553,126	2,331	661,992
-	-	-	1,361
-	-	-	57,781
450,385	-	2,190	787,487
-	-	100,164	300,543
-	-	-	22,692
-	-	300	141,048
-	-	-	329,155
-	-	-	63,374
-	-	-	22,083
-	-	162	31,373
-	-	1,003	330,720
450,385	553,126	486,084	4,630,847
-	-	58,581	1,119,232
-	-	-	631,233
-	-	-	9,600
-	-	-	655,013
-	-	-	213,671
-	-	-	735,550
-	-	-	1,542,989
-	-	-	591,569
-	-	58,581	5,498,857
450,385	553,126	427,503	(868,010)
-	-	-	208,327
-	-	-	(208,327)
-	-	-	76,810
-	-	-	2,865,000
-	-	-	270,716
-	-	-	2,210,000
-	-	-	(2,262,830)
-	-	-	2,024,260
(440,000)	(435,000)	(405,362)	(1,880,015)
(440,000)	(435,000)	(405,362)	3,303,941
10,385	118,126	22,141	2,435,931
262,382	658,706	176,549	2,727,413
-	-	(90,825)	(90,825)
262,382	658,706	85,724	2,636,588
\$ 272,767	\$ 776,832	\$ 107,865	\$ 5,072,519

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

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

Net change in fund balances - total governmental funds (page 21) \$ 2,435,931

Governmental funds report capital outlay, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital expenditures in the current year as follows:

Expenditures for capital assets	\$ 1,822,000	
Depreciation expense	<u>(811,848)</u>	1,010,152

Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources 10,269

Accrued interest payable that does not require current financial resources (947)

Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was: 4,617

Long-term accrual of other post employment benefits liability in the governmental funds as it does not consume current financial resources. (12,925)

Long-term accrual of Pension Expense in the governmental funds as it does not consume current financial resources. 86,818

The Current Year City employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position. (36,120)

The issuance of indebtedness provides current financial resources to the governmental funds without affecting net position. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was: (3,203,512)

General Obligation Bonds	(2,865,000)	
Bond Premium	(261,702)	
Capital Leases	<u>(76,810)</u>	

The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net position. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was:

Note Payable	20,000	
Capital Leases	60,470	
General Obligation Bonds	<u>443,140</u>	<u>523,610</u>

Change in net position of governmental activities (page 16) \$ 817,893

City of Sergeant Bluff, Iowa
Statement of Net Position
Proprietary Funds
June 30, 2015

	<u>Business Type Activities</u>	
	<u>Electric Utility</u>	<u>Water Utility</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ -	\$ -
Investments	2,400,000	497,471
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	274,860	89,481
Estimated Unbilled Usage	63,339	20,049
Advances to Other Funds	666,666	-
Due from Other Funds	-	-
Due from Other Governmental Agencies	-	-
Inventories	209,601	15,289
Prepaid Assets	12,181	20,541
Total current assets	<u>3,626,647</u>	<u>642,831</u>
Non-current assets:		
Land	-	231,820
Construction in Progress	-	133,689
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	<u>1,116,575</u>	<u>8,075,487</u>
Total non-current assets	<u>1,116,575</u>	<u>8,440,996</u>
Total Assets	<u>4,743,222</u>	<u>9,083,827</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	39,754	20,809
LIABILITIES		
Current Liabilities:		
Accounts Payable	234,409	13,833
Customer Deposits	36,077	30,873
Accrued Wages	8,751	5,059
Accrued Expenses	4,564	3,093
Accrued Compensated Absences	13,033	7,965
Accrued Interest Payable	-	9,352
Due to Other Funds	1,191,796	328,055
Claims Incurred but Not Reported	453	227
Advance from Other Funds	-	-
Revenue Bonds Payable	-	159,000
General Obligation Bonds Payable	-	25,000
Total current liabilities	<u>1,489,083</u>	<u>582,457</u>
Noncurrent Liabilities:		
Due in more than one year:		
Revenue Bonds	-	3,119,000
General Obligation Bonds	-	-
Net Pension Liability	155,831	81,570
Net OPEB Liability	9,015	4,287
Total non-current liabilities	<u>164,846</u>	<u>3,204,857</u>
Total Liabilities	<u>1,653,929</u>	<u>3,787,314</u>
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	59,429	31,108
NET POSITION		
Net Investment in Capital Assets	1,116,575	5,137,996
Unrestricted	<u>1,953,043</u>	<u>148,218</u>
Total Net Position	<u>\$ 3,069,618</u>	<u>\$ 5,286,214</u>

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
\$ -	\$ -	\$ -	\$ -
11,543	-	-	2,909,014
99,779	10,314	38,475	512,909
17,333	1,897	6,538	109,156
-	-	-	666,666
-	-	117,215	117,215
-	13,266	-	13,266
-	-	-	224,890
18,271	-	-	50,993
<u>146,926</u>	<u>25,477</u>	<u>162,228</u>	<u>4,604,109</u>
51,590	186,367	-	469,777
117,226	469,678	-	720,593
<u>6,315,810</u>	<u>1,544,421</u>	<u>-</u>	<u>17,052,293</u>
<u>6,484,626</u>	<u>2,200,466</u>	<u>-</u>	<u>18,242,663</u>
<u>6,631,552</u>	<u>2,225,943</u>	<u>162,228</u>	<u>22,846,772</u>
14,132	4,014	-	78,709
22,112	31	17,448	287,833
-	-	-	66,950
3,827	1,165	97	18,899
1,046	-	-	8,703
5,716	1,561	-	28,275
7,194	-	-	16,546
276,500	224,893	-	2,021,244
113	-	-	793
666,666	-	-	666,666
-	-	-	159,000
240,000	-	-	265,000
<u>1,223,174</u>	<u>227,650</u>	<u>17,545</u>	<u>3,539,909</u>
-	-	-	3,119,000
2,385,000	-	-	2,385,000
55,396	15,737	-	308,534
3,380	1,236	-	17,918
<u>2,443,776</u>	<u>16,973</u>	<u>-</u>	<u>5,830,452</u>
<u>3,666,950</u>	<u>244,623</u>	<u>17,545</u>	<u>9,370,361</u>
21,126	6,001	-	117,664
3,859,626	2,200,466	-	12,314,663
(902,018)	(221,133)	144,683	1,122,793
<u>\$ 2,957,608</u>	<u>\$ 1,979,333</u>	<u>\$ 144,683</u>	<u>\$ 13,437,456</u>

City of Sergeant Bluff, Iowa
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2015

	Business Type Activities	
	Electric Utility	Water Utility
Operating Revenues:		
Charges for Services	\$ 2,721,072	\$ 814,487
Total Operating Revenue	<u>2,721,072</u>	<u>814,487</u>
Operating Expenses:		
Cost of Service	3,070,564	528,789
Depreciation	104,900	222,053
Total Operating Expenses	<u>3,175,464</u>	<u>750,842</u>
Operating Income (Loss)	(454,392)	63,645
Non-Operating Income (Expense):		
Interest Income	8,213	102
Other Non-operating Revenues	3,799	1,529
Interest Expense	-	(111,231)
Total Non-Operating Income (Expenses)	<u>12,012</u>	<u>(109,600)</u>
Income (Loss) before Transfers and Contributions	(442,380)	(45,955)
Transfers In	-	133,689
Transfers Out	<u>(294,000)</u>	<u>(39,000)</u>
Change in Net Position	(736,380)	48,734
Net Position - Beginning	3,992,410	5,335,058
Prior Period Adjustment	<u>(186,412)</u>	<u>(97,578)</u>
Net Position - Beginning (As Restated)	<u>3,805,998</u>	<u>5,237,480</u>
Net Position - Ending	<u>\$ 3,069,618</u>	<u>\$ 5,286,214</u>

