ANNUAL
FINANCIAL REPORT
OF THE
CITY OF SERGEANT BLUFF, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2014

CITY OF SERGEANT BLUFF, IOWA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014
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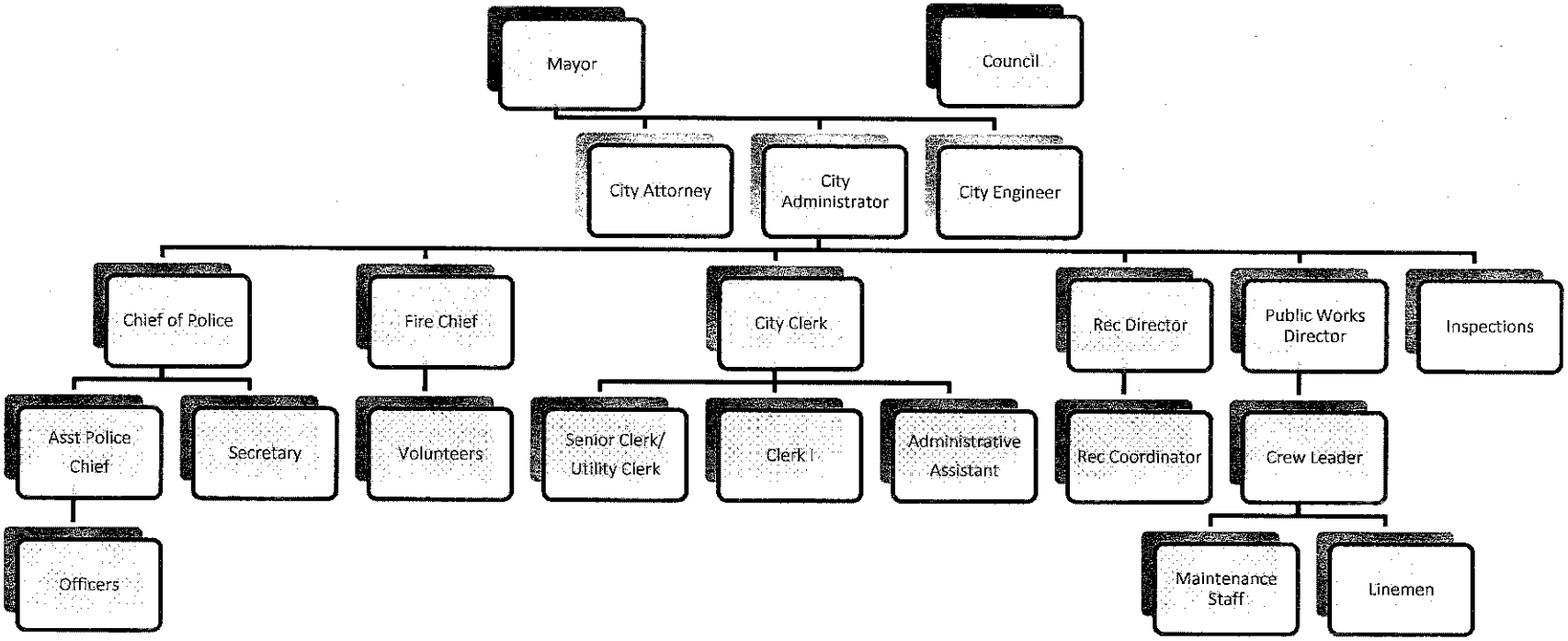
CITY OF SERGEANT BLUFF, IOWA

Organizational Chart
June 30, 2014



CITY OF SERGEANT BLUFF

List of Principal Officials
June 30, 2014

Title	Name	Term Expires
City Council (Before November 2013 Election)		
Mayor	Dale Petersen	2014
Council Member and Mayor Pro-Tem	Ron Hanson	2014
Council Member	Bill Gaukel	2014
Council Member	Nicole Cleveland	2016
Council Member	Glenda Moriarty	2016
Council Member	Don Wood	2014
City Council (After November 2013 Election)		
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/Treasurer	Renee Fangman	
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 &
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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, 2014, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2014, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedule of Funding Progress for Retiree Health Plan on pages 5 through 13, 52 through 54, and 55 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. Other auditors have previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2013, (which are not presented herein) and expressed unmodified opinions on those financial statements. The introductory section on pages 1 and 2 and other supplementary information included on pages 56 through 62 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information on pages 56 through 62 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 56 through 62 is fairly stated, in all material respects, in relation to the basic financial statements 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 December 17, 2014, 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 City of Sergeant Bluff, Iowa's internal control over financial reporting and compliance.

Hayes, Lowe, & Williams, P.C.
Certified Public Accountants

Sioux City, Iowa
December 17, 2014

Management's Discussion and Analysis

This discussion and analysis of the City of Sergeant Bluff's financial performance for the year ended June 30, 2014 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 of approximately $38.2 million are divided between Governmental Activities ($16.7 million) and Business-Type Activities ($21.5 million). Combined assets exceeded liabilities by approximately $26.4 million. Of this amount, approximately $3.7 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- At June 30, 2014, the City of Sergeant Bluff's governmental funds reported combined ending fund balances of approximately $2.7 million.
- The unassigned fund balance for the general fund, at the end of the current fiscal year was approximately $1,125,000. This represents 37.4 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 other 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, 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 32-51 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, 2013 and 2014:

	Governmental Activities		Business-Type Activities		Total City	
	2014	2013	2014	2013	2014	2013
Current and other assets	$ 4,751,208	$ 4,404,011	$ 2,940,975	$ 3,610,886	$ 7,692,183	$ 8,014,897
Capital assets	11,941,979	11,985,142	18,535,414	18,505,168	30,477,393	30,490,310
Total assets	16,693,187	16,389,153	21,476,389	22,023,735	38,169,576	38,412,888
Long-term debt outstanding	2,343,140	2,717,732	6,518,860	7,089,268	8,862,000	9,007,000
Other liabilities	415,158	452,965	604,125	426,128	1,019,283	1,679,093
Total liabilities	2,758,298	3,170,697	7,122,985	7,515,396	9,881,283	10,686,093
Unavailable Revenue – Subsequent Year Property Tax	1,869,402	1,907,921	-	-	1,869,402	1,907,921
Total Deferred Inflows of Resources	1,869,402	1,907,921	-	-	1,869,402	1,907,921
Net position:						
Net Investment in Capital Assets	9,417,415	9,031,525	12,016,554	11,415,900	21,433,969	20,447,425
Restricted	1,251,702	1,002,016	-	-	1,251,702	1,002,016
Unrestricted	1,396,370	1,276,994	2,336,850	3,092,439	3,733,220	4,369,433
Total net position	$ 12,065,487	$ 11,310,535	$ 14,353,404	$ 14,508,339	$ 26,418,891	$ 25,818,874

This summary reflects a 6.8 percent increase in governmental activities net position and a decrease of 1.1 percent in the business-type activities net position.

Total revenue reported in Fiscal Year 2014 was $8,947,679. The following table breaks down revenues collected for governmental activities and business-type activities for fiscal year 2014 and 2013.

	Governmental Activities		Business-Type Activities		Total	
Revenue Source	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	$ 559,608	$ 465,250	$ 4,787,053	$ 4,643,605	$ 5,346,661	$ 5,108,855
Operating grants and contributions	524,318	514,577	-	-	524,318	514,577
Capital Grants and contributions	25,335	517,667	267,490	137,524	292,490	655,191
Total program revenues	1,109,261	1,497,494	5,054,543	4,781,129	6,163,804	6,278,623
General revenues and interfund transfers:						
Property taxes	1,919,070	1,842,726	-	-	1,919,070	1,842,726
Local option sales tax	544,957	508,106	-	-	544,957	508,106
Hotel/motel tax	12,165	23,647	-	-	12,165	23,647
Interest	19,633	26,767	4,940	9,789	24,573	36,556
Contributed Capital	-	-	-	1,351	-	1,351
General Intergovernmental Revenue	214,866	-	-	-	214,866	-
Sale of non-capital asset	45,047	-	-	-	45,047	-
Miscellaneous	61,894	45,690	3,803	1,471	65,697	47,161
Interfund transfers	379,346	332,282	(379,346)	(332,282)	-	-
Total general revenues and interfund transfers	3,196,978	2,779,218	(370,603)	(319,671)	2,826,375	2,459,547
	$ 4,306,239	$ 4,276,712	$ 4,683,940	$ 4,461,458	$ 8,990,179	$ 8,738,170

Program revenues totaled $6,163,804 for fiscal year 2014. Governmental activities provided $1,109,261 and business-type activities provided $5,054,543. Revenue collected for charges for services during the year was $5,346,661, accounting for 86.7 percent of total program revenues.

