ANNUAL FINANCIAL REPORT
OF THE
CITY OF SERGEANT BLUFF, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2016

CITY OF SERGEANT BLUFF, IOWA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016
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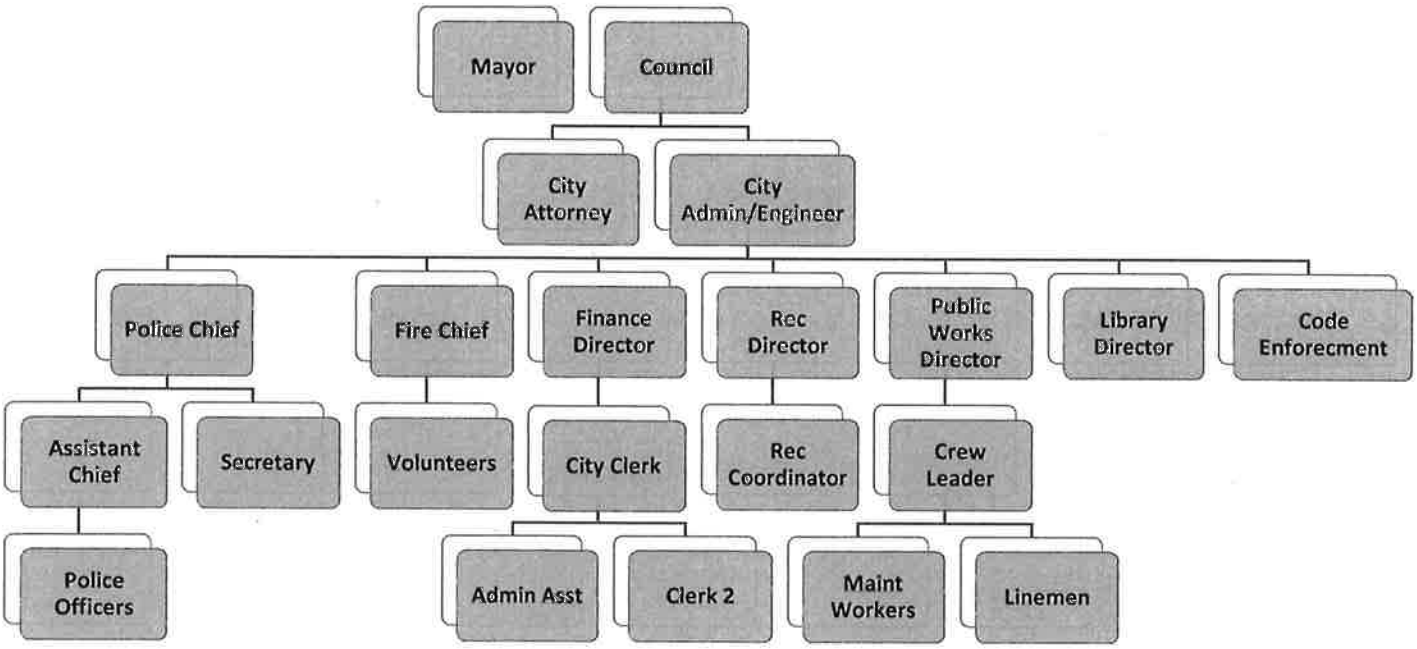
City of Sergeant Bluff Organizational Chart



City of Sergeant Bluff, Iowa
List of Principal Officials
June 30, 2016

Title	Name	Term Expires
City Council		
Mayor	Jon Winkel	2018
Council Member and Mayor Pro-Tem	Ron Hanson	2018
Council Member and Assistant Mayor Pro-Tem	Bill Gaukel	2018
Council Member	Nicole Cleveland	2020
Council Member	James Linafelter	2020
Council Member	Carol Clark	2018
City Officials		
City Attorney	Sarah Kleber	
City Administrator/Engineer	Aaron Lincoln	
City Clerk	Michelle Colvert	
Finance Director	Shari Miller	
Public Works Director	Mark Huntley	
Code Enforcement Officer	Dave Christensen	
Police Chief	Scott Pack	
Fire Chief	Anthony Gaul	
Recreation Director	Brent Brown	
Library Director	Mary Torgerson	

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sergeant Bluff, Iowa as of June 30, 2016, 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Schedule, Budget to GAAP Reconciliation, the Schedule of the City's Proportionate Share of the Net Pension Liability, the Schedule of City Contributions, and the Schedule of Funding Progress for the Retiree Health Plan on pages 5 through 13 and pages 56 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sergeant Bluff, Iowa's basic financial statements. We previously audited in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2015 (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 67 through 71 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information on pages 67 through 71 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information on pages 67 through 71 is fairly stated in all material respects in relation to the basic financial statements 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 , on our consideration of the City of Sergeant Bluff, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sergeant Bluff, Iowa's internal control over financial reporting and compliance.