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
\$ 870,389	\$ 90,706	\$ 315,062	\$ 4,811,716
870,389	90,706	315,062	4,811,716
468,506	57,684	296,403	4,421,946
218,764	65,129	-	610,846
687,270	122,813	296,403	5,032,792
183,119	(32,107)	18,659	(221,076)
23	-	-	8,338
923	570	100	6,921
(85,573)	-	-	(196,804)
(84,627)	570	100	(181,545)
98,492	(31,537)	18,759	(402,621)
99,848	-	-	233,537
(40,700)	(4,082)	-	(377,782)
157,640	(35,619)	18,759	(546,866)
2,866,235	2,033,777	125,924	14,353,404
(66,267)	(18,825)	-	(369,082)
2,799,968	2,014,952	125,924	13,984,322
\$ 2,957,608	\$ 1,979,333	\$ 144,683	\$ 13,437,456

City of Sergeant Bluff, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2015

	<u>Business Type Activities</u>	
	<u>Electric Utility</u>	<u>Water Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 2,732,158	\$ 817,079
Cash Paid to Suppliers for Goods and Services	(2,123,880)	(131,144)
Cash Paid to Employees for Services	(361,219)	(191,016)
Other Receipts	3,799	1,529
Net Cash Provided (Used) by Operating Activities	<u>250,858</u>	<u>496,448</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(6,738)	(169,046)
Principal Paid on Notes and Bonds	-	(310,860)
Interest & Bond Costs Paid	-	(111,231)
Net Cash (Used) by Capital and Related Financing Activities	<u>(6,738)</u>	<u>(591,137)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating Transfers to Other Funds	(294,000)	(39,000)
Operating Transfers from Other Funds	-	133,689
Advance (to) from Other Funds	66,667	-
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(227,333)</u>	<u>94,689</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	8,213	102
Purchase of Investment Securities	(25,000)	(102)
Net Cash (Used) by Investing Activities	<u>(16,787)</u>	<u>-</u>
Net (Decrease) in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at Beginning of Year	-	-
Cash and Cash Equivalents at End of Year	<u>\$ -</u>	<u>\$ -</u>

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
\$ 892,982	\$ 90,629	\$ 195,437	\$ 4,728,285
(250,238)	(19,818)	(298,095)	(2,823,175)
(135,536)	(44,474)	97	(732,148)
923	570	100	6,921
<u>508,131</u>	<u>26,907</u>	<u>(102,461)</u>	<u>1,179,883</u>
(135,039)	(22,825)	-	(333,648)
(280,000)	-	-	(590,860)
<u>(85,573)</u>	<u>-</u>	<u>-</u>	<u>(196,804)</u>
<u>(500,612)</u>	<u>(22,825)</u>	<u>-</u>	<u>(1,121,312)</u>
(40,700)	(4,082)	-	(377,782)
99,848	-	-	233,537
<u>(66,667)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(7,519)</u>	<u>(4,082)</u>	<u>-</u>	<u>(144,245)</u>
23	-	-	8,338
<u>(23)</u>	<u>-</u>	<u>-</u>	<u>(25,125)</u>
-	-	-	(16,787)
-	-	(102,461)	(102,461)
-	-	102,461	102,461
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Sergeant Bluff, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2015

	<u>Business Type Activities</u>	
	<u>Electric Utility</u>	<u>Water Utility</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ (454,392)	\$ 63,645
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	104,900	222,053
Miscellaneous Non-Operating Income	3,799	1,529
(Increase) Decrease in Assets:		
Accounts Receivable	16,294	5,370
Estimated Unbilled Usage	(969)	(2,778)
Prepays	3,920	6,810
Inventories	28,095	(13,338)
Due From Other Funds	-	-
Deferred Outflows	(39,754)	(20,809)
Increase (Decrease) in Liabilities		
Accounts Payable	(138,574)	4,827
Accrued Wages and Compensated Absences	3,967	1,538
Accrued Expenses	43	(662)
Due To Other Funds	696,153	211,895
Deferred Inflows	59,429	31,108
Net Pension Liability	(30,581)	(16,008)
Net OPEB Liability	2,990	1,381
Claims Incurred but Not Report	(227)	(113)
Customer Deposits	(4,235)	
Total Adjustments	<u>705,250</u>	<u>432,803</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 250,858</u>	<u>\$ 496,448</u>

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
\$ 183,119	\$ (32,107)	\$ 18,659	\$ (221,076)
218,764	65,129	-	610,846
923	570	100	6,921
22,928	79	(2,101)	42,570
(334)	(156)	(309)	(4,546)
3,080	-	-	13,810
-	132,732	-	147,489
-	-	(117,215)	(117,215)
(14,132)	(4,014)	-	(78,709)
(363)	(26,931)	(1,692)	(162,733)
184	848	97	6,634
(450)	-	-	(1,069)
83,087	(112,537)	-	878,598
21,126	6,001	-	117,664
(10,871)	(3,088)	-	(60,548)
1,127	381	-	5,879
(57)	-	-	(397)
-	-	-	(4,235)
325,012	59,014	(121,120)	1,400,959
\$ 508,131	\$ 26,907	\$ (102,461)	\$ 1,179,883

City of Sergeant Bluff, Iowa
Statement of Net Position
Agency Fund - Employee Medical Flexible Spending Account
June 30, 2015

ASSETS	
Cash and Pooled Investments	<u>\$ 10,849</u>
LIABILITIES	
Accounts Payable	<u>10,849</u>
NET POSITION	
Unrestricted	-
Total Net Position	<u><u>\$ -</u></u>

See Accompany Notes to Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sergeant Bluff, Iowa, is a political subdivision of the State of Iowa located in Woodbury County, and was incorporated in 1854, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Mayor-Council form of government elected on a nonpartisan basis with an appointed administrator and administers the following programs as authorized by its charter: public safety, public works, culture and recreation, community and economic development, health and social services, general government, capital projects and debt service. The City also has municipal electric, water, sewer, solid waste and storm water utility systems which are governed by the City Council.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board. The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. REPORTING ENTITY

For financial reporting purposes, the City of Sergeant Bluff, 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. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units that meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards or Commissions: Woodbury County Solid Waste Agency Board, Woodbury County E-911 Services Board and Woodbury County Conference Board.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE STATEMENTS

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services. The City's general, special revenue, debt service, and capital projects funds are classified as governmental activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Statement of Net Position presents the City's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The City does not allocate indirect costs. Certain expenses of the City are accounted for through a cost-reimbursement basis.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year activities.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

The City reports the following major governmental funds:

Governmental Fund Types – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

- 1) **General Fund** – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.

- 2) Debt Service Fund – Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.
- 3) Capital Projects Fund – The Capital Projects Fund is used to account for the purchase of City infrastructure projects.
- 4) Special Revenue – Road Use Tax Fund – The Special Revenue Road Use Tax Fund is used to account for and report the proceeds from the State of Iowa that are legally restricted or committed to road related expenditures.
- 5) Special Revenue - Local Option Sales Tax Fund – The Special Revenue Local Option Sales Tax Fund is used to account for the revenues for the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

- 1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

*The Electric Fund is used to account for the operation and maintenance of the City's electrical system.

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

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

*The Storm Water Fund is used to account for the operation and maintenance of the City's storm sewer system.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fiduciary Fund Types – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The City's Agency Fund is used to account for a medical flexible spending account for employees.

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the community and economic development function, debt service function and business-type activities.

F. Cash And Cash Equivalents And Investments

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.

- 1) Cash and Cash Equivalents - Includes investments with original maturities of three months or less.
- 2) Investments - Consist of certificates of deposit with original maturities of more than three months and perfected repurchase agreements. The City reports certificates of deposit and perfected repurchase agreements at cost.

G. Property Tax Receivable

Property tax 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 that the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council 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 Council 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 and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds: become due and collectible in September and March of the 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 the tax asking contained in the budget certified to the County Board of Supervisors in March 2014. Any county collections on the 2014-2015 tax levy remitted to the City within 60 days subsequent to June 30, 2015, are recorded as property tax revenue.