Revenue for capital grants and contributions decreased $492,332 for governmental activities due to federal grant reimbursements for the South Lewis Boulevard project which was completed in fiscal year 2013. Capital grants and contributions increased by $129,966 for business-type activities. This increase was due to grant funding received from the Iowa Department of Transportation for the 8th Street storm sewer relocation project. This project was still in progress as of year end.

General revenues and transfers for fiscal year 2014 totaled $2,826,375, with governmental activities providing $3,196,978, and business-type activities decreasing this amount by $370,603. Property tax revenues for fiscal year 2014 totaled $1,919,070, accounting for almost 67.9 percent of general revenues.

Expenses for fiscal year 2014 totaled $8,373,828. Expenses for governmental activities totaled $3,627,362, accounting for 43.3 percent of total expenses. Business-type activity expenses totaled $4,746,466, for 56.7 percent of the total. The following table shows total expenses by Function/Program:

	Governmental Activities		Business-Type Activities		Total	
Program Level	2014	2013	2014	2013	2014	2013
Public safety	$ 1,330,993	$ 1,292,043	$ -	$ -	$ 1,330,993	$ 1,292,043
Public works	896,044	966,281	-	-	896,044	966,281
Health and Social Services	9,600	9,635	-	-	9,600	9,635
Culture and recreation	608,471	576,908	-	-	608,471	576,908
Community and economic development	60,977	45,237	-	-	60,977	45,237
General government	641,632	593,510	-	-	641,632	593,570
Debt service	79,645	80,727	-	-	79,645	80,727
Electric utility	-	-	2,852,074	2,612,444	2,852,074	2,612,444
Water utility	-	-	740,833	770,579	740,833	770,579
Sewer utility	-	-	735,317	839,817	735,317	839,817
Solid waste utility	-	-	296,468	292,761	296,468	292,761
Storm water utility	-	-	121,774	137,772	121,774	137,772
Total expenses	$ 3,627,362	$ 3,564,341	$ 4,746,466	$ 4,653,373	$ 8,373,828	$ 8,217,714

Expenses increased for the electric fund due to an increase in rates for electrical power purchased. This accounted for approximately $221,000 of the total $240,000 increase.

Expenditures for sewer decreased by approximately $105,000 from 2013 to 2014. This decrease was due to the completion of GIS mapping services in 2013 which decreased by nearly $37,000. In addition to this, the City paid nearly $28,000 in fiscal year 2013 for bond costs associated with new debt issued and the City had a loss on the disposal of capital assets of approximately $28,000.

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 $1,288,493 for Public Safety and received $287,783 in revenue, leaving a cost to taxpayers of $1,000,710 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 $3,575,906. Of these costs, $559,608 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 $549,653, leaving a Net Expense of $2,466,645 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) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	2014	2013
Governmental activities:		
Public safety	$(1,043,210)	$(1,047,354)
Public works	(401,024)	(19,173)
Health and Social Services	(9,600)	(9,635)
Culture and recreation	(384,120)	(373,201)
Community and economic development	(31,271)	(34,699)
General government	(569,231)	(540,404)
Debt service	(79,645)	(80,727)
Total net (expense) governmental activities	(2,518,101)	(2,066,847)
General revenues and interfund transfers	3,196,978	2,779,218
Change in net position	$ 678,877	$ 712,371

Total resources available during the year to finance governmental operations were $15,650,349, consisting of net position at July 1, 2013, as restated of $11,386,610, program revenues of $1,109,261 and general revenues and transfers of $3,196,978. Total governmental activities during the year expended $3,627,362; thus, net position increased by $678,877 to $12,065,487.

Business-Type Activities

Business-type activities decreased the City's net position by $62,526.

The cost of all proprietary activities this year was $4,746,466. As shown in the Statement of Activities, program revenue was $5,054,543, resulting in a total Net Revenue of $308,077.

Business-Type Activities	Net (Expense) Revenue	
	2014	2013
Electric utility	$ (131,852)	$ (72,026)
Water utility	75,310	67,758
Sewer utility	116,354	105,139
Solid waste utility	15,976	34,094
Storm water utility	232,289	(7,209)
Total net revenue business-type activities	308,077	127,756
General revenues and interfund transfers	(370,603)	(319,671)
Change in net position	$ (62,526)	$ (191,915)

Total resources available during the year to finance proprietary fund activities were $19,099,870 consisting of net position at July 1, 2013, as restated of $14,415,930, program revenues of $5,054,543, and general revenues and transfers of ($370,603). Total proprietary fund activities during the year expended $4,746,466 thus; net position decreased by ($62,526) to $14,353,404.

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 $2,727,413. The combined Governmental fund balance increased $335,632 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 $97,171. Debt Service expenditures and exceeded transfers and revenues by $1,616.

The Capital Projects fund is used to account for the purchase of city infrastructure projects. During 2014, expenditures exceeded revenues and transfers by $7,438.

The special revenue Local Option Sales Tax fund is used to account for revenues for the tax authorized by referendum and used for capital improvements, equipment and program services. During 2014, revenues exceeded expenditures and transfers by $180,957.

BUDGETARY HIGHLIGHTS

The following table shows the budget variances by program structure:

Program	Final Budget	Actual (Cash Basis)	Variance Favorable (Unfavorable)
Public Safety	$ 1,162,414	$ 1,298,069	$ (135,655)
Public Works	547,600	513,297	34,303
Health and Social Services	13,300	9,600	3,700
Culture and Recreation	756,794	676,095	80,699
Community and Economic Development	69,000	50,649	18,351
General Government	601,053	647,326	(46,273)
Capital Projects	853,100	296,838	556,262
Debt Service	987,721	454,317	533,404
Business-Type/Enterprise	5,465,260	5,186,279	278,981
	$10,456,242	$ 9,132,470	$ 1,323,772

See pages 52-54 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, 2014, was $30,461,202, (net of accumulated depreciation). This is a decrease of $29,108 from fiscal year 2013. The gross additions to capital assets for fiscal years 2014 and 2013 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	$ -	$ -	$ -	$ -	$ -	$ -
Infrastructure	146,060	-	-	-	146,060	-
Land Improvements	-	639,963	-	-	-	639,963
Buildings	101,641	88,150	-	-	101,641	88,150
Distribution system	-	-	266,289	3,456,218	266,289	3,456,218
Equipment	388,956	214,557	-	465,514	388,956	680,071
Construction in progress	424,750	626,734	637,810	1,406,174	424,750	2,032,908
Total	$ 1,061,407	$ 1,569,404	$ 904,099	$ 5,327,906	$ 1,965,506	$ 6,897,310

Construction in progress consisted of costs associated with road construction projects, development of housing subdivisions, and storm water drainage.

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

DEBT ADMINISTRATION

On June 30, 2014 the City had $5,430,000 of general obligation debt outstanding. During 2014, the City made payments of $795,000 on existing debt. Thus, resulting in a decrease of $795,000 from the prior year.

On June 30, 2014 the City had $3,432,000 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 has started a $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 obtain new housing subdivisions as well as look to annexation and infrastructure improvements. The CF Industries Urban Renewal Area, established by Woodbury County, will be used to provide additional TIF financing for projects throughout the County, including Sergeant Bluff. The County and City are finalizing an agreement for the County to provide $500,000 toward a south industrial bypass road. This roadway will provide for light manufacturing expansion in an area to be annexed into the City. An estimated 500-800 acres is expected to be annexed into the City between 2014 and 2015.

The City of Sergeant Bluff is continuing to show steady residential and commercial property value growth, with residential property encompassing approximately 74% of the taxable property tax value and commercial/industrial uses encompassing 25% of the tax base. For property valuations between 2012 and 2014 the taxable valuations have increased approximately 4% for regular property valuations and 16% for ag land valuation.