Certified Public Accountants

Sioux City, Iowa
, 2017

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Management's Discussion and Analysis

This discussion and analysis of the City of Sergeant Bluff's financial performance for the year ended June 30, 2016 provides a narrative overview of its financial activities. Readers are encouraged to consider the information presented here in conjunction with the City's financial statements, which follow.

Financial Highlights

- The City's assets and deferred outflows exceeded its liabilities and deferred inflows of resources at June 30, 2016 by $26,911,314. Of this amount, approximately $2.5 million is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors.
- At June 30, 2016, the City of Sergeant Bluff's governmental funds reported combined ending fund balances of approximately $3.8 million.
- The unassigned fund balance for the general fund, at the end of the current fiscal year was $1,585,611. This represents 54% percent of total general fund expenditures.

Overview of the Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Sergeant Bluff that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Sergeant Bluff include general government, public safety, public works, health and social services, community and economic development, culture and recreation and debt service. The Business-Type Activities of the City include electric, water, sewer, solid waste and storm water utilities. The government-wide financial statements can be found on pages 17-19 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 nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, capital projects fund, the special revenue –road use tax fund and the special revenue – local option sales tax fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements as supplementary information.

The basic governmental fund financial statements can be found on pages 20-27 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 28-35 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 37-59 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, 2015 and 2016:

	Governmental Activities		Business-Type Activities		Total City	
	2016	2015	2016	2015	2016	2015
Current and other assets	$ 6,394,077	$ 7,530,148	$ 1,172,903	$ 1,916,199	$ 7,566,980	$ 9,446,347
Capital assets	15,284,861	12,952,131	18,333,479	18,242,663	33,618,340	31,194,794
Total assets	21,678,938	20,482,279	19,506,382	20,158,862	41,185,320	40,641,141
Pension Related Deferred Outflows	127,016	119,220	82,694	78,709	209,710	197,929
Total Deferred Outflows of Resources	127,016	119,220	82,694	78,709	209,710	197,929
Long-term debt outstanding	4,656,144	5,026,702	5,504,000	5,928,000	10,160,144	10,954,702
Other liabilities	1,156,660	1,028,152	925,476	754,451	2,082,136	1,782,603
Total liabilities	5,812,804	6,054,854	6,429,476	6,682,451	12,242,280	12,737,305
Unavailable Revenue-Property Tax	2,143,258	1,880,676	-	-	2,143,258	1,880,676
Pension Related Deferred Inflows	60,878	230,471	37,300	117,664	98,178	348,135
Total Deferred Inflows of Resources	2,204,136	2,111,147	37,300	117,664	2,241,436	2,228,811
Net position:						
Net Investment in Capital Assets	10,312,570	7,741,376	12,829,479	12,314,663	23,142,049	20,056,039
Restricted	1,258,892	1,263,374	-	-	1,258,892	1,263,374
Unrestricted	2,217,552	3,430,748	292,821	1,122,793	2,510,373	4,553,541
Total net position	$ 13,789,014	$ 12,435,498	$ 13,122,300	$ 13,437,456	$ 26,911,314	$ 25,872,954

This summary reflects a 10.9% increase in governmental activities net position and a decrease of 2.3% in the business-type activities net position.

Total revenue reported in Fiscal Year 2016 was $10,593,397. The following table breaks down revenues collected for governmental activities and business-type activities for fiscal year 2016 and 2015.

Revenue Source	Governmental Activities 2016	Governmental Activities 2015	Business-Type Activities 2016	Business-Type Activities 2015	Total 2016	Total 2015
Program revenues:						
Charges for services	$ 668,642	$ 521,451	$ 5,093,481	$ 4,811,716	$ 5,761,823	$ 5,333,167
Operating grants and contributions	732,704	1,146,058	-	-	732,704	1,146,058
Capital grants and contributions	1,273,716	51,929	-	-	1,273,716	51,929
Total program revenues	2,674,762	1,719,438	5,093,481	4,811,716	7,768,243	6,531,154
General revenues and interfund transfers:						
Property taxes	1,883,495	1,881,238	-	-	1,883,495	1,881,238
Franchise taxes	106,688	74,227	-	-	106,688	74,227
Local option sales tax	626,268	553,126	-	-	626,268	553,126
Hotel/motel tax	20,334	19,645	-	-	20,334	19,645
Interest	17,333	31,373	14,204	8,338	31,537	39,711
Gain on sale of asset	11,650	-	-	-	11,650	-
Sale of non-capital asset	90	22,083	-	-	90	22,083
Miscellaneous	61,461	329,717	83,631	6,921	145,092	336,638
Interfund transfers	22,026	144,245	(22,026)	(144,245)	-	-
Total general revenues and interfund transfers	2,749,345	3,055,654	75,809	(128,986)	2,825,154	2,926,668
	$ 5,424,107	$ 4,775,092	$ 5,169,290	$ 4,682,730	$ 10,593,397	$ 9,457,822