H. Short-Term Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2015, balances of interfund amounts

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

payable or receivable have been recorded as “due to other funds” and “due from other funds”, respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

I. Inventories

All inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased and are immaterial and not recorded on the current financial statements.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2015 are recorded as prepaid items.

K. Property and Equipment

Assets with an initial individual cost of \$5,000 or more are considered capital assets. Property and equipment are valued at historical cost or estimated historical cost if actual historical cost is not available. Contributed assets are reported at their fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized.

Other costs incurred for repairs and maintenance are expensed as incurred. Infrastructure has been capitalized using historical or estimated historical cost beginning in 1980 as required by GASB 34. Depreciation on all assets is provided on the straight-line basis over the following estimated lives:

Buildings	20 – 50 Years
Utility Plant	30 – 33 Years
Land Improvements	20 – 50 Years
Machinery & Equipment	5 – 20 Years
Infrastructure	20 – 100 Years

L. Compensated Absences

The City accrues accumulated unpaid vacation costs and related employee benefits when earned (or estimated to be earned) by the employee. The amount estimated to be used in subsequent fiscal years for governmental funds is reported only as a general liability in the government-wide statement of net position and represents a reconciling item between the fund and government-wide presentations. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2015. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net 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. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow 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 government has several types of items that qualifies for reporting in this category. The governmental activities in the government-wide statements and the governmental funds report unavailable revenues from subsequent year property taxes, tax increment financing and deferred inflows related to pensions. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

N. Pensions

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

O. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

P. Fund Equity

Fund equity in the governmental fund financial statements, fund balances are classified as follows:

Non-spendable – Amounts which cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained intact.

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

Committed Fund Balance – Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through resolution, unless the City Council removes or changes the specified use by taking the same type of action use to commit the amounts.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned – Amounts that are constrained by the City’s intent to use them for a specific purpose. It is the City’s policy that the authority to assign fund balance has been delegated by the City Council to the City Manager.

Unassigned – Amounts that are available for any purpose; these amounts can be reported only in the City’s General Fund.

Q. Inter-fund Transactions

Inter-fund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except inter-fund services provided and used transactions and reimbursements, are reported as transfers.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City’s deposits 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. Chapter 12C provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. There were no differences in investments held during the year from those at June 30, 2015.

At June 30, 2015 the City had the following investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

	Fair Value
Certificates of deposits	\$ 39,582
Repurchase agreements	3,350,000
	\$ 3,389,582

The City’s \$3,350,000 investment in repurchase agreements is held in the name of the City and under-lying securities (totaling \$3,465,000) are held by an authorized custodian of the City.

Interest Rate Risk: The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and uses of the City. The City manages its exposure to declines in the fair value of its investments by limiting maturities to less than one year.

City of Sergeant Bluff, Iowa
Notes to Financial Statements
June 30, 2015

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

The City's investments consist of certificates of deposits and repurchase agreements with the latest maturity extending to May 2017.

Credit Risk: The City's investment policy addresses the issue of credit risk. Investments are limited to certain types of investments and by diversifying the investment portfolio.

Custodial Risk: 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 that are in possession of the outside party. Of the City's investments at June 30, 2015, the City has limited custodial credit risk exposure because all investments of the City must be held for the credit of the City in compliance with Iowa Code Chapter 12B. The counterparty must keep the securities in an account separate and apart from its own.

Note 3 - DUE FROM OTHER GOVERNMENTS AND INTER-FUND BALANCES

At June 30, 2015, amounts due from other governments were as follows:

Due from Sergeant Bluff-Luton CSD for payment on account	\$ 2,642
Due from the State of Iowa for local option sales taxes	103,296
Due from State of Iowa-RISE Grant	161,998
Due from Woodbury County Engineer	274,892
Due from the Iowa Department of Transportation for road use tax allocations	43,464
Due from Iowa Department of Transportation -Grant Funds	13,266
Due from Department of Justice	14,442
Total Due from Other Governments	<u>\$ 614,000</u>

As of June 30, 2015, short-term inter-fund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Electric	\$ 151,531
General	Sewer	276,500
General	Water	328,055
General	Non-major TIF	14,159
General	Storm Water	224,893
Local Option Sales Tax	Electric	673,536
Road Use Tax	Electric	229,303
Capital Projects	Electric	20,211
Solid Waste	Electric	117,215

These internal balances represent amounts due from/due to other funds to cover deficit cash balances.

As of June 30, 2015, long-term advances were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
Proprietary – Electric	Proprietary – Sewer	\$ 666,666

City of Sergeant Bluff, Iowa
Notes to Financial Statements
June 30, 2015

Note 4 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 393,109	\$ 257,704	\$ -	\$ 650,813
Construction in Progress	333,115	908,381	558,318	683,178
Total capital assets not being depreciated	726,224	1,166,085	558,318	1,333,991
Capital assets being depreciated:				
Buildings and Improvements	3,054,246	57,100	-	3,111,346
Equipment	3,386,141	544,004	27,629	3,902,516
Land Improvements	2,480,543	236,204	-	2,716,747
Infrastructure	14,559,094	376,925	-	14,936,019
Total capital assets being depreciated	23,480,024	1,214,233	27,629	24,666,628
Less: Accumulated Depreciation for:				
Buildings and Improvements	717,587	88,611	-	806,198
Equipment	2,387,162	249,703	27,629	2,609,236
Land Improvements	523,901	89,022	-	612,923
Infrastructure	8,635,619	384,512	-	9,020,131
Total Accumulated Depreciation	12,264,269	811,848	27,629	13,048,488
Total capital assets being depreciated, net	11,215,755	402,385	-	11,618,140
Governmental activities capital assets, net	\$ 11,941,979	\$ 1,568,470	\$ 558,318	\$ 12,952,131

Construction in progress at June 30, 2015, for governmental activities, consisted of costs associated with the following projects: Dogwood Trail, Kingston Pedestrian Crossing, the Railroad Quiet Zone, Sergeant Square Extension, the Senior Center, Maupin Pines Senior Housing, Jefferson Park, Baker Prairie Bluff Lift Station and the Fire Tower.

City of Sergeant Bluff, Iowa
Notes to Financial Statements
June 30, 2015

Note 4 - CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 469,777	\$ -	\$ -	\$ 469,777
Construction in Progress	583,095	252,249	114,751	720,593
Total capital assets not being depreciated	1,052,872	252,249	114,751	1,190,370
Capital assets being depreciated:				
Buildings and Improvements	1,239,221	-	-	1,239,221
Equipment	1,302,322	65,847	-	1,368,169
Distribution System	19,130,622	114,752	-	19,245,374
Total capital assets being depreciated	21,672,165	180,599	-	21,852,764
Less: Accumulated Depreciation				
Buildings and Improvements	327,396	31,860	-	359,256
Equipment	711,613	115,811	-	827,424
Distribution System	3,150,614	463,177	-	3,613,791
Total Accumulated Depreciation	4,189,623	610,848	-	4,800,471
Total capital assets being depreciated, net	17,482,542	(430,249)	-	17,052,293
Business-type activities capital assets, net	\$ 18,535,414	\$ (178,000)	\$ 114,751	\$ 18,242,663

Construction in progress at June 30, 2015, for the business-type activities, consisted of costs associated with the Sergeant Square Extension, Maupin Pines Senior Housing, and Baker Prairie Bluff Lift Station.