Future plans for the City may involve 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 created two additional urban revitalization areas to provide commercial/industrial tax abatements. As a result the City landed a $12 million skilled care facility and $500,000 law office building, each of which will utilize the 3 year abatement. 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 balance 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 balance 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.

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 1,019,893	$ 102,461	$ 1,122,354
Investments	505,508	2,883,889	3,389,397
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	6,020	555,479	561,499
Taxes	8,054	-	8,054
Subsequent Year Taxes	1,869,402	-	1,869,402
Estimated Unbilled Usage	-	104,610	104,610
Internal Balances	1,142,646	(1,142,646)	-
Due from Other Governmental Agencies	121,540	132,732	254,272
Inventories	-	239,647	239,647
Prepaid Assets	78,145	64,803	142,948
Land	393,109	469,777	862,886
Construction in Progress	333,115	583,095	916,210
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	11,215,755	17,482,542	28,698,297
Total Assets	16,693,187	21,476,389	38,169,576
LIABILITIES			
Accounts Payable	63,823	450,566	514,389
Accrued Wages and Related Taxes	43,869	13,078	56,947
Accrued Expenses	1,117	8,018	9,135
Accrued Interest Payable	6,477	18,300	24,777
Claims Incurred But Not Reported	2,211	1,190	3,401
Customer Deposits	-	73,472	73,472
Unearned Revenue	530	-	530
Noncurrent Liabilities:			
Due within one year:			
Revenue Bonds Payable	-	154,000	154,000
General Obligation Bonds	373,140	436,860	810,000
Notes Payable	20,000	-	20,000
Capital Lease	40,159	-	40,159
Compensated Absences and Benefits	63,038	27,462	90,500
Due in more than one year:			
Revenue Bonds	-	3,278,000	3,278,000
General Obligation Bonds	1,970,000	2,650,000	4,620,000
Notes Payable	40,000	-	40,000
Capital Lease	98,006	-	98,006
Net OPEB Liability	35,928	12,039	47,967
Total Liabilities	2,758,298	7,122,985	9,881,283
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Subsequent Year Property Taxes	1,869,402	-	1,869,402
Total Deferred Inflows of Resources	1,869,402	-	1,869,402
NET POSITION			
Net Investment in Capital Assets	9,417,415	12,016,554	21,433,969
Restricted for:			
Debt Service	144,849	-	144,849
Specific Tax Levy Purposes	20,910	-	20,910
Local Option Sales Tax Purposes	658,706	-	658,706
Street Purposes	262,382	-	262,382
Fire Department Purposes	164,855	-	164,855
Unrestricted	1,396,370	2,336,850	3,733,220
Total Net Position	$ 12,065,487	$ 14,353,404	$ 26,418,891

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	$ 1,330,993	$ 187,090	$ 75,358	$ 25,335
Public Works	896,044	74,846	420,174	-
Health and Social Services	9,600	-	-	-
Culture and Recreation	608,471	223,026	1,325	-
Community and Economic Development	60,977	2,245	27,461	-
General Government	641,632	72,401	-	-
Capital Projects	-	-	-	-
Debt Service	79,645	-	-	-
Total governmental activities	3,627,362	559,608	524,318	25,335
Business-Type Activities:				
Electric Utility	2,852,074	2,720,222	-	-
Water Utility	740,833	816,143	-	-
Sewer Utility	735,317	851,671	-	-
Solid Waste Utility	296,468	312,444	-	-
Storm Water Utility	121,774	86,573	-	267,490
Total Business-Type Activities:	4,746,466	4,787,053	-	267,490
Total Primary Government	$ 8,373,828	$ 5,346,661	$ 524,318	$ 292,825

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	
Local option sales tax	
Hotel/Motel Taxes	
Interest	
General Intergovernmental Revenues	
Sale of non-capitalized Assets	
Miscellaneous	
Transfers	
Total general revenues and transfers	
Change in net position	
Net position - beginning	
Prior Period Adjusment	
Net position - beginning (as restated)	
Net position - ending	

See Accompanying Note to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (1,043,210)	$ -	$ (1,043,210)
(401,024)	-	(401,024)
(9,600)	-	(9,600)
(384,120)	-	(384,120)
(31,271)	-	(31,271)
(569,231)	-	(569,231)
-	-	-
(79,645)	-	(79,645)
(2,518,101)	-	(2,518,101)
-	(131,852)	(131,852)
-	75,310	75,310
-	116,354	116,354
-	15,976	15,976
-	232,289	232,289
-	308,077	308,077
(2,518,101)	308,077	(2,210,024)
1,165,173	-	1,165,173
107,169	-	107,169
301,671	-	301,671
345,057	-	345,057
544,957	-	544,957
12,165	-	12,165
19,633	4,940	24,573
214,866	-	214,866
45,047	-	45,047
61,894	3,803	65,697
379,346	(379,346)	-
3,196,978	(370,603)	2,826,375
678,877	(62,526)	616,351
11,310,535	14,508,339	25,818,874
76,075	(92,409)	(16,334)
11,386,610	14,415,930	25,802,540
$ 12,065,487	$ 14,353,404	$ 26,418,891

See Accompanying Note to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2014

	General	Debt Service
Assets		
Cash and Pooled Investments	$ 52,299	$ 149,520
Investments	505,508	-
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	4,401	-
Taxes	6,248	1,806
Subsequent Year Taxes	1,133,977	336,205
Due from Other Funds	654,639	-
Due from Other Governmental Agencies	4,425	-
Prepaid Assets	35,302	-
Total Assets	2,396,799	487,531
Liabilities		
Accounts Payable	55,006	-
Accrued Wages	43,869	-
Accrued Expenses	1,117	-
Claims Incurred But Not Reported	2,211	
Due to Other Funds	-	-
Unearned Revenue	530	-
Total Liabilities	102,733	-
Deferred Inflows of Resources		
Unavailable Revenue - Subsequent Year Property Taxes	1,133,977	336,205
Total Deferred Inflows of Resources	1,133,977	336,205
Fund Balances		
Nonspendable:		
Prepaid Items	35,302	-
Restricted for:		
Debt Service	-	151,326
Local Option Sales Tax Purposes	-	-
Street Purposes	-	-
Specific Tax Levy Purposes	-	-
Fire Department Purposes	-	-
Assigned for:		
Capital Projects	-	-
Unassigned	1,124,787	-
Total Fund Balances	1,160,089	151,326
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,396,799	$ 487,531

See Accompanying Notes to Financial Statements

Capital Projects	Special Revenue Local Option Sales Tax	Other Governmental Funds	Total Governmental Funds
$ 327,178	$ 76,981	$ 413,915	$ 1,019,893
-	-	-	505,508
-	-	1,619	6,020
-	-	-	8,054
-	-	399,220	1,869,402
-	497,223	-	1,151,862
-	84,502	32,613	121,540
-	-	-	35,302
327,178	658,706	847,367	4,717,581
8,817	-	-	63,823
-	-	-	43,869
-	-	-	1,117
			2,211
-	-	9,216	9,216
-	-	-	530
8,817	-	9,216	120,766
-	-	399,220	1,869,402
-	-	399,220	1,869,402
-	-	-	35,302
-	-	-	151,326
-	658,706	-	658,706
-	-	262,382	262,382
-	-	20,910	20,910
-	-	164,855	164,855
318,361	-	-	318,361
-	-	(9,216)	1,115,571
318,361	658,706	438,931	2,727,413
$ 327,178	$ 658,706	$ 847,367	$ 4,717,581

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

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

Total Fund Balance - Governmental Funds (page 18)		$ 2,727,413
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds.		11,941,979
Accrued expenses from the balance sheet that require current financial resources for governmental activities.		(6,477)
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		42,843
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated Absences	$ (63,038)	
Note Payable	(60,000)	
Capital Leases	(138,165)	
General Obligations Bonds	(2,343,140)	
Net OPEB Liability	(35,928)	(2,640,271)
Total Net Position - Governmental Activities (page 14)		$ 12,065,487