Program revenues totaled $7,768,243 for fiscal year 2016. Governmental activities provided $2,674,762 and business-type activities provided $5,093,481. Revenue collected for charges for services during the year was $5,761,823, accounting for 74.2% of total program revenues.

Revenue for capital grants and contributions increased $1.2 million for governmental activities due to a state RISE grant and Woodbury County contributions for the Dogwood Trail Project.

General revenues and transfers for fiscal year 2016 totaled $2,825,154, with governmental activities providing $2,749,345, and business-type activities providing $75,809. Property tax revenues for fiscal year 2016 totaled $1,883,495, accounting for almost 67% of total general revenues.

Expenses for fiscal year 2016 totaled $9,565,229. Expenses for governmental activities totaled $4,080,783 accounting for 42.7% of total expenses. Business-type activity expenses totaled $5,484,446, accounting for 57.3% of the total. The following table shows total expenses by Function/Program:

	Governmental Activities		Business-Type Activities		Total	
Program Level	2016	2015	2016	2015	2016	2015
Public safety	$ 1,391,498	$ 1,201,384	$ -	$ -	$ 1,391,498	$ 1,201,384
Public works	680,454	1,008,577	-	-	680,454	1,008,577
Health and social services	9,600	9,600	-	-	9,600	9,600
Culture and recreation	624,912	479,084	-	-	624,912	479,084
Community and economic development	563,063	320,431	-	-	563,063	320,431
General government	718,448	744,931	-	-	718,448	744,931
Debt service	92,808	193,192	-	-	92,808	193,192
Electric utility	-	-	3,342,124	3,175,464	3,342,124	3,175,464
Water utility	-	-	909,513	862,073	909,513	862,073
Sewer utility	-	-	792,556	772,843	792,556	772,843
Solid waste utility	-	-	304,115	296,403	304,115	296,403
Storm water utility	-	-	136,138	122,813	136,138	122,813
Total expenses	$ 4,080,783	$ 3,957,199	$ 5,484,446	$ 5,229,596	$ 9,565,229	$ 9,186,795

Public Safety increased approximately $190,000 due to the purchase of a fire truck and due to increases in salaries and benefits. Public Works decreased due to large equipment purchases in FY15. Culture and recreation increased $145,828 due to completion of several projects. Debt service decreased due to costs associated with the issuance of new debt in FY15. Electric utility expenditures increased $166,660 due to an increase in electrical power purchased.

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

Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, 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 $1,391,498 for Public Safety and received $358,674 in revenue, leaving a cost to taxpayers of $1,032,824 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 $4,080,783. Of these costs, $668,342 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 $2,006,420, leaving a Net Expense of $1,406,021 for Governmental Activities. These expenses were covered with tax revenues, interest, and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net Expense by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue 2016	2015
Governmental activities:		
Public safety	$ (1,032,824)	$ (902,123)
Public works	(42,984)	(503,463)
Health and Social Services	(9,600)	(9,600)
Culture and recreation	(350,449)	(204,486)
Community and economic development	758,322	279,795
General government	(648,327	(710,224)
Debt service	(80,159)	(187,660)
Total net (expense) governmental activities	(1,406,021)	(2,237,761)
General revenues and inter-fund transfers	2,749,345	3,055,654
Change in net position	$ 1,343,324	$ 817,893

Total resources available during the year to finance governmental operations were $17,869,797, consisting of net position at July 1, 2015, as restated of $12,445,690, program revenues of $2,674,762 and general revenues and transfers of $2,749,345. Total governmental activities during the year expended $4,080,783; thus, net position increased by $1,343,324 to $13,789,014.

Business-Type Activities

Business-type activities decreased the City's net position by $315,156.

The cost of all business-type activities this year was $5,484,446. As shown in the Statement of Activities, program revenue was $5,093,481, resulting in a total Net Expense of ($390,965).