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

Governmental Activities:	
Public Safety	\$ 191,207
Public Works	499,538
Culture and Recreation	74,849
General Government	45,803
Community and Economic Development	451
Total depreciation expense – governmental activities	<u>\$ 811,848</u>
Business-Type Activities:	
Water	\$ 222,053
Sewer	218,764
Electric	104,900
Storm Water	65,129
Total depreciation expense – business-type activities	<u>\$ 610,846</u>

City of Sergeant Bluff, Iowa
Notes to Financial Statements
June 30, 2015

Note 4 - CAPITAL ASSETS (CONTINUED)

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business- type Activities
Land	\$ 650,813	\$ 469,777
Construction in Progress	683,178	720,593
Capital Assets (net of accumulated depreciation)	11,618,140	17,052,293
Less: General Obligation Bonds Payable	(4,765,000)	(2,650,000)
Revenue Bonds	-	(3,278,000)
Note Payable	(40,000)	-
Capital Leases	(154,505)	-
Unamortized Bond Premium	(270,716)	-
Plus: Capital Lease Assets Below		
Capitalization Policy	10,452	-
Bond Premium Amortization	9,014	-
Net Investment in Capital Assets	<u>\$ 7,741,376</u>	<u>\$ 12,314,663</u>

Note 5 - LONG-TERM LIABILITIES

The City's computed legal debt limit, as of June 30, 2015, is \$11,441,155 of which \$7,415,000 is committed for outstanding general obligation debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2015:

	Governmental Activities	Business Type Activities	
	General Obligation		
	Bonds and Notes Paid By Debt Service Fund	Bonds Paid By Enterprise Funds	Total
<i>Primary Government:</i>			
Bonds payable			
July 1, 2014	\$ 2,343,140	\$ 3,086,860	\$ 5,430,000
Plus: Issued	2,865,000	-	2,865,000
Less: Payments	443,140	436,860	880,000
Bonds Payable			
June 30, 2015	<u>\$ 4,765,000</u>	<u>\$ 2,650,000</u>	<u>\$ 7,415,000</u>
Due within one year	<u>\$ 335,000</u>	<u>\$ 265,000</u>	<u>\$ 600,000</u>

City of Sergeant Bluff, Iowa
Notes to Financial Statements
June 30, 2015

Note 5 - LONG-TERM LIABILITIES (CONTINUED)

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for the governmental-type activities and the business-type activities.

On March 3, 2015 the City issued general obligation bonds in the amount of \$5,075,000 with interest rates ranging between 2% and 4%. The City issued \$965,000 of the bonds to advance refund \$930,000 of the outstanding Series 2008A bonds, \$1,275,000 to refund \$1,280,000 of the outstanding 2009A and 2010 bond issues. and \$2,835,000 of new bond proceeds. The bonds have a true interest rate of 1.837461% with principal payments due 2015 through 2029.

With regard to the advance refunded bonds, the City used the net proceeds to purchase U.S. government securities. These securities were deposited in an irrevocable trust escrow account to provide for all future debt service on the refunded portion of the 2008A series bonds. As a result, that portion of the 2008A series bonds is considered defeased, and the City has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$930,000 at June 30, 2015.

The refunding reduced total debt service payments over the next 12 years by \$117,237. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$107,145.

Arbitrage

Arbitrage rules apply to tax-exempt debt issued after August 31, 1986. The rules require that earnings from the investment of tax-exempt bond proceeds which exceed yield on the bonds must be remitted to the federal government every five years. The City entered into an agreement with an outside consulting firm to assist the City in reviewing arbitrage rebate calculations for the City's bond issues. Those bond issues that have been reviewed show that no rebate is owed.

General obligation bonds outstanding as of June 30, 2015 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2015	Due Within One Year
General Obligation:							
Corporate Purpose	2008	3.9-4.1%	2016	\$ 35,000-\$185,000	\$ 1,170,000	\$ 40,000	\$ 40,000
Sewer Improvement	2011	2.0-3.5%	2029	\$100,000-\$150,000	2,040,000	1,735,000	105,000
Sewer Improvement	2012	3.0%	2032	\$5,000-\$175,000	650,000	635,000	10,000
Corporate Purpose	2015	2.0-4.0%	2029	\$325,000-\$425,000	5,075,000	4,725,000	445,000
Refunding Bonds-Water	2015	2.0-4.0%	2016	\$25,000	25,000	25,000	25,000
Refunding Bonds-Sewer	2015	2.0-4.0%	2017	\$125,000-130,000	255,000	255,000	125,000
Total General Obligation					\$ 8,935,000	\$ 7,415,000	\$ 600,000

City of Sergeant Bluff, Iowa
Notes to Financial Statements
June 30, 2015

Note 5 - LONG-TERM LIABILITIES (CONTINUED)

General obligation bonds debt service requirements to maturity are as follows:

Year Ending June 30	Business Type			Governmental			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2016	\$265,000	78,002	343,002	335,000	124,760	459,760	600,000	202,762	\$802,762
2017	245,000	66,673	311,673	310,000	123,350	433,350	555,000	190,023	745,023
2018	120,000	61,722	181,722	325,000	117,150	442,150	445,000	178,872	623,872
2019	120,000	59,223	179,223	325,000	110,650	435,650	445,000	169,873	614,873
2020	120,000	56,722	176,722	345,000	104,150	449,150	465,000	160,872	625,872
2021-2025	660,000	236,769	896,769	1,690,000	384,350	2,074,350	2,350,000	621,119	2,971,119
2026-2030	775,000	129,744	904,744	1,435,000	105,750	1,540,750	2,210,000	235,494	2,445,494
2031-2032	345,000	15,600	360,600	-	-	-	345,000	15,600	360,600
Total	\$2,650,000	\$ 704,455	\$ 3,354,455	\$4,765,000	\$ 1,070,160	\$5,835,650	\$7,415,000	\$1,774,615	\$9,189,615

Revenue Bonds

Details of Revenue Bonds outstanding at June 30, 2015 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Originally Issued	Outstanding June 30, 2015	Due Within One Year
SRF Water Revenue Bond 2010A	01/2010	3.0%	06/2031	Unknown	\$3,867,000	\$ 3,278,000	\$ 159,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2016	159,000	98,340
2017	165,000	93,570
2018	170,000	88,620
2019	175,000	83,520
2020	181,000	78,270
2021-2025	998,000	306,270
2026-2030	1,172,000	146,370
2031-2032	258,000	7,740
Total	\$ 3,278,000	\$ 902,700

Note 5 - LONG-TERM LIABILITIES (CONTINUED)

Note Payable – B Street Ball Field Property

On May 16, 2013, the City purchased the B Street Ball Field from Sergeant Bluff – Luton Community School District for \$82,500 with \$2,500 due at closing. The remaining balance is to be paid in \$20,000 installments due on July 1, along with interest of 3.5%, over the four subsequent years.

The following is a schedule of the annual debt service requirements to maturity:

Year Ending June 30,	Principal	Interest
2016	20,000	1,200
2017	20,000	600
Total	\$ 40,000	\$ 1,800

Capital Leases

On October 30, 2012, the City entered into a three-year lease agreement as lessee for financing the acquisition of a new server. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments as of the inception date. The cost of the server was \$32,105 which had accumulated depreciation of \$24,511 as of June 30, 2015. This asset will continue to be depreciated over its useful life of three years. The final lease payment on this lease was made during the year ended June 30, 2015.

On February 5, 2013, the City entered into a four-year lease agreement as lessee for financing the acquisition of five new Dell computers for use by the Finance Department. The computers and accessories included in the capital lease agreement individually fall below the City's capitalization policy and therefore, none of these items were capitalized.

On February 15, 2013, the City entered into a four-year lease agreement as lessee for financing the acquisition of seven new Dell Laptops. These laptops were purchased for use by members of the City Council. The laptops and accessories included in this capital lease agreement individually fall below the City's capitalization policy and therefore, none of these items were capitalized.

On March 29, 2013, the City entered into a five-year lease agreement as lessee for financing the acquisition of a 2013 Elgin street sweeper for the public works departments. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments as of the inception date. The cost of the street sweeper was \$145,000 with accumulated depreciation of \$20,631 as of June 30, 2015. This asset will continue to be depreciated over its useful life of fifteen years.

On October 24, 2013, the City entered into a four-year lease agreement as lessee for financing the acquisition of five Dell computers for the police department. The computers and accessories included in the capital lease agreement fall below the City's capitalization policy and therefore, these assets have not been capitalized.