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2014

	General	Debt Service
Revenue:		
Taxes	$ 1,165,174	$ 345,057
Tax increment financing	-	-
Other city taxes	12,165	-
Special Assessments	-	-
Licenses and Permits	46,856	-
Intergovernmental Revenue	74,158	-
Charges for Services	249,538	-
Fines and Forfeits	21,183	-
Contributions	53,121	-
Refunds/Reimbursements	68,923	-
Rental Income	63,714	-
Proceeds from Sale of Assets	45,047	-
Interest	19,379	-
Miscellaneous	61,210	-
Total Revenue	1,880,468	345,057
Expenditures:		
Public Safety	1,191,591	-
Public Works	480,703	-
Health and Social Services	9,600	-
Culture and Recreation	684,291	-
Community and Economic Development	62,036	-
General Government	634,712	-
Capital Projects	-	-
Debt Service	-	454,317
Total Expenditures	3,062,933	454,317
Excess (deficiency) of revenues over expenditures	(1,182,465)	(109,260)
Other financing sources (uses):		
Proceeds from Capital Leases	10,471	-
Transfers In	1,343,346	110,876
Transfers Out	(74,181)	-
Total other financing sources (uses)	1,279,636	110,876
Net Change in Fund Balance	97,171	1,616
Fund balances - beginning of year	1,079,252	149,710
Prior Period Adjustment	(16,334)	-
Fund balances - beginning of year, as restated	1,062,918	149,710
Fund balances - end of year	$ 1,160,089	$ 151,326

See Accompanying Notes to Financial Statements

Capital Projects	Special Revenue Local Option Sales Tax	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 301,671	$ 1,811,902
-	-	107,169	107,169
-	544,957	-	557,122
8,551	-	-	8,551
-	-	-	46,856
214,866	-	420,078	709,102
-	-	99,140	348,678
-	-	-	21,183
-	-	2,296	55,417
-	-	-	68,923
-	-	-	63,714
-	-	-	45,047
-	-	254	19,633
619	-	1,767	63,596
224,036	544,957	932,375	3,926,893
-	-	158,173	1,349,764
-	-	-	480,703
-	-	-	9,600
-	-	-	684,291
-	-	-	62,036
-	-	-	634,712
305,655	-	-	305,655
-	-	-	454,317
305,655	-	158,173	3,981,078
(81,619)	544,957	774,202	(54,185)
-	-	-	10,471
74,181	-	-	1,528,403
-	(364,000)	(710,876)	(1,149,057)
74,181	(364,000)	(710,876)	389,817
(7,438)	180,957	63,326	335,632
233,390	477,749	375,605	2,315,706
92,409	-	-	76,075
325,799	477,749	375,605	2,391,781
$ 318,361	$ 658,706	$ 438,931	$ 2,727,413

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds (page 21)		$ 335,632
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	$ 803,429	
Depreciation expense	(846,592)	(43,163)
Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources		(14,923)
Accrued interest payable that does not require current financial resources		80
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 in the long-term compensated absences for the year was:		(10,905)
Long-term accrual of other post employment benefits liability in the governmental funds as it does not consume current financial resources.		(12,673)
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:		(10,471)
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	40,708	
General Obligation Bonds	374,592	435,300
Change in net position of governmental activities (page 16)		$ 678,877

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF NET POSITION
Proprietary Funds
JUNE 30, 2014

	Business Type Activities	
	Electric Utility	Water Utility
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ -	$ -
Investments	2,375,000	497,369
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	291,154	94,851
Estimated Unbilled Usage	62,370	17,271
Advances to Other Funds	733,333	-
Due from Other Governmental Agencies	-	-
Inventories	237,696	1,951
Prepaid Assets	16,101	27,351
Total current assets	3,715,654	638,793
Non-current assets:		
Land	-	231,820
Construction in Progress	-	102,842
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	1,214,737	8,161,628
Total non-current assets	1,214,737	8,496,290
Total Assets	4,930,391	9,135,083
LIABILITIES		
Current Liabilities:		
Accounts Payable	372,983	9,006
Customer Deposits	40,312	33,160
Accrued Wages	5,732	3,797
Accrued Expenses	4,521	2,761
Accrued Compensated Absences	12,085	7,689
Accrued Interest Payable	-	10,346
Due to Other Funds	495,643	116,160
Claims Incurred but Not Reported	680	340
Advance from Other Funds	-	-
Revenue Bonds Payable	-	154,000
General Obligation Bonds Payable	-	156,860
Total current liabilities	931,956	494,119
Noncurrent Liabilities:		
Due in more than one year:		
Revenue Bonds	-	3,278,000
General Obligation Bonds	-	25,000
Net OPEB Liability	6,025	2,906
Total non-current liabilities	6,025	3,305,906
Total Liabilities	937,981	3,800,025
NET POSITION		
Net Investment in Capital Assets	1,214,737	4,882,430
Unrestricted	2,777,673	452,628
Total Net Position	$ 3,992,410	$ 5,335,058

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
$ -	$ -	$ 102,461	$ 102,461
11,520	-	-	2,883,889
122,707	10,393	36,374	555,479
16,999	1,741	6,229	104,610
-	-	-	733,333
-	132,732	-	132,732
-	-	-	239,647
21,351	-	-	64,803
172,577	144,866	145,064	4,816,954
51,590	186,367	-	469,777
10,575	469,678	-	583,095
6,506,186	1,599,991	-	17,482,542
6,568,351	2,256,036	-	18,535,414
6,740,928	2,400,902	145,064	23,352,368
22,475	26,962	19,140	450,566
-	-	-	73,472
2,702	847	-	13,078
736	-	-	8,018
6,657	1,031	-	27,462
7,954	-	-	18,300
193,413	337,430	-	1,142,646
170	-	-	1,190
733,333	-	-	733,333
-	-	-	154,000
280,000	-	-	436,860
1,247,440	366,270	19,140	3,058,925
-	-	-	3,278,000
2,625,000	-	-	2,650,000
2,253	855	-	12,039
2,627,253	855	-	5,940,039
3,874,693	367,125	19,140	8,998,964
3,663,351	2,256,036	-	12,016,554
(797,116)	(222,259)	125,924	2,336,850
$ 2,866,235	$ 2,033,777	$ 125,924	$ 14,353,404

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
Proprietary Funds
For the Year Ended June 30, 2014

	Business Type Activities	
	Electric Utility	Water Utility
Operating Revenues:		
Charges for Services	$ 2,720,222	$ 816,143
Total Operating Revenue	2,720,222	816,143
Operating Expenses:		
Cost of Service	2,745,227	398,583
Depreciation	106,847	219,048
Total Operating Expenses	2,852,074	617,631
Operating Income (Loss)	(131,852)	198,512
Non-Operating Income (Expense):		
Interest Income	4,815	96
Other Non-operating Revenues	3,471	266
Interest Expense	-	(123,202)
Total Non-Operating Income (Expenses)	8,286	(122,840)
Income (Loss) before Transfers and Contributions	(123,566)	75,672
Capital Grant	-	-
Transfers Out	(288,500)	(40,000)
Change in Net Position	(412,066)	35,672
Net Position - Beginning	4,404,476	5,299,386
Prior Period Adjustment	-	-
Net Position - Beginning (As Restated)	4,404,476	5,299,386
Net Position - Ending	$ 3,992,410	$ 5,335,058

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
$ 851,671	$ 86,573	$ 312,444	$ 4,787,053
851,671	86,573	312,444	4,787,053
422,055	58,366	296,468	3,920,699
218,261	63,408	-	607,564
640,316	121,774	296,468	4,528,263
211,355	(35,201)	15,976	258,790
29	-	-	4,940
66	-	-	3,803
(95,001)	-	-	(218,203)
(94,906)	-	-	(209,460)
116,449	(35,201)	15,976	49,330
-	267,490	-	267,490
(46,696)	(4,150)	-	(379,346)
69,753	228,139	15,976	(62,526)
2,888,891	1,805,638	109,948	14,508,339
(92,409)	-	-	(92,409)
2,796,482	1,805,638	109,948	14,415,930
$ 2,866,235	$ 2,033,777	$ 125,924	$ 14,353,404