Business-Type Activities	Net (Expense) Revenue	
	2016	2015
Electric utility	$ (505,797)	$ (454,392)
Water utility	(10,929)	(47,586)
Sewer utility	130,196	97,546
Solid waste utility	33,095	18,659
Storm water utility	(37,530)	(32,107)
Total net revenue business-type activities	(390,965)	(417,880)
General revenues and interfund transfers	75,809	(128,986)
Change in net position	$ (315,156)	$ (546,866)

Total resources available during the year to finance proprietary fund activities were $18,606,746 consisting of net position at July 1, 2015 of $13,437,456, program revenues of $5,093,481, and general revenues and transfers of $75,809. Total proprietary fund activities during the year expended $5,484,446 thus; net position decreased by ($315,156) to $13,122,300.

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 $3,823,052. The combined Governmental fund balance decreased $1,259,659 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 $198,710. Debt Service expenditures exceeded revenues, transfers and other financing sources by $42,726.

The Capital Projects fund is used to account for the purchase of city infrastructure projects. During 2016, expenditures exceeded revenues and transfers by $1,448,773 due to spending down the bond proceeds for scheduled projects from bonds issued in the prior year.

The Road Use Tax fund is used to account for revenues from State revenues allocated to the City for maintenance and improvement of City streets. Expenditures exceeded revenues and transfers by $13,103 due to transfers out for street related projects.

The special revenue Local Option Sales Tax fund is used to account for revenues from the tax authorized by referendum and used for capital improvements, equipment and program services. During 2016, expenditures exceeded revenues and transfers by $42,824 to fund necessary projects.

BUDGETARY HIGHLIGHTS

The following table shows the budget variances by program structure:

Program	Final Budget	Actual (Cash Basis)	Variance Favorable (Unfavorable)
Public Safety	$ 1,422,542	$ 1,400,073	$ 22,469
Public Works	511,036	476,267	34,769
Health and Social Services	9,700	9,600	100
Culture and Recreation	767,492	624,601	142,891
Community and Economic Development	303,778	292,473	11,305
General Government	774,685	748,414	26,271
Capital Projects	4,235,444	2,736,461	1,498,983
Debt Service	463,760	460,510	3,250
Business-Type/Enterprise	5,597,437	5,849,448	(252,011)
	$14,085,874	$ 12,597,847	$ 1,488,027

See pages 62-66 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, 2016, was $23,142,049, (net of accumulated depreciation and related debt). This is an increase of $3,086,010 from fiscal year 2015. The gross additions to capital assets for fiscal years 2016 and 2015 are as follows:

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	$ 77,500	$ 257,704	$ -	$ -	$ 77,500	$ 257,704
Infrastructure	384,200	376,925	-	-	384,200	376,925
Land Improvements	77,942	236,204	-	-	77,942	236,204
Buildings	135,644	57,100	-	-	135,644	57,100
Distribution system	-	-	302,417	114,752	302,417	114,752
Equipment	209,592	388,956	132,588	65,847	342,180	609,851
Construction in progress	2,624,852	908,381	519,460	252,249	3,144,312	1,160,630
Total	$ 3,509,730	$ 2,380,318	$ 954,465	$ 432,848	$ 4,464,195	$ 2,813,166

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

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

DEBT ADMINISTRATION

On June 30, 2016 the City had $6,815,000 of general obligation debt outstanding. During 2016, the City made payments of $600,000 on existing debt. The City operates under State capacity limitations. The State limits the amount of General Obligation debt outstanding to 5% of the assessed value of all taxable property in the community. The City's debt capacity is $11,656,090 and the City is utilizing 58.5% of this limit.

On June 30, 2016 the City had $3,119,000 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 is in the final stage of its nearly $2 billion plant expansion which has spurred residential needs, increased hotel/motel use, and provided opportunities for support businesses to form or expand in the area. Triumph/Seaboard Processing plant is underway with anticipated 1,200 jobs for phase 1. Ag Processing (AGP) is underway on a $90 million expansion project that will bring additional jobs to the area.

The City annexed 510 acres of ground into its corporate limits October 2015, with opportunities for mixed use growth in residential, commercial, light manufacturing/industrial, and governmental (potential new high school) development. The City expanded its consolidated urban renewal area to include the Dogwood Trail area for a new light manufacturing technology park on 125 acres, and is in the process of completing a certified site application with the Iowa Economic Development Authority.

Expansion in industry has pushed the City to expand into new housing opportunities. Existing residential subdivisions are nearly at capacity. A developer purchased 45 acres with a multi-phase plan to develop residential housing and commercial with a project called Serenity Point. Phase 1 calls for 79 single family lots. Lloyd Companies out of Sioux Falls, SD has submitted a multi-phase plan for 156 multi-family townhouse units. Phase 1 of the project, called Riverbend Townhouses, will include 61 units. Baker Prairie Bluff Condominiums project was started with construction of five units. This multi-phase project calls for 103 units over a 3-5 year process. Maupin Pines Senior Townhomes project has constructed 9 units of its total planned 23 units.