On November 12, 2014, the City entered into a four-year lease agreement as lessee for financing the acquisition of a 2015 Peterbilt snow plow for the public works department. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments as of the inception date. The cost of the street sweeper was \$76,810 with accumulated depreciation of \$7,678 as of June 30, 2015. This asset will continue to be depreciated over

City of Sergeant Bluff, Iowa
Notes to Financial Statements
June 30, 2015

Note 5 - LONG-TERM LIABILITIES (CONTINUED)

its useful life of ten years.

On February 6, 2014, the City entered into a four-year lease agreement as lessee for financing the acquisition of three Dell laptops for the public works, finance and parks and recreation departments. The computers and accessories included in the capital lease agreement fall below the City's capitalization policy and therefore, these assets have not been capitalized.

The following is a schedule of future minimum lease payments under capital lease, together with the net present value of minimum payments as of June 30, 2015.

Year Ending June 30,	Principal	Interest	Total
2016	\$52,079	\$4,708	\$ 56,787
2017	50,432	3,170	53,602
2018	51,993	1,609	53,602
Minimum Lease Payments			163,993
Less: Amount Representing Interest			(9,488)
Present Value of Minimum Lease Payment			<u>\$ 154,505</u>

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable					
General Obligation	\$ 2,343,140	\$2,865,000	\$ 443,140	\$ 4,765,000	\$ 335,000
Unamortized Bond Premium	-	270,716	9,014	261,702	35,558
Note Payable	60,000	-	20,000	40,000	20,000
Capital Leases	138,165	76,810	60,470	154,505	52,079
Compensated Absences	63,038	58,421	63,038	58,421	58,421
Other Post Employment Benefits	35,928	12,925	-	48,853	-
Governmental Activity Long-Term Liabilities	<u>2,640,271</u>	<u>3,283,872</u>	<u>595,662</u>	<u>5,328,481</u>	<u>501,058</u>
Business-Type Activities					
Bonds Payable:					
General Obligation	3,086,860	-	436,860	2,650,000	265,000
Revenue Bonds	3,432,000	-	154,000	3,278,000	159,000
Compensated Absences	27,462	28,275	27,463	28,275	28,275
Other Post Employment Benefits	12,039	5,879	-	17,918	-
Business-Type Activity Long-Term Liabilities	<u>\$ 6,558,361</u>	<u>\$ 34,154</u>	<u>\$ 618,322</u>	<u>\$ 5,974,193</u>	<u>\$ 452,275</u>

City of Sergeant Bluff, Iowa
Notes to Financial Statements
June 30, 2015

Note 6 - TRANSFERS

The following is a summary of transfers between funds:

	General	Debt Service	Capital Projects	Water	Sewer	Total Transfers Out
General	\$ -	\$ -	\$ 35,000	\$ -	\$ -	\$ 35,000
Capital	-	-	331,116	133,689	99,848	564,653
Road Use Tax	440,000	-	-	-	-	440,000
LOST	435,000	-	-	-	-	435,000
Water	39,000	-	-	-	-	39,000
Sewer	40,700	-	-	-	-	40,700
Electric	284,000	-	10,000	-	-	294,000
Storm Water	4,082	-	-	-	-	4,082
Nonmajor Governmental	295,000	110,362	-	-	-	405,362
Total Transfers In	<u>\$1,537,782</u>	<u>\$110,362</u>	<u>\$ 376,116</u>	<u>\$ 133,689</u>	<u>\$ 99,848</u>	<u>\$2,257,797</u>

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.

Note 7 - RETIREMENT

Iowa Public Employees Retirement System - The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

Note 7 - RETIREMENT (CONTINUED)

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

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

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

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

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

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

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%. Protection occupation members contributed 6.76% of pay and the City contributed 10.14% for a total rate of 16.90%.

The City's contributions to IPERS for the year ended June 30, 2015 were \$134,738.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$503,642. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion

City of Sergeant Bluff, Iowa
Notes to Financial Statements
June 30, 2015

Note 7 - RETIREMENT (CONTINUED)

of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0126993 percent, which was a decrease of 0.00229 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City had collective pension expense of \$62,444. 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	\$ 6,638	\$ 9,653
Changes of Assumptions	26,956	230
Net difference between projected and actual earnings on pension plan investments	-	338,261
Changes in proportion and differences between City contributions and proportionate share of contributions	29,596	-
City contributions subsequent to the measurement date	134,738	-
Total	\$ 197,928	\$348,144

\$134,738 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2016	\$ (72,110)
2017	(72,110)
2018	(72,110)
2019	(72,110)
2020	3,486
	\$(284,954)

There were no non-employer contributing entities at IPERS.

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

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

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

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

City of Sergeant Bluff, Iowa
Notes to Financial Statements
June 30, 2015

Note 7 - RETIREMENT (CONTINUED)

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

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	(.69)
Total	100%	

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

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

	1% Decrease 6.50%	Discount Rate 7.5%	1% Increase 8.50%
Regular Membership Group	\$ 1,154,083	\$ 610,796	\$ 152,207
Protection Occupation	112,968	(107,154)	(292,638)
Total	\$ 1,267,051	\$ 503,642	\$(140,431)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

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

City of Sergeant Bluff, Iowa
Notes to Financial Statements
June 30, 2015

Note 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits. All coverage ceases when the retiree attains 65 or becomes eligible for Medicare except for COBRA continuation if elected.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug 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 that, 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	\$ 33,097
Interest on net OPEB obligation	466
Adjustment to annual required contribution	<u>(636)</u>
Annual OPEB cost	32,927
Contributions made	<u>(14,123)</u>
Increase in net OPEB obligation	18,804
Net OPEB obligation beginning of year	<u>47,967</u>
Net OPEB obligation end of year	<u>\$ 66,771</u>

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the past four fiscal years are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	\$ 3,453	0%	\$ 3,453
June 30, 2011	\$ 3,453	0%	\$ 6,906
June 30, 2012	\$ 3,453	0%	\$ 10,359
June 30, 2013	\$ 32,927	42.9%	\$ 29,163
June 30, 2014	\$ 32,927	42.9%	\$ 47,967
June 30, 2015	\$ 32,927	42.9%	\$ 66,771

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2014 through June 30, 2015, the actuarial accrued liability was \$195,975, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$195,975.

Note 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB-CONTINUED)

The covered payroll (annual payroll of active employees covered by the plan) was approximately \$1,160,000 and the ratio of the UAAL to covered payroll was 16.9%. 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 assumptions 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 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.

As of July 1, 2012 actuarial valuation date, the alternative measurement method was used. The projected annual medical trend rate is 7.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 1.0% each year until reaching the 5.0% ultimate trend rate.

Mortality rates are from the 2004 United States Life Tables. At that time continued participation was assumed to be 50.0%.

Projected claim costs of the medical plan are \$13,144 annually for retirees and \$19,591 for spouses less than age 65. The salary increase rate was assumed to be 3.0% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9 - DEFICIT FUND EQUITY

The City has one fund with a deficit equity balance at June 30, 2015. The City intends to finance this deficit from future TIF property tax revenues.

The individual fund deficit was as follows:

Tax Increment Financing	\$ 14,159
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Note 10 - RISK MANAGEMENT

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

City of Sergeant Bluff, Iowa
Notes to Financial Statements
June 30, 2015

Note 11 - COMMITMENTS

The City has entered into various contracts totaling \$2,361,040 for the following projects: Sergeant Square Extension, Dogwood Trail, Baker Prairie Bluff and Maupin Pines Senior Housing. As of June 30, 2015, \$489,450 had been incurred against these contracts. The balance of the contracts will be paid as work on the projects progress.