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2014

	Business Type Activities	
	Electric Utility	Water Utility
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	$ 2,705,292	$ 824,973
Cash Paid to Suppliers for Goods and Services	(2,213,370)	(233,442)
Cash Paid to Employees for Services	(364,664)	(167,115)
Other Receipts	3,471	266
Net Cash Provided by Operating Activities	130,729	424,682
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(10,001)	(102,843)
Proceeds from Grant	-	-
Principal Paid on Notes and Bonds	-	(297,408)
Interest & Bond Costs Paid	-	(124,155)
Net Cash (Used) by Capital and Related Financing Activities	(10,001)	(524,406)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating Transfers to Other Funds	(288,500)	(40,000)
Advance (to) from Other Funds	66,667	-
Due from Other Governments	-	-
Due to Other Funds	96,290	116,160
Net Cash Provided (Used) by Non-Capital Financing Activities	(125,543)	76,160
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	4,815	96
Purchase of Investment Securities	-	(96)
Net Cash Provided by Investing Activities	4,815	-
Net Increase (Decrease) in Cash and Cash Equivalents	-	(23,564)
Cash and Cash Equivalents at Beginning of Year	-	23,564
Cash and Cash Equivalents at End of Year	$ -	$ -

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
$ 850,944	$ 86,478	$ 312,455	$ 4,780,142
(310,614)	(3,252)	(296,085)	(3,056,763)
(129,169)	(40,744)	-	(701,692)
66	-	-	3,803
411,227	42,482	16,370	1,025,490
(10,575)	(514,391)	-	(637,810)
-	267,490	-	267,490
(273,000)	-	-	(570,408)
(95,451)	-	-	(219,606)
(379,026)	(246,901)	-	(1,160,334)
(46,696)	(4,150)	-	(379,346)
(66,667)	-	-	-
-	(132,732)	-	(132,732)
81,162	337,430	-	631,042
(32,201)	200,548	-	118,964
29	-	-	4,940
(29)	-	-	(125)
-	-	-	4,815
-	(3,871)	16,370	(11,065)
-	3,871	86,091	113,526
$ -	$ -	$ 102,461	$ 102,461

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF CASH FLOWS - (Continued)
Proprietary Funds
For the Year Ended June 30, 2014

	Business Type Activities	
	Electric Utility	Water Utility
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	$ (131,852)	$ 198,512
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	106,847	219,048
Amortization	-	-
Miscellaneous Non-Operating Income	3,471	266
(Increase) Decrease in Assets:		
Accounts Receivable	(55,116)	(17,050)
Estimated Unbilled Usage	44,960	17,112
Prepaids	2,120	(12,951)
Inventories	5,575	-
Increase (Decrease) in Liabilities		
Accounts Payable	156,455	6,833
Accrued Wages and Compensated Absences	(2,393)	1,096
Accrued Expenses	1,848	1,281
Unearned Revenue	-	-
Net OPEB Liability	3,051	1,498
Claims Incurred but Not Report	537	269
Customer Deposits	(4,774)	8,768
Total Adjustments	262,581	226,170
Net Cash Provided by Operating Activities	$ 130,729	$ 424,682

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
$ 211,355	$ (35,201)	$ 15,976	$ 258,790
218,261	63,408	-	607,564
-	-	-	-
66	-	-	3,803
(11,695)	(791)	(2,519)	(87,171)
10,968	696	2,530	76,266
(7,906)	-	-	(18,737)
-	-	-	5,575
(12,014)	13,876	383	165,533
837	55	-	(405)
77	-	-	3,206
-	-	-	-
1,144	439	-	6,132
134	-	-	940
-	-	-	3,994
199,872	77,683	394	766,700
$ 411,227	$ 42,482	$ 16,370	$ 1,025,490

See Accompanying Notes to Financial Statements

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF FIDUCIARY NET POSITION
Agency Fund
JUNE 30, 2014

ASSETS	
Cash and Pooled Investments	$ 9,924
LIABILITIES	
Accounts Payable	9,924
NET POSITION	
Unrestricted	-
Total Net Position	$ -

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 an 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 nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues,

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories.

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

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

Unrestricted Net Position consist 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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 - 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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

E. Budgets

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public safety and general government functions.

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

Note 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2012 assessed property valuations; is for the tax accrual period July 1, 2013 through June 30, 2014 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2013. Any county collections on the 2013-2014 tax levy remitted to the City within 60 days subsequent to June 30, 2014, 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, 2014, balances of interfund amounts 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, 2014 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

Note 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2014. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

M. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred 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 only one type of item 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. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

N. 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.

Note 1 -SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O. Fund Equity

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

Restricted Net Position – In the government-wide Statement of Net Position, net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

P. Interfund Transactions

Interfund 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 interfund transactions, except interfund 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, 2014, 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, 2014.

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

At June 30, 2014 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	$ 39,397
Repurchase agreements	3,350,000
	$ 3,389,397

The City's $3,350,000 investment in repurchase agreements is held in the name of the City and underlying securities (totaling $3,700,000) 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.

The City's investments consist of certificates of deposits and repurchase agreements with the latest maturity extending to December, 2016.

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, 2014, 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

At June 30, 2014, amounts due from other governments were as follows:

Due from the U.S. Department of Justice for grant funding	$ 887
Due from Sergeant Bluff-Luton CSD for payment on account	3,538
Due from the State of Iowa for local option sales taxes	84,502
Due from the Iowa Department of Transportation for road use tax allocations	32,613
Due from the Iowa Department of Transportation for grant funding	132,732
Total Due from Other Governments	$ 254,272

As of June 30, 2014, short-term interfund borrowings were as follows:

Fund Due To	Fund Due From	Amount
General	Electric	$ 495,643
General	Sewer	33,620
General	Water	116,160
General	Nonmajor TIF	9,216
Local Option Sales Tax	Sewer	159,793
Local Option Sales Tax	Storm Water	337,430

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

Note 3 - DUE FROM OTHER GOVERNMENTS (CONTINUED)

As of June 30, 2014, long-term advances were as follows:

Fund Due To	Fund Due From	Amount
Proprietary – Electric	Proprietary – Sewer	$ 733,333

Note 4 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 393,109	$ -	$ -	$ 393,109
Construction in Progress	156,065	424,750	247,700	333,115
Total capital assets not being depreciated	549,174	424,750	247,700	726,224
Capital assets being depreciated:				
Buildings and Improvements	2,952,605	101,641	-	3,054,246
Equipment	3,136,154	388,956	138,969	3,386,141
Land Improvements	2,480,543	-	-	2,480,543
Infrastructure	14,413,034	146,060	-	14,559,094
Total capital assets being depreciated	22,982,336	636,657	138,969	23,480,024
Less: Accumulated Depreciation for:				
Buildings and Improvements	632,101	85,486	-	717,587
Equipment	2,258,208	257,645	128,691	2,387,162
Land Improvements	421,010	102,891	-	523,901
Infrastructure	8,235,049	400,570	-	8,635,619
Total Accumulated Depreciation	11,546,368	846,592	128,691	12,264,269
Total capital assets being depreciated, net	11,435,968	(209,935)	10,278	11,215,755
Governmental activities capital assets, net	$ 11,985,142	$ 214,815	$ 257,978	$ 11,941,979

Construction in progress at June 30, 2014, for governmental activities, consisted of costs associated with the Port Neal sidewalks project and 8th Street infrastructure projects.

Note 4 - CAPITAL ASSETS (CONTINUED)

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 469,777	$ -	$ -	$ 469,777
Construction in Progress	211,574	637,810	266,289	583,095
Total capital assets not being depreciated	681,351	637,810	266,289	1,052,872
Capital assets being depreciated:				
Buildings and Improvements	1,239,221	-	-	1,239,221
Equipment	1,302,322	-	-	1,302,322
Distribution System	18,864,333	266,289	-	19,130,622
Total capital assets being depreciated	21,405,876	266,289	-	21,672,165
Less: Accumulated Depreciation				
Buildings and Improvements	295,536	31,860	-	327,396
Equipment	594,993	116,620	-	711,613
Distribution System	2,691,530	459,084	-	3,150,614
Total Accumulated Depreciation	3,582,059	607,564	-	4,189,623
Total capital assets being depreciated, net	17,823,817	(341,275)	-	17,482,542
Business-type activities capital assets, net	$ 18,505,168	$ 296,535	$ 266,286	$ 18,535,414

Construction in progress at June 30, 2014, for the business-type activities, consisted of costs associated with the 8th Street utilities project, various water main projects and the water plant sanitary sewer project.