The City of Sergeant Bluff is continuing to show steady residential and commercial property value growth, with residential property encompassing approximately 75% of the taxable property tax value and commercial/industrial uses encompassing 21% of the tax base. Through a State equalization order and the County's regular valuation adjustment the City will see an increase of nearly 17% in total taxable valuation next fiscal year.

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

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

REQUESTS FOR INFORMATION

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

Basic Financial Statements

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City of Sergeant Bluff, Iowa
Statement of Net Position
June 30, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 1,586,494	$ 169,356	$ 1,755,850
Investments	5,614	1,477,314	1,482,928
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	31,696	674,995	706,691
Taxes	6,101	-	6,101
Subsequent Year Taxes	2,143,258	-	2,143,258
Accrued Interest	28	49	77
Estimated Unbilled Usage	-	153,644	153,644
Internal Balances	1,531,120	(1,531,120)	-
Due from Other Governmental Agencies	1,037,331	13,266	1,050,597
Inventories	-	160,853	160,853
Prepaid Assets	52,435	54,546	106,981
Land	728,313	469,777	1,198,090
Construction in Progress	2,918,678	958,623	3,877,301
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	11,637,870	16,905,079	28,542,949
Total Assets	21,678,938	19,506,382	41,185,320
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	127,016	82,694	209,710
LIABILITIES			
Accounts Payable	294,190	346,336	640,526
Accrued Wages and Related Taxes	76,779	31,139	107,918
Accrued Expenses	921	12,511	13,432
Accrued Interest Payable	10,279	13,751	24,030
Claims Incurred But Not Reported	2,342	1,595	3,937
Customer Deposits	1,100	83,210	84,310
Noncurrent Liabilities:			
Due within one year:			
Revenue Bonds Payable	-	165,000	165,000
General Obligation Bonds (includes $32,397 of unamortized premium)	342,397	245,000	587,397
Notes Payable	20,000	-	20,000
Capital Lease	50,432	-	50,432
Compensated Absences and Benefits	61,291	33,422	94,713
Due in more than one year:			
Revenue Bonds	-	2,954,000	2,954,000
General Obligation Bonds (includes $193,747 of unamortized premium)	4,313,747	2,140,000	6,453,747
Notes Payable	199,017	-	199,017
Capital Lease	51,993	-	51,993
Net Pension Liablity	331,314	382,289	713,603
Net OPEB Liability	57,002	21,223	78,225
Total Liabilities	5,812,804	6,429,476	12,242,280
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue - Subsequent Year Property Taxes	2,143,258	-	2,143,258
Pension Related Deferred Inflows	60,878	37,300	98,178
Total Deferred Inflows of Resources	2,204,136	37,300	2,241,436
NET POSITION			
Net Investment in Capital Assets	10,312,570	12,829,479	23,142,049
Restricted for:			
Debt Service	46,170	-	46,170
Specific Tax Levy Purposes	14,866	-	14,866
Local Option Sales Tax Purposes	734,008	-	734,008
Street Purposes	259,664	-	259,664
Fire Department Purposes	193,992	-	193,992
Senior Center Purposes	10,192		10,192
Unrestricted	2,217,552	292,821	2,510,373
Total Net Position	$ 13,789,014	$ 13,122,300	$ 26,911,314

See Accompanying Notes to Financial Statements

City of Sergeant Bluff, Iowa
Statement of Activities
Year Ended June 30, 2016

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	$ 1,391,498	$ 234,239	$ 124,435	$ -
Public Works	680,454	119,225	518,245	-
Health and Social Services	9,600	-	-	-
Culture and Recreation	624,912	273,463	1,000	-
Community and Economic Development	563,063	11,141	36,528	1,273,716
General Government	718,448	27,437	42,684	-
Debt Service	92,808	2,837	9,812	-
Total Governmental Activities	4,080,783	668,342	732,704	1,273,716
Business-Type Activities:				
Electric Utility	3,342,124	2,836,327	-	-
Water Utility	909,513	898,584	-	-
Sewer Utility	792,556	922,752	-	-
Solid Waste Utility	304,115	337,210	-	-
Storm Water Utility	136,138	98,608	-	-
Total Business-Type Activities:	5,484,446	5,093,481	-	-
Total Primary Government	$ 9,565,229	$ 5,761,823	$ 732,704	$ 1,273,716

General Revenues:
Property taxes, levied for general purposes
Property taxes, levied for tax increment financing debt
Property taxes, levied for employee benefits
Property taxes, levied for debt service
Franchise Taxes
Local Option Sales Tax
Hotel/Motel Taxes
Interest
Gain on Sale of Assets
Miscellaneous
Transfers
Total general revenues and transfers