NOTE 12 - SPLIT FUNDING HEALTH INSURANCE PLAN

The City's Split Funding Health Insurance Fund was established in 2008 to account for the partial self-funding of the City's health insurance plan. The plan is funded by City contributions and is administered through a service agreement with Wellmark. The agreement is subject to automatic renewal provisions. The City assumes liability for deductible amounts of \$500 to \$2,000 depending on the coverage selected by the employee.

Monthly payments of service fees and plan contributions to the City's Split Funding Health Insurance Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims are paid from the general, water, sewer and electric funds based on a percentage of the number of employees paid out of each fund to the total number of employees covered under the plan.

Claims payable and estimated claims incurred but not reported are recorded as a liability in the general fund.

	Current Year	Prior Year
Claims Payable, beginning of fiscal year	\$ 3,401	\$ 715
Claims Incurred	31,943	32,388
Claims Paid	(33,078)	(29,702)
Claims Payable, end of fiscal year	<u>\$ 2,266</u>	<u>\$ 3,401</u>

Note 13 - OPERATING LEASES

On October 14, 2014 the City entered into a ten-year lease agreement with Sioux City Brick & Tile Company. The City agrees to pay \$7,500 per year to occupy the premises for installing, operating and maintaining a compost facility. The facility is open to the public during designated hours and supervised by the City. Sioux City Brick will be reimbursed by the City for all installments of real estate taxes and any special assessments.

Note 14 - SUBSEQUENT EVENTS

On August 20, 2015 the City entered into a Note Payable agreement with Kingsley State Bank for property located at 2184 Port Neal Road. The \$201,000 loan includes 36 monthly payments of \$850 beginning October 10, 2015 at 3.5% interest with a single balloon payment due September 10, 2018. The property will be used as a rental home.

On July 14, 2015 Council approved purchasing a 2002 International Fire Truck. The truck will be purchased using budgeted funds of \$75,000 as well as additional funds received from the sale of the current fire truck, a trench truck and Engine 1.

City of Sergeant Bluff, Iowa
Notes to Financial Statements
June 30, 2015

Note 14 - SUBSEQUENT EVENTS (CONTINUED)

On August 24, 2015 Council approved a bid from KP Construction to install the Kingston Meadows Pedestrian Bridge for \$91,189.

On August 24, 2015 Council authorized the Mayor to execute a reimbursement agreement with Northern Natural Gas for \$289,000.

On February 24, 2016 Council approved a resolution authorizing a loan agreement and the future issuance of General Obligation Corporate Purpose Bonds not to exceed \$1,500,000.

The City has evaluated all subsequent events through March 2, 2016, the date the financial statements were available to be issued.

Note 15 - ACCOUNTING CHANGE / RE-STATEMENT

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27* was implemented during fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted, beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board No. 71, Pension Transition for Contributions Made, Subsequent to the Measurement Date.

A prior period adjustment of \$90,825 was made to restate the net position of the Volunteer Fire Department due to recording transactions for checking accounts not in the Fire Department's name in Fiscal Year 2014.

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					Total
		Electric	Water	Sewer	Storm Sewer	Solid Waste	
Net position June 30, 2014 as previously reported	\$12,065,487	\$3,992,410	\$5,335,058	\$2,866,235	\$2,033,777	\$125,924	\$14,353,404
Net pension liability at June 30, 2014	(446,096)	(209,372)	(109,597)	(74,429)	(21,144)	-	(414,542)
Change in outflows of resources related to contributions made after the June 30, 2013 measurement date	89,039	22,960	12,019	8,162	2,319	-	45,460
Other Prior Period Adjustment	(90,825)	-	-	-	-	-	-
Net position July 1, 2014 as restated	\$11,617,605	\$3,805,998	\$5,237,480	\$2,799,968	\$2,014,952	\$125,924	\$13,984,322

Required Supplementary Information

City of Sergeant Bluff, Iowa
 Budgetary Comparison Schedule of
 Receipts, Disbursements and Changes in Balances- Budget and Actual (Cash Basis) -
 Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2015

	Actual Amounts		
	Governmental Funds	Proprietary Funds	Total Actual
Revenue:			
Property taxes	\$ 1,778,429	\$ -	\$ 1,778,429
Tax increment financing	105,419	-	105,419
Other city tax	647,747	-	647,747
Special assessments	1,361	-	1,361
Licenses and permits	57,781	-	57,781
Intergovernmental revenue	733,816	-	733,816
Charges for services	363,360	4,845,500	5,208,860
Use of money and property	31,373	8,338	39,711
Miscellaneous	421,825	6,921	428,746
Total Revenue	4,141,111	4,860,759	9,001,870
Expenditures:			
Public safety	1,147,964	-	1,147,964
Public works	504,585	-	504,585
Health and Social Services	9,600	-	9,600
Culture and recreation	640,777	-	640,777
Community and economic development	225,057	-	225,057
General government	666,119	-	666,119
Capital projects	1,270,913	-	1,270,913
Debt service	591,569	-	591,569
Business type activities	-	5,555,233	5,555,233
Total Expenditures	5,056,584	5,555,233	10,611,817
(Deficiency) of revenues over expenditures	(915,473)	(694,474)	(1,609,947)
Other financing sources (uses):			
Proceeds from sale of fixed asset	22,083	-	22,083
Proceeds from Note Payable	208,327	-	208,327
Payment on Notes Payable	(208,327)	-	(208,327)
Proceeds from Capital Lease	76,810	-	76,810
Proceeds from issuance of debt	2,835,000	-	2,835,000
Premium on Bonds Issued	270,716	-	270,716
Proceeds from Refunding Bonds	2,240,000	-	2,240,000
Payment to Refunded Bond Escrow Agent	(2,262,830)	-	(2,262,830)
Interfund Transfers In	2,024,260	233,537	2,257,797
Interfund Transfers Out	(1,880,015)	(377,782)	(2,257,797)
Total other financing sources (uses)	3,326,024	(144,245)	3,181,779
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	2,410,551	(838,719)	1,571,832
Fund balances-beginning of year	2,587,781	1,838,639	4,426,420
Prior Period Adjustment	(90,825)	-	(90,825)
Fund balances- end of year	\$ 4,907,507	\$ 999,920	\$ 5,907,427

See Accompanying Independent Auditor's Report

Budgeted Amounts		Variance With Final Budget Positive (Negative)
Original	Final	
\$ 1,764,409	\$ 1,764,409	\$ 14,020
105,642	105,642	(223)
496,653	586,653	61,094
-	-	1,361
84,490	84,490	(26,709)
671,000	694,000	39,816
5,352,450	5,452,450	(243,590)
23,000	23,000	16,711
62,000	367,900	60,846
<u>8,559,644</u>	<u>9,078,544</u>	<u>(76,674)</u>
1,088,655	1,270,655	122,691
566,350	589,350	84,765
9,700	9,700	100
733,410	751,410	110,633
154,850	217,900	(7,157)
680,349	719,749	53,630
2,825,000	3,061,640	1,790,727
1,042,970	535,512	(56,057)
4,466,230	5,243,688	(311,545)
<u>11,567,514</u>	<u>12,399,604</u>	<u>1,787,787</u>
<u>(3,007,870)</u>	<u>(3,321,060)</u>	<u>1,711,113</u>
-	-	22,083
-	-	208,327
-	-	(208,327)
-	-	76,810
2,825,000	2,825,000	10,000
-	-	270,716
-	-	2,240,000
-	-	(2,262,830)
2,247,269	1,944,451	313,346
<u>(2,247,269)</u>	<u>(1,734,811)</u>	<u>(522,986)</u>
<u>2,825,000</u>	<u>3,034,640</u>	<u>147,139</u>
<u>\$ (182,870)</u>	<u>\$ (286,420)</u>	<u>\$ 1,858,252</u>

City of Sergeant Bluff, Iowa
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2015