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

Governmental Activities:	
Public Safety	$ 209,820
Public Works	574,961
Culture and Recreation	36,334
General Government	25,150
Community and Economic Development	327
Total depreciation expense – governmental activities	$ 846,592
Business-Type Activities:	
Water	$ 219,048
Sewer	218,261
Electric	106,847
Storm Water	63,408
Total depreciation expense – business-type activities	$ 607,564

Note 4 - CAPITAL ASSETS (CONTINUED)

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-type Activities
Land	$ 393,109	$ 469,777
Construction in Progress	333,115	583,095
Capital Assets (net of accumulated depreciation)	11,215,755	17,482,542
Less: General Obligation Bonds Payable	(2,343,140)	(3,086,860)
Revenue Bonds	-	(3,432,000)
Note Payable	(60,000)	-
Capital Leases	(138,165)	-
Plus: Capital Lease Assets Below Capitalization Policy	16,741	-
Net Investment in Capital Assets	$ 9,417,415	$ 12,016,554

Note 5 - LONG-TERM LIABILITIES

The City's computed legal debt limit, as of June 30, 2014, is $11,522,996 of which $5,430,000 is committed for outstanding general obligation debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2014:

	Governmental Activities	Business Type Activities	
	General Obligation		
	Bonds and Notes Paid By Debt Service Fund	Bonds Paid By Enterprise Funds	Total
Primary Government:			
Bonds payable July 1, 2013	$ 2,717,732	$ 3,507,268	$ 6,225,000
Plus: Issued	-	-	-
Less: Payments	374,592	420,408	795,000
Bonds Payable June 30, 2014	$ 2,343,140	$ 3,086,860	$ 5,430,000
Due within one year	$ 373,140	$ 436,860	$ 810,000

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.

Note 5 - LONG-TERM LIABILITIES (CONTINUED)

General obligation bonds outstanding as of June 30, 2014 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2014	Due Within One Year
General Obligation:							
Corporate Purpose	2008	3.9-4.1%	2027	$ 35,000-$185,000	$ 1,170,000	$ 1,005,000	$ 35,000
Corporate Purpose and Sewer Refunding	2009	2.9-4.0%	2020	$145,000-$365,000	2,715,000	1,340,000	365,000
Corporate Purpose	2010	2.0-3.0%	2017	$130,000-$300,000	1,550,000	605,000	300,000
Sewer Improvement	2011	2.0-3.5%	2029	$100,000-$150,000	2,040,000	1,840,000	105,000
Sewer Improvement	2012	3.0%	2032	$5,000-$175,000	650,000	640,000	5,000
Total General Obligation					$ 8,125,000	$ 5,430,000	$ 810,000

Year Ending June 30	Business Type			Governmental			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2015	$ 436,860	$ 95,598	$ 532,458	$ 373,140	$ 74,623	$ 447,763	$ 810,000	$ 170,221	$ 980,221
2016	265,000	78,002	343,002	320,000	71,059	391,059	585,000	149,061	734,061
2017	245,000	69,403	314,403	300,000	63,023	363,023	545,000	132,426	677,426
2018	120,000	61,722	181,722	315,000	54,002	369,002	435,000	115,724	550,724
2019	120,000	59,223	179,223	325,000	42,178	367,178	445,000	101,401	546,401
2020-2024	640,000	253,347	893,347	540,000	80,452	620,452	1,180,000	333,799	1,513,799
2025-2029	750,000	154,588	904,588	170,000	15,243	185,243	920,000	169,831	1,089,831
2030-2031	510,000	30,900	540,900	-	-	-	510,000	30,900	540,900
Total	$3,086,860	$ 802,783	$ 3,889,643	$2,343,140	$ 400,580	$2,743,720	$5,430,000	$1,203,363	$6,633,363

Revenue Bonds

Details of Revenue Bonds outstanding at June 30, 2014 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Originally Issued	Outstanding June 30, 2014	Due Within One Year
SRF Water Revenue Bond 2010A	01/2010	3.0%	06/2031	Unknown	$3,867,000	$ 3,432,000	$ 154,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2015	$ 154,000	$ 102,960
2016	159,000	98,340
2017	165,000	93,570
2018	170,000	88,620
2019	175,000	83,520
2020-2024	966,000	335,250
2025-2029	1,136,000	176,455
2030-2031	507,000	22,550
Total	$ 3,432,000	$ 1,001,265

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 on July 1 along with interest of 3.5% over the next four years.

The following is a schedule of the annual requirements to maturity.

Year Ending June 30,	Principal	Interest
2015	$ 20,000	$ 1,800
2016	20,000	1,200
2017	20,000	600
Total	$ 60,000	$ 3,600

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 capital leases 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 $13,809 as of June 30, 2014. This asset will continue to be depreciated over its useful life of three years.

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 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 capital leases 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 $10,964 as of June 30, 2014. 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.

Note 5 - LONG-TERM LIABILITIES (CONTINUED)

On February 6, 2014, the City entered into a four-year lease agreement as lessee for financing the acquisition of three Dell laptops for public works, finance and the 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, 2014.

Year Ending June 30,	Principal	Interest	Total
2015	$ 40,159	$ 3,342	$ 43,501
2016	33,956	2,522	36,478
2017	31,610	1,681	33,291
2018	32,440	854	33,294
Minimum Lease Payments			146,564
Less: Amount Representing Interest			(8,399)
Present Value of Minimum Lease Payment			$ 138,165

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable					
General Obligation	$ 2,717,732	$ -	$ 374,592	$ 2,343,140	$ 373,140
Note Payable	80,000	-	20,000	60,000	20,000
Capital Leases	168,402	10,471	40,708	138,165	40,159
Compensated Absences	52,133	63,038	52,133	63,038	63,038
Other Post Employment Benefits	23,255	12,673	-	35,928	-
Governmental Activity Long-Term Liabilities	3,041,522	86,182	487,433	2,640,271	496,337
Business-Type Activities					
Bonds Payable:					
General Obligation	3,507,268	-	420,408	3,086,860	436,860
Revenue Bonds	3,582,000	-	150,000	3,432,000	154,000
Compensated Absences	29,683	27,462	29,683	27,462	27,462
Other Post Employment Benefits	5,908	6,131	-	12,039	-
Business-Type Activity Long-Term Liabilities	$ 7,124,859	$ 33,593	$ 600,091	$ 6,558,361	$ 618,322

Note 6 – TRANSFERS

The following is a summary of transfers between funds:

	General	Debt Service	Capital Projects	Total Transfers Out
General	$ -	$ -	$ 74,181	$ 74,181
LOST	364,000	-	-	364,000
Water	40,000	-	-	40,000
Sewer	46,696	-	-	46,696
Electric	288,500	-	-	288,500
Storm Water	4,150	-	-	4,150
Nonmajor Governmental	600,000	110,876	-	710,876
Total Transfers In	$ 1,343,346	$ 110,876	$ 74,181	$ 1,528,403

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 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.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of annual covered salary. Law enforcement employees contribute 6.76% of their annual covered salary and the City is required to contribute 10.14% of their annual covered salary. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2014, 2013, and 2012 were $134,627, $123,285 and $105,475, respectively, equal to the required contributions for each year.

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.

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.

Note 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)

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, 2014, 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	(636)
Annual OPEB cost	32,927
Contributions made	(14,123)
Increase in net OPEB obligation	18,804
Net OPEB obligation beginning of year	29,163
Net OPEB obligation end of year	$ 47,967

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, 2014.

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

Funded Status and Funding Progress - As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was $195,975, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $195,975. 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, 2014, there were no trust fund assets.

Note 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) – (Continued)

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, 2014. The City intends to finance this deficit from future TIF property tax revenues.

The individual fund deficit was as follows:

Tax Increment Financing.....	$ 9,216

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.

Note 11 - COMMITMENTS

The City has entered into various contracts totaling $633,806 for the 8th Street Storm Water Drainage project and IBF roof replacement project. As of June 30, 2014, $554,348 had been incurred against these contracts. The balance of the contracts will be paid as work on the projects progresses.

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 TrueNorth. The agreement is subject to automatic renewal provisions. The City assumes liability for deductible amounts of $300 to $1,400 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	$ 715	$ 3,846
Claims Incurred	32,388	19,895
Claims Paid	(29,702)	(23,026)
Claims Payable, end of fiscal year	$ 3,401	$ 715

Note 13 – PRIOR PERIOD ADJUSTMENT

During the year it was determined that receivables were overstated by $16,334 as of June 30, 2013. Consequently, the beginning net position for governmental activities experienced a decrease of $16,334 from the previously reported balance.