Change in net position

Net position - beginning

Prior Period Adjustment

Net position - beginning (as restated)

Net position - ending

See Accompanying Note to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (1,032,824)	$ -	$ (1,032,824)
(42,984)	-	(42,984)
(9,600)	-	(9,600)
(350,449)	-	(350,449)
758,322	-	758,322
(648,327)	-	(648,327)
(80,159)	-	(80,159)
(1,406,021)	-	(1,406,021)
-	(505,797)	(505,797)
-	(10,929)	(10,929)
-	130,196	130,196
-	33,095	33,095
-	(37,530)	(37,530)
-	(390,965)	(390,965)
(1,406,021)	(390,965)	(1,796,986)
1,172,541	-	1,172,541
63,654	-	63,654
303,595	-	303,595
343,705	-	343,705
106,688		106,688
626,268	-	626,268
20,334	-	20,334
17,333	14,204	31,537
11,740	-	11,740
61,461	83,631	145,092
22,026	(22,026)	-
2,749,345	75,809	2,825,154
1,343,324	(315,156)	1,028,168
12,435,498	13,437,456	25,872,954
10,192	-	10,192
12,445,690	13,437,456	25,883,146
$ 13,789,014	$ 13,122,300	$ 26,911,314

City of Sergeant Bluff, Iowa
Balance Sheet
Governmental Funds
June 30, 2016

	General	Debt Service	Capital Projects
Assets			
Cash and Pooled Investments	$ 1,019,839	$ 55,310	$ 293,316
Investments	5,614	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	31,696	-	-
Taxes	3,941	1,139	-
Subsequent Year Taxes	1,366,570	454,580	-
Accrued Interest	28	-	-
Due from Other Funds	649,555	-	-
Due from Other Governmental Agencies	10,184	-	878,630
Total Assets	3,087,427	511,029	1,171,946
Liabilities			
Accounts Payable	59,552	-	191,740
Accrued Wages	71,488	-	-
Accrued Expenses	921	-	-
Claims Incurred But Not Reported	2,185	-	-
Customer Deposits	1,100	-	-
Due to Other Funds	-	-	-
Total Liabilities	135,246	-	191,740
Deferred Inflows of Resources			
Unavailable Revenue - Subsequent Year Property Taxes	1,366,570	454,580	-
Total Deferred Inflows of Resources	1,366,570	454,580	-
Fund Balances			
Restricted for:			
Debt Service	-	56,449	-
Local Option Sales Tax Purposes	-	-	-
Street Purposes	-	-	-
Specific Tax Levy Purposes	-	-	-
Fire Department Purposes	-	-	-
Senior Center Purposes			
Assigned for:			
Capital Projects	-	-	980,206
Unassigned	1,585,611	-	-
Total Fund Balances	1,585,611	56,449	980,206
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 3,087,427	$ 511,029	$ 1,171,946

See Accompanying Notes to Financial Statements

Special Revenue Road Use Tax	Special Revenue Local Option Sales Tax	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 218,029	$ 1,586,494
-	-	-	5,614
-			
-	-	-	31,696
-	-	1,021	6,101
-	-	322,108	2,143,258
-	-	-	28
258,267	635,234	-	1,543,056
49,743	98,774	-	1,037,331
308,010	734,008	541,158	6,353,578
42,898	-	-	294,190
5,291	-	-	76,779
-	-	-	921
157	-	-	2,342
-	-	-	1,100
-	-	11,936	11,936
48,346	-	11,936	387,268
-	-	322,108	2,143,258
-	-	322,108	2,143,258
-	-	-	56,449
-	734,008	-	734,008
259,664	-	-	259,664
-	-	14,866	14,866
-	-	193,992	193,992
		10,192	10,192
-	-	-	980,206
	-	(11,936)	1,573,675
259,664	734,008	207,114	3,823,052
$ 308,010	$ 734,008	$ 541,158	$ 6,353,578

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City of Sergeant Bluff, Iowa
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2016

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

Total Fund Balance - Governmental Funds (page 20-21)		$ 3,823,052
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is $29,032,297 and the accumulated depreciation is $13,747,436.		15,284,861
Accrued expenses from the balance sheet that require current financial resources for governmental activities.		(10,279)
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		52,435
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources	127,016	
Deferred inflows of resources	(60,878)	66,138
Long-term liabilities are not due and payable in the current year and therefore, are not reported as liabilities in the funds:		
Compensated Absences	(61,291)	
Note Payable	(219,017)	
Capital Leases	(102,425)	
General Obligations Bonds	(4,430,000)	
Unamortized Bond Premium	(226,144)	
Net Pension Liability	(331,314)	
Net OPEB Liability	(57,002)	(5,427,193)
Total Net Position - Governmental Activities (page 17)		$ 13,789,014