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 4,141,111	\$ 489,736	\$ 4,630,847
Expenditures/expenses	5,056,584	442,273	5,498,857
Net	(915,473)	47,463	(868,010)
Other financing sources, net	3,326,024	(22,083)	3,303,941
	<u>2,410,551</u>	<u>25,380</u>	<u>2,435,931</u>
Beginning fund balances/net position	2,587,781	139,632	2,727,413
Prior Period Adjustment	(90,825)	-	(90,825)
Beginning fund balance/net position - restated	<u>2,496,956</u>	<u>139,632</u>	<u>2,636,588</u>
Ending fund balances/net position	<u>\$ 4,907,507</u>	<u>\$ 165,012</u>	<u>\$ 5,072,519</u>

See Accompanying Independent Auditor's Report

Proprietary Funds

Enterprise

Cash Basis	Accrual Adjustments	Accrual Basis
\$ 4,860,759	\$ (33,784)	4,826,975
5,555,233	(325,637)	5,229,596
(694,474)	291,853	(402,621)
(144,245)	-	(144,245)
(838,719)	291,853	(546,866)
1,838,639	12,514,765	14,353,404
-	(369,082)	(369,082)
1,838,639	12,145,683	13,984,322
<u>\$ 999,920</u>	<u>\$ 12,437,536</u>	<u>\$ 13,437,456</u>

City of Sergeant Bluff, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2015

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Agency Funds, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund. These 9 functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department.

During the year, there was one budget amendment which increased budgeted expenditures for all program functions of the governmental funds as well as in the proprietary funds. The increases were for additional unforeseen expenditures.

During the fiscal year ended June 30, 2015, disbursements exceeded the amounts budgeted in the Community and Economic Development, Debt Service and Business-Type areas.

City of Sergeant Bluff, Iowa
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)
Required Supplementary Information

	2015
City's proportion of the net pension liability (asset)	.0126993%
City's proportionate share of the net pension liability	\$ 504
City's covered –employee payroll	\$1,447
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	34.8%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

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

See Accompanying Independent Auditor's Report

City of Sergeant Bluff, Iowa
Schedule of City Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)
Required Supplementary Information

	2015	2014	2013	2012
Statutorily required contributions	\$ 135	\$ 135	\$ 122	\$ 105
Contributions in relation to the statutorily required contributions	(135)	(135)	(122)	(105)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 1,456	\$ 1,447	\$ 1,336	\$ 1,220
Contributions as a percentage of covered -employee payroll	9.275%	9.331%	9.131%	8.610%

¹Due to a software change, the information is not available for fiscal years 2006-2011.

2011	2010	2009	2008	2007	2006
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a

City of Sergeant Bluff, Iowa
Notes to Required Supplementary Information- Pension Liability
Year Ended June 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

City of Sergeant Bluff, Iowa
Notes to Required Supplementary Information- Pension Liability
Year Ended June 30, 2015

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

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

City of Sergeant Bluff, Iowa
Schedule of Funding Progress
for the Retiree Health Plan
Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009 *	\$ -	\$ 16,092	\$ 16,092	0.00%	\$ 1,180,879	1.4%
2011	July 1, 2009	\$ -	\$ 16,092	\$ 16,092	0.00%	\$ 1,180,879	1.4%
2012	July 1, 2009	\$ -	\$ 16,092	\$ 16,092	0.00%	\$ 1,180,879	1.4%
2013	July 1, 2012	\$ -	\$ 195,975	\$ 195,975	0.00%	\$ 1,160,283	16.9%
2014	July 1, 2012	\$ -	\$ 195,975	\$ 195,975	0.00%	\$ 1,160,283	16.9%
2015	July 1, 2012	\$ -	\$ 195,975	\$ 195,975	0.00%	\$ 1,160,283	16.9%

* Fiscal 2010 was the first year for calculating the Post Employment Benefit Obligation so information from previous years is not available.

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost and Net OPEB Obligation, funding status and funding progress.

Other Supplementary Information

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

	Special Revenue			Total Nonmajor Governmental Funds
	Employee Benefits	Tax Increment Financing	Volunteer Fire Dept	
Assets				
Cash and Pooled Investments	\$ 3,871	\$ -	\$ 117,078	\$ 120,949
Receivables (Net, where applicable, of allowance for uncollectibles)				
Taxes	1,075	-	-	1,075
Subsequent Year Taxes	303,642	60,553	-	364,195
Total Assets	308,588	60,553	117,078	486,219
Liabilities				
Due to Other Funds	-	14,159	-	14,159
Total Liabilities	-	14,159	-	14,159
Deferred Inflows of Resources				
Unavailable Revenue - Subsequent Year Property Taxes	303,642	60,553	-	364,195
Total Deferred Inflows of Resources	303,642	60,553	-	364,195
Fund Balances (Deficits)				
Restricted for:				
Specific Tax Levy Purposes	4,946	-	-	4,946
Fire Department Purposes	-	-	117,078	117,078
Unassigned	-	(14,159)	-	(14,159)
Total Fund Balances	4,946	(14,159)	117,078	107,865
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 308,588	\$ 60,553	\$ 117,078	\$ 486,219

See Accompanying Independent Auditor's Report

City of Sergeant Bluff, Iowa
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2015

	<u>Special Revenue</u>			
	Employee Benefits	Tax Increment Financing	Volunteer Fire Dept	Total Nonmajor Governmental Funds
Revenue:				
Taxes	\$ 274,515	\$ -	\$ -	\$ 274,515
Tax increment financing		105,419	-	105,419
Other city tax	2,331	-	-	2,331
Intergovernmental revenue	2,190	-	-	2,190
Charges for services	-	-	100,164	100,164
Contributions	-	-	300	300
Interest	-	-	162	162
Miscellaneous	-	-	1,003	1,003
Total Revenue	<u>279,036</u>	<u>105,419</u>	<u>101,629</u>	<u>486,084</u>
Expenditures:				
Public Safety	-	-	58,581	58,581
Total Expenditures	<u>-</u>	<u>-</u>	<u>58,581</u>	<u>58,581</u>
Excess of revenues over expenditures	<u>279,036</u>	<u>105,419</u>	<u>43,048</u>	<u>427,503</u>
Other financing sources (uses):				
Transfers out	(295,000)	(110,362)	-	(405,362)
Total other financing sources (uses)	<u>(295,000)</u>	<u>(110,362)</u>	<u>-</u>	<u>(405,362)</u>
Net Change in Fund Balance	(15,964)	(4,943)	43,048	22,141
Fund balances (deficits) - beginning of year	<u>20,910</u>	<u>(9,216)</u>	<u>164,855</u>	<u>176,549</u>
Prior period adjustment	<u>-</u>	<u>-</u>	<u>(90,825)</u>	<u>(90,825)</u>
Fund balances - beginning of year, as restated	<u>20,910</u>	<u>(9,216)</u>	<u>74,030</u>	<u>85,724</u>
Fund balances (deficits) - end of year	<u>\$ 4,946</u>	<u>\$ (14,159)</u>	<u>\$ 117,078</u>	<u>\$ 107,865</u>

City of Sergeant Bluff, Iowa
Statement of Changes in Assets and Liabilities
Agency Fund- Employee Medical Flexible Spending Account
For the Year Ended June 30, 2015

	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
<u>Assets</u>				
Cash and Cash Equivalents	\$ 9,924	\$ 4,095	\$ 3,170	\$ 10,849
Total Assets	9,924	4,095	3,170	10,849
 <u>Liabilities</u>				
Accounts Payable	9,924	4,095	3,170	10,849
Total Liabilities	\$ 9,924	\$ 4,095	\$ 3,170	\$ 10,849

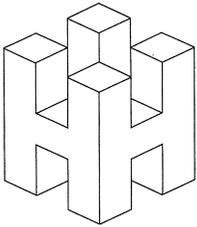
See Accompanying Independent Auditor's Report

City of Sergeant Bluff, Iowa
Schedule of Revenues by Source and Expenditures by Function-
All Governmental Funds
For the Last Ten Years