It was also determined that the FEMA receivable of $92,409 recorded as of June 30, 2013 was incorrectly recorded in the sewer fund rather than the capital projects fund. As a result, business-type net position decreased by $92,409 while the government-wide net position increased by the corresponding amount.

Note 14 – SUBSEQUENT EVENTS

On February 25, 2014, the City approved the issuance of a General Obligation Corporate Purpose Bond in a principal amount not to exceed $2,835,000. The purpose of this bond is to pay for costs for infrastructure improvements, installation of ball field lighting at an existing municipal park and to acquire a fire truck. As of the date of this report, the proceeds of this bond had not been drawn down by the City.

On July 1, 2014, the City approved the issuance of a General Obligation Bond anticipation note in the amount of $300,000 for the purchase of a new fire truck. These bond anticipation notes have an interest rate of 1.40% and have a maturity date of June 30, 2015.

On November 12, 2014, the City entered into a four year lease agreement as lessee for financing the acquisition of a 2015 Peterbuilt snow plow for the public works department. The total cost of financing the snow plow was $76,810 to be paid over the next four years with an interest rate of 3.87%. This lease agreement qualifies as a capital lease for accounting purposes. The total cost of the snow plow will be capitalized and depreciated over the useful life of the asset starting in fiscal year 2015.

Note 15 – PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27.* This statement will be implemented for the 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, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.

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 SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2014

	Actual Amounts			Budgeted Amounts		Variance With Final Budget Positive (Negative)
	Governmental Funds	Proprietary Funds	Total Actual	Original	Final	
Revenue:						
Property Taxes	$ 1,819,885	$ -	$ 1,819,885	$ 1,797,045	$ 1,797,045	$ 22,840
Tax increment financing	107,169	-	107,169	110,876	110,876	(3,707)
Other city tax	552,679	-	552,679	571,214	571,214	(18,535)
Special Assessments	8,551	-	8,551	-	-	8,551
Licenses and permits	46,856	-	46,856	24,500	24,500	22,356
Intergovernmental revenue	781,654	134,758	916,412	755,576	755,576	160,836
Charges for services	369,440	4,780,142	5,149,582	5,449,336	5,449,336	(299,754)
Fines and Forfeits	21,183	-	21,183	-	-	21,183
Contributions	30,082	-	30,082	-	-	30,082
Refunds/Reimbursements	68,923	-	68,923	-	-	68,923
Use of money and property	63,714	-	63,714	60,000	60,000	3,714
Interest	19,633	(125)	19,508	-	-	19,508
Miscellaneous	58,011	3,803	61,814	-	-	61,814
Total Revenue	3,947,780	4,918,578	8,866,358	8,768,547	8,768,547	97,811
Expenditures:						
Public safety	1,298,069	-	1,298,069	1,162,414	1,162,414	(135,655)
Public works	513,297	-	513,297	547,600	547,600	34,303
Health and Social Services	9,600	-	9,600	13,300	13,300	3,700
Culture and recreation	676,095	-	676,095	756,794	756,794	80,699
Community and economic development	50,649	-	50,649	63,000	69,000	18,351
General government	647,326	-	647,326	601,053	601,053	(46,273)
Capital projects	296,838	-	296,838	853,100	853,100	556,262
Debt service	454,317	-	454,317	987,721	987,721	533,404
Business type activities	-	5,186,279	5,186,279	5,319,260	5,465,260	278,981
Total Expenditures	3,946,191	5,186,279	9,132,470	10,304,242	10,456,242	1,323,772
Excess (deficiency) of revenues over expenditures	1,589	(267,701)	(266,112)	(1,535,695)	(1,687,695)	1,421,583
Other financing sources (uses):						
Proceeds from sale of fixed asset	33,467	-	33,467	-	-	33,467
Proceeds from issuance of debt	10,471	-	10,471	853,100	853,100	(842,629)
Interfund Transfers In	1,528,403	-	1,528,403	2,044,146	2,044,146	(515,743)
Interfund Transfers Out	(1,149,057)	(379,346)	(1,528,403)	(2,044,146)	(2,044,146)	515,743
Total other financing sources (uses)	423,284	(379,346)	43,938	853,100	853,100	(809,162)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	424,873	(647,047)	(222,174)	$ (682,595)	$ (834,595)	$ 612,421
Fund balances-beginning of year	2,162,905	2,485,686	4,648,591			
Fund balances- end of year	$ 2,587,778	$ 1,838,639	$ 4,426,417			

CITY OF SERGEANT BLUFF, IOWA
BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTAL INFORMATION
For the Year Ended June 30, 2014

	Governmental Funds			Proprietary Funds Enterprise		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	$ 3,947,780	$ (20,887)	$ 3,926,893	$ 4,918,578	$ (122,782)	4,795,796
Expenditures/expenses	3,946,191	34,887	3,981,078	5,186,279	(439,813)	4,746,466
Net	1,589	(55,774)	(54,185)	(267,701)	317,031	49,330
Other financing sources, net	423,284	(33,467)	389,817	(379,346)	267,490	(111,856)
	424,873	(89,241)	335,632	(647,047)	584,521	(62,526)
Beginning fund balances/net position	2,162,905	152,801	2,315,706	2,485,686	12,022,653	14,508,339
Prior Period Adjustment	-	76,075	76,075	-	(92,409)	(92,409)
Beginning fund balance/net position - restated	2,162,905	228,876	2,391,781	2,485,686	11,930,244	14,415,930
Ending fund balances/net position	$ 2,587,778	$ 139,635	$ 2,727,413	$ 1,838,639	$ 12,514,765	$ 14,353,404

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 the community and economic development function and business-type activities, as well as, expenditures for proprietary funds. This increase was for additional expenditures required for increased economic development in the City as well as an increase in costs for repair projects and electrical power purchased.

During the fiscal year ended June 30, 2014, disbursements exceeded the amounts budgeted in the public safety and general government functions.

CITY OF SERGEANT BLUFF, IOWA
SCHEDULE OF FUNDING PROGRESS FOR RETIREE HEALTH PLAN
For the Year Ended June 30, 2014

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%

* Fiscal 2010 was the first year for calculating the Post Employment Benefit Obligation so information from previous years in 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
Governmental Nonmajor Funds
JUNE 30, 2014

	Special Revenue	
	Employee Benefits	Tax Increment Financing
Assets		
Cash and Pooled Investments	$ 19,291	$ -
Receivables (Net, where applicable, of for uncollectibles)		
Accounts	1,619	-
Subsequent Year Taxes	293,578	105,642
Due from Other Governmental Agencies	-	-
Total Assets	314,488	105,642
Liabilities		
Due to Other Funds	-	9,216
Total Liabilities	-	9,216
Deferred Inflows of Resources		
Unavailable Revenue - Subsequent Year Property Taxes	293,578	105,642
Total Deferred Inflows of Resources	293,578	105,642
Fund Balances (Deficits)		
Restricted for:		
Street Purposes	-	-
Specific Tax Levy Purposes	20,910	-
Fire Department Purposes	-	-
Unassigned	-	(9,216)
Total Fund Balances	20,910	(9,216)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 314,488	$ 105,642

Special Revenue			
Volunteer Fire Dept	Road Use Tax	Total Nonmajor Governmental Funds	
$ 164,855	$ 229,769	$ 413,915	
-	-	1,619	
-	-	399,220	
-	32,613	32,613	
164,855	262,382	847,367	
-	-	9,216	
-	-	9,216	
-	-	399,220	
-	-	399,220	
-	262,382	262,382	
-	-	20,910	
164,855	-	164,855	
-	-	(9,216)	
164,855	262,382	438,931	
$ 164,855	$ 262,382	$ 847,367	

CITY OF SERGEANT BLUFF, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
JUNE 30, 2014

	Special Revenue	
	Employee Benefits	Tax Increment Financing
Revenue:		
Taxes	$ 301,671	$ -
Tax increment financing		107,169
Intergovernmental Revenue	-	-
Charges for Services	-	-
Contributions	-	-
Interest	-	-
Miscellaneous	-	-
Total Revenue	301,671	107,169
Expenditures:		
Public Safety	-	-
Total Expenditures	-	-
Excess of revenues over expenditures	301,671	107,169
Other financing sources (uses):		
Transfers Out	(300,000)	(110,876)
Total other financing sources (uses)	(300,000)	(110,876)
Net Change in Fund Balance	1,671	(3,707)
Fund balances (Deficits) - beginning of year	19,239	(5,509)
Fund balances (Deficits) - end of year	$ 20,910	$ (9,216)