See Accompanying Notes to Financial Statements

City of Sergeant Bluff, Iowa
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	General	Debt Service	Capital Projects
Revenue:			
Taxes	$ 1,172,541	$ 343,705	$ -
Tax increment financing	-	-	-
Other city taxes	136,839	2,838	-
Special Assessments	-	-	1,241
Licenses and Permits	54,865	-	-
Intergovernmental Revenue	170,308	9,811	1,334,572
Charges for Services	212,506	-	-
Fines and Forfeits	26,120	-	-
Contributions	803	-	-
Refunds/Reimbursements	14,985	-	-
Rental Income	77,511	-	-
Proceeds from Sale of Assets	4,750	-	90
Interest	17,132	-	-
Miscellaneous	43,916	-	14,361
Total Revenue	1,932,276	356,354	1,350,264
Expenditures:			
Public Safety	1,290,165	-	-
Public Works	-	-	-
Health and Social Services	9,600	-	-
Culture and Recreation	628,822	-	-
Community and Economic Development	295,101	-	-
General Government	696,781	-	-
Capital Projects	-	-	2,736,984
Debt Service	-	460,511	-
Total Expenditures	2,920,469	460,511	2,736,984
Excess (deficiency) of revenues over expenditures	(988,193)	(104,157)	(1,386,720)
Other financing sources (uses):			
Transfers In	1,216,903	61,431	525,355
Transfers Out	(30,000)	-	(587,408)
Total other financing sources (uses)	1,186,903	61,431	(62,053)
Net Change in Fund Balance	198,710	(42,726)	(1,448,773)
Fund balances - beginning of year	1,386,901	99,175	2,428,979
Prior Period Adjustment	-	-	
Fund balances - beginning of year, as restated	1,386,901	99,175	2,428,979
Fund balances - end of year	$ 1,585,611	$ 56,449	$ 980,206

See Accompanying Notes to Financial Statements

Special Revenue Road Use Tax	Special Revenue Local Option Sales Tax	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 303,595	$ 1,819,841
-	-	63,654	63,654
-	626,268	2,543	768,488
-	-	-	1,241
-	-	-	54,865
518,245	-	8,782	2,041,718
-	-	145,889	358,395
-	-	-	26,120
-	-	25,557	26,360
58,369	-	-	73,354
-	-	-	77,511
-	-	-	4,840
-	-	201	17,333
3,184	-	-	61,461
579,798	626,268	550,221	5,395,181
-	-	94,733	1,384,898
464,169	-	-	464,169
-	-	-	9,600
-	-	-	628,822
-	-	-	295,101
-	-	-	696,781
-	-	-	2,736,984
-	-	-	460,511
464,169	-	94,733	6,676,866
115,629	626,268	455,488	(1,281,685)
-	-	-	1,803,689
(128,732)	(669,092)	(366,431)	(1,781,663)
(128,732)	(669,092)	(366,431)	22,026
(13,103)	(42,824)	89,057	(1,259,659)
272,767	776,832	107,865	5,072,519
-	-	10,192	10,192
272,767	776,832	118,057	5,082,711
$ 259,664	$ 734,008	$ 207,114	$ 3,823,052

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City of Sergeant Bluff, Iowa
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities
Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds (page 24-25)		$ (1,259,659)
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	$ 3,120,378	
Depreciation expense	(787,648)	2,332,730
Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources		(677)
Accrued interest payable that does not require current financial resources		(2,855)
Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in the long-term compensated absences for the year was:		(2,870)
Long-term accrual of other post employment benefits liability in the governmental funds as it does not consume current financial resources.		(8,149)
Long-term accrual of Pension Expense in the governmental funds as it does not consume current financial resources.		(136,206)
The current year City employer share of IPERS contributions are reported as expenditures in the governmental funds, but are reported as a deferred outflow of resources in the Statement of Net Position.		177,389
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:		(165,442)
Bond Premium Amortization	35,558	
Note Payable	(201,000)	
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	21,983	
Capital Leases	52,080	
General Obligation Bonds	335,000	409,063
Change in net position of governmental activities (page 18-19)		$ 1,343,324

See Accompanying Notes to Financial Statements

City of Sergeant Bluff, Iowa
Statement of Net Position
Proprietary Funds
June 30, 2016