	2015	2014	2013	2012
Revenues:				
Property tax	\$ 1,775,819	\$ 1,811,902	\$ 1,728,096	\$ 1,661,947
Tax increment financing revenue	105,419	107,169	114,630	122,220
Other city tax	661,992	557,122	531,753	498,718
Licenses and permits	57,781	46,856	52,041	26,813
Intergovernmental	787,487	709,102	1,021,820	472,882
Charges for service	300,543	348,678	272,745	232,440
Proceeds from sale of assets	22,083	45,047	2,250	-
Use of money and property	94,747	83,347	85,394	107,103
Special assessments	1,361	8,551	1,511	1,600
Miscellaneous	823,615	209,119	136,440	197,574
Total	\$ 4,630,847	\$ 3,926,893	\$ 3,946,680	\$ 3,321,297
Expenditures:				
Operating:				
Public safety	\$ 1,119,232	\$ 1,349,764	\$ 1,099,945	\$ 1,012,941
Public works	631,233	480,703	571,815	424,370
Health and social services	9,600	9,600	9,635	8,884
Culture and recreation	655,013	684,291	629,766	578,167
Community and economic development	213,671	62,036	44,910	59,322
General government	735,550	634,712	608,413	540,359
Capital projects	1,542,989	305,655	620,609	142,998
Debt service	591,569	454,317	452,732	446,028
Total	\$ 5,498,857	\$ 3,981,078	\$ 4,037,825	\$ 3,213,069

See Accompanying Independent Auditor's Report

Modified Accrual Basis						
2011	2010	2009	2008	2007	2006	
\$ 1,619,049	\$ 1,624,757	\$ 1,561,438	\$ 1,429,954	\$ 1,161,191	\$ 1,063,633	
114,309	87,956	22,371	-	139,332	64,969	
389,905	390,381	368,402	380,639	380,152	340,121	
22,477	19,186	18,185	30,285	36,208	48,673	
660,307	1,706,953	740,150	363,853	295,843	383,978	
210,568	205,860	195,840	220,694	197,471	117,432	
-	2,165	29,065	-	-	-	
117,393	113,200	80,622	76,477	54,395	46,288	
6,519	3,970	-	65,801	25,334	6,567	
130,540	158,523	144,973	134,355	123,657	90,720	
\$ 3,271,067	\$ 4,312,951	\$ 3,161,046	\$ 2,702,058	\$ 2,413,583	\$ 2,162,381	
\$ 1,103,491	\$ 1,386,082	\$ 1,101,673	\$ 918,523	\$ 920,527	\$ 934,948	
358,414	428,516	452,415	314,352	297,768	242,232	
10,200	2,400	-	-	-	-	
554,559	463,002	356,831	325,725	268,710	136,670	
65,496	55,457	35,330	33,609	124,156	62,889	
552,778	481,894	311,718	453,175	339,113	281,676	
894,030	1,830,471	1,362,548	598,026	503,037	549,773	
863,623	1,436,444	639,818	645,238	559,782	902,415	
\$ 4,402,591	\$ 6,084,266	\$ 4,260,333	\$ 3,288,648	\$ 3,013,093	\$ 3,110,603	



**HENJES, CONNER &
WILLIAMS, P.C.**

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Council
City of Sergeant Bluff, 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 SERGEANT BLUFF, IOWA, as of and for the year ended June 30, 2015, and the related notes to financial statements, which collectively comprise the City of Sergeant Bluff, Iowa's basic financial statements, and have issued our report thereon dated March 2, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control that we consider to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Sergeant Bluff, Iowa's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-15 to be a material weakness.

Compliance and Other Matters

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

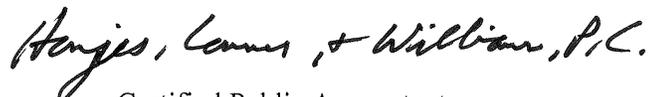
Comments involving statutory and other legal matters about the City's Operations for the year ended June 30, 2015, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions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

City of Sergeant Bluff, Iowa's Response to Findings

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

Purpose of this Report

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


Certified Public Accountants

Sioux City, Iowa
March 2, 2016

CITY OF SERGEANT BLUFF, IOWA
SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2014

Status of Prior Audit Findings

II-A-14 Financial Reporting

Observation - During the audit, we identified a material receivable not identified by the City. An adjustment was subsequently made by the City to properly include the amount in the financial statements.

Recommendation - The City should implement procedures to ensure all receivables are identified and included in the City's financial statements.

Current Status - The City hired a new Finance Director in March 2015. This individual is working to improve financial reporting for the City. Similar findings are repeated as Finding II-A-15.

II-B-14 Segregation of Duties

Observation - All utility billing and collection processes are completed by the same employee.

Recommendation - The City should have another individual involved in the process to review addresses of unbilled service, rate changes made in the system and provide monthly reconciliations of utility account activity.

Current Status - The City has improved controls over utility billing and collection. The new Finance Director is now involved in reviewing these processes monthly.

III-A-14 Certified Budget - Disbursements during the year ended June 30, 2014, exceeded the amounts budgeted in the Public Safety and General Government functions. Additionally, the City exceeded budgeted amounts prior to filing an amendment during the year.

Recommendation - The City should closely monitor their expenditures throughout the year and make sure they file a budget amendment prior to exceeding the budget.

Current Status - The City hired a new Finance Director in March 2015. Although the current year budget also had line items that exceeded budgeted amounts, the new Finance Director is working to improve controls over budgeting to ensure overages do not occur in the future. Refer to finding III-A-15.

III-F-14 Council Minutes - For the year ended June 30, 2014, there were several Council meeting's minutes that were not signed as required by Iowa Code.

Recommendation - The City should make sure all Council minutes have been signed to be in compliance with Iowa Code.

Current Status - All Council minutes were signed as required for the year ended June 30, 2015.

III-H-14 Annual Financial Report - The June 30, 2014, annual financial report was not filed by December 1, 2014.

Recommendation - The annual financial report in future years should be completed by December 1 to comply with the Code of the State of Iowa.

Response - The City filed the June 30, 2015, annual financial report by the deadline of December 1, 2015.

CITY OF SERGEANT BLUFF, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2015

Part I: Summary of the Independent Auditors' Results

- A. Unmodified opinions were issued on the financial statements.
- B. Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements and are considered material weaknesses.
- C. The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

Material Weakness:

II-A-15 Financial Reporting

Observation - During the audit, we identified material adjustments relating to receivables, fixed assets, payables and bond activities not identified by the City. Adjustments were subsequently made by the City to properly report the amounts in the financial statements.

Recommendation - We recommend the City implement procedures to ensure all accounts and activities are properly recorded and included in the City's financial statements.

Response - The City has hired a new Finance Director and intends to improve controls in the future over financial reporting.

Conclusion - Response accepted.

Instances of Non-Compliance:

No matters were reported.

CITY OF SERGEANT BLUFF, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2015

Part III: Other Findings Related to Required Statutory Reporting

- III-A-15 Certified Budget - Disbursements during the year ended June 30, 2015, exceeded the amounts budgeted in the Community and Economic Development, Debt Service, and Business-Type Activity functions.
- Recommendation - The budget should have been amended before disbursements were allowed to exceed the budget.
- Response - The budget will be amended in the future, if applicable.
- Conclusion - Response accepted.
- III-B-15 Questionable Expenditures - We noted no disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-15 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-15 Business Transactions - No significant transactions between the City and City officials or employees were noted.
- III-E-15 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- III-F-15 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-15 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- III-H-15 Annual Financial Report - The annual financial report was filed by December 1.
- III-I-15 Revenue Bonds - No instances of non-compliance with revenue bond resolutions were noted.
- III-J-15 Publications - The City properly published annual gross salaries in accordance with Chapter 372.13 of the Code of Iowa and an Attorney General's opinion dated April 12, 1978.
- III-K-15 Annual Urban Renewal Report - No instances of non-compliance with the Annual Urban Renewal Report requirements for the year ended June 30, 2015 were noted.