Special Revenue		Total Nonmajor Governmental Funds
Volunteer Fire Dept	Road Use Tax	
$ -	$ -	$ 301,671
-	-	107,169
-	420,078	420,078
99,140	-	99,140
2,296	-	2,296
254	-	254
1,702	65	1,767
103,392	420,143	932,375
158,173	-	158,173
158,173	-	158,173
(54,781)	420,143	774,202
-	(300,000)	(710,876)
-	(300,000)	(710,876)
(54,781)	120,143	63,326
219,636	142,239	375,605
$ 164,855	$ 262,382	$ 438,931

CITY OF SERGEANT BLUFF, IOWA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Agency Funds
For the Year Ended June 30, 2014

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
FLEX				
Assets				
Cash and Cash Equivalents	$ 9,729	$ 6,492	$ 6,297	$ 9,924
Total Assets	9,729	6,492	6,297	9,924
Liabilities				
Accounts Payable	9,729	6,492	6,297	9,924
Total Liabilities	$ 9,729	$ 6,492	$ 6,297	$ 9,924

CITY OF SERGEANT BLUFF
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Ten Years Ended June 30

	Modified Accrual Basis				
	2014	2013	2012	2011	2010
Revenues:					
Property tax	$ 1,811,902	$ 1,728,096	$ 1,661,947	$ 1,619,049	$ 1,624,757
Tax increment financing revenue	107,169	114,630	122,220	114,309	87,956
Other city tax	557,122	531,753	498,718	389,905	390,381
Licenses and permits	46,856	52,041	26,813	22,477	19,186
Intergovernmental	709,102	1,021,820	472,882	660,307	1,706,953
Charges for service	348,678	272,745	232,440	210,568	205,860
Proceeds from Sale of Assets	45,047	2,250	-	-	2,165
Use of money and property	83,347	85,394	107,103	117,393	113,200
Special assessments	8,551	1,511	1,600	6,519	3,970
Miscellaneous	209,119	136,440	197,574	130,540	158,523
Total	$ 3,926,893	$ 3,946,680	$ 3,321,297	$ 3,271,067	$ 4,312,951
Expenditures:					
Operating:					
Public safety	$ 1,349,764	$ 1,099,945	$ 1,012,941	$ 1,103,491	$ 1,386,082
Public works	480,703	571,815	424,370	358,414	428,516
Health and social services	9,600	9,635	8,884	10,200	2,400
Culture and recreation	684,291	629,766	578,167	554,559	463,002
Community and economic development	62,036	44,910	59,322	65,496	55,457
General government	634,712	608,413	540,359	552,778	481,894
Debt service	454,317	452,732	446,028	863,623	1,436,444
Capital projects	305,655	620,609	142,998	894,030	1,830,471
Total	$ 3,981,078	$ 4,037,825	$ 3,213,069	$ 4,402,591	$ 6,084,266

Modified Accrual Basis				
2009	2008	2007	2006	2005
$ 1,561,438	$ 1,429,954	$ 1,161,191	$ 1,063,633	$ 984,838
22,371	-	139,332	64,969	-
368,402	380,639	380,152	340,121	327,599
18,185	30,285	36,208	48,673	39,175
740,150	363,853	295,843	383,978	316,846
195,840	220,694	197,471	117,432	141,887
29,065	-	-	-	-
80,622	76,477	54,395	46,288	51,173
-	65,801	25,334	6,567	1,094
144,973	134,355	123,657	90,720	374,214
$ 3,161,046	$ 2,702,058	$ 2,413,583	$ 2,162,381	$ 2,236,826
$ 1,101,673	$ 918,523	$ 920,527	$ 934,948	$ 1,131,396
452,415	314,352	297,768	242,232	225,671
-	-	-	-	-
356,831	325,725	268,710	136,670	260,106
35,330	33,609	124,156	62,889	93,899
311,718	453,175	339,113	281,676	266,095
639,818	645,238	559,782	902,415	559,441
1,362,548	598,026	503,037	549,773	1,037,788
$ 4,260,333	$ 3,288,648	$ 3,013,093	$ 3,110,603	$ 3,574,396

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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, 2014, 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 December 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Sergeant Bluff, Iowa's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Sergeant Bluff, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 and II-B-14 to be a material weaknesses.

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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Comments involving statutory and other legal matters about the City's Operations for the year ended June 30, 2014 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 statues.

City of Sergeant Bluff, Iowa's Response to Findings

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

Purpose of this Report

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

Heinjes, Lamm, & Williams, P.C.
Certified Public Accountants

Sioux City, Iowa
December 17, 2014

CITY OF SERGEANT BLUFF, IOWA

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2013

Status of Prior Audit Findings

II-A-13 Financial Reporting

Observation - Material amounts of receivables, payables, and capital asset additions were not identified by the City.

Recommendation - The auditor recommended that the City should implement procedures to ensure all receivables, payables, and capital asset additions are identified and included in the City's financial statements.

Current Status - The City did hire an accounting firm to assist with financial recordkeeping which improved this area. However, a significant receivable was still not identified. See current year finding numbered below as II-A-14.

II-B-13 Segregation of Duties

Observation – It was noted that the individual who creates the utility bills also enters the rates and makes all the adjustments to the utility billing software. In addition, the individual that prepares the payroll checks also has the ability to make rate changes in the payroll master file and distributes the signed payroll checks.

Recommendation - The auditor recommended that the City implement a system of segregation of responsibility and review and monitoring functions for the payroll and the utility billing functions.

Current Status - The City still needs to improve controls over the utility billing area. See current year finding numbered below as II-B-14.

III-A-13 SEFA Administration

Observation - The Schedule of Expenditures of Federal Awards was not accurately completed because it did not include all Federal expenditures.

Recommendation - The auditor recommended that the City should designate an individual with the skill and knowledge to accurately prepare the Schedule of Expenditures of Federal Awards and implement a review process to ensure the accuracy of the Schedule.

Current Status - The City did not receive Federal funds in excess of $500,000 in the current year, therefore, the City is not required to prepare a Schedule of Expenditures of Federal Awards.

CITY OF SERGEANT BLUFF, IOWA

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2013

IV-A-13 Certified Budget

Observation – Disbursements during the year ended June 30, 2013, exceeded the amounts budgeted in the culture and recreation function, and for business type activities.

Recommendation - The auditor recommended that the City should amend their budget if they are going to exceed budgeted amounts.

Current Status – This has not been corrected. See current year finding numbered III-A-14.

IV-G-13 Annual Financial Report

Condition - The annual financial report was not filed by December 1.

Recommendation - The auditor recommended the City should file the report by December 1.

Current Status - The City did not correct this audit finding. See current year finding numbered III-H-14.

CITY OF SERGEANT BLUFF, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2014

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-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.

Response - The City intends to improve controls in the future to avoid excluding any receivables.

Conclusion - Response accepted.

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.

Response - Procedures will be reviewed and changes will be implemented as deemed necessary and practical.

Conclusion - Response accepted.

Instances of Non-Compliance:

No matters were reported.

CITY OF SERGEANT BLUFF, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2014

Part III: Other Findings Related to Required Statutory Reporting

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.

Response – The City will be more conscientious of their expenditures to ensure they file an amended budget prior to exceeding budgeted amounts in the future.

Conclusion - Response accepted.

III-B-14 Questionable Disbursements - We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

III-C-14 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

III-D-14 Business Transactions - No significant transactions between the City and City officials or employees were noted.

III-E-14 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-14 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. However, several meeting's minutes were not signed as required by Iowa Code. Closed sessions appear to have been handled and documented according to Chapter 21 of the Code of Iowa. Publication of Council minutes appear to be completed within fifteen days.

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

Response - The City will make sure Council minutes are signed in the future.

Conclusion - Response accepted.

III-G-14 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.

CITY OF SERGEANT BLUFF, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2014

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

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 will work to complete the annual financial report by December 1 in the future.

Conclusion - Response accepted.

III-I-14 Revenue Bonds - No instances of non-compliance with revenue bond resolutions were noted.

III-J-14 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-14 Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.