	Business Type Activities	
	Electric Utility	Water Utility
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$ -	$ -
Investments	968,190	497,558
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	423,085	103,790
Accrued Interest	-	44
Estimated Unbilled Usage	91,701	30,831
Advances to Other Funds	599,999	-
Due from Other Governmental Agencies	-	-
Inventories	154,486	6,367
Prepaid Assets	15,198	20,804
Total current assets	2,252,659	659,394
Non-current Assets:		
Land	-	231,820
Construction in Progress	-	91,451
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	1,158,957	7,998,158
Total non-current assets	1,158,957	8,321,429
Total Assets	3,411,616	8,980,823
DEFERRED OUTFLOWS OF RESOURCES		
Pension related deferred outflows	41,373	21,900
LIABILITIES		
Current Liabilities:		
Accounts Payable	250,742	29,352
Customer Deposits	38,437	44,773
Accrued Wages	8,476	6,773
Accrued Expenses	6,655	4,469
Accrued Compensated Absences	14,952	9,599
Accrued Interest Payable	-	8,195
Due to Other Funds	540,594	342,434
Claims Incurred but Not Reported	1,123	315
Advance from Other Funds	-	-
Revenue Bonds Payable	-	165,000
General Obligation Bonds Payable	-	
Total current liabilities	860,979	610,910
Non-current Liabilities:		
Due in more than one year:		
Revenue Bonds	-	2,954,000
General Obligation Bonds	-	-
Net Pension Liability	185,798	101,756
Net OPEB Liability	10,409	5,251
Total non-current liabilities	196,207	3,061,007
Total Liabilities	1,057,186	3,671,917
DEFERRED INFLOWS OF RESOURCES		
Pension related deferred inflows	26,777	9,113
NET POSITION		
Net Investment in Capital Assets	1,158,957	5,202,429
Unrestricted	1,210,069	119,264
Total Net Position	$ 2,369,026	$ 5,321,693

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
$ -	$ -	$ 169,356	$ 169,356
11,566	-	-	1,477,314
100,539	9,767	37,814	674,995
5	-	-	49
21,081	2,260	7,771	153,644
-	-	-	599,999
-	13,266	-	13,266
-	-	-	160,853
18,544	-	-	54,546
151,735	25,293	214,941	3,304,022
51,590	186,367	-	469,777
397,494	469,678	-	958,623
6,255,097	1,492,867	-	16,905,079
6,704,181	2,148,912	-	18,333,479
6,855,916	2,174,205	214,941	21,637,501
14,937	4,484	-	82,694
28,808	271	37,163	346,336
-	-	-	83,210
4,846	11,044	-	31,139
1,383	4	-	12,511
7,800	1,071	-	33,422
5,556	-	-	13,751
442,164	205,928	-	1,531,120
157	-	-	1,595
599,999	-	-	599,999
-	-	-	165,000
245,000	-	-	245,000
1,335,713	218,318	37,163	3,063,083
-	-	-	2,954,000
2,140,000	-	-	2,140,000
70,303	24,432	-	382,289
4,082	1,481	-	21,223
2,214,385	25,913	-	5,497,512
3,550,098	244,231	37,163	8,560,595
4,883	(3,473)	-	37,300
4,319,181	2,148,912	-	12,829,479
(1,003,309)	(210,981)	177,778	292,821
$ 3,315,872	$ 1,937,931	$ 177,778	$ 13,122,300

City of Sergeant Bluff, Iowa
Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds
Year ended June 30, 2016

	Business Type Activities	
	Electric Utility	Water Utility
Operating Revenues:		
Charges for Services	$ 2,836,327	$ 898,584
Total Operating Revenue	2,836,327	898,584
Operating Expenses:		
Cost of Service	3,259,418	594,135
Depreciation	82,706	216,995
Total Operating Expenses	3,342,124	811,130
Operating Income (Loss)	(505,797)	87,454
Non-Operating Income (Expense):		
Interest Income	14,045	131
Other Non-operating Revenues	75,160	8,077
Interest Expense	-	(98,383)
Total Non-Operating Income (Expenses)	89,205	(90,175)
Income (Loss) before Transfers and Contributions	(416,592)	(2,721)
Transfers In	-	83,025
Transfers Out	(284,000)	(44,825)
Change in Net Position	(700,592)	35,479
Net Position - Beginning	3,069,618	5,286,214
Net Position - Ending	$ 2,369,026	$ 5,321,693

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
$ 922,752	$ 98,608	$ 337,210	$ 5,093,481
922,752	98,608	337,210	5,093,481
500,511	70,501	304,115	4,728,680
216,881	65,637	-	582,219
717,392	136,138	304,115	5,310,899
205,360	(37,530)	33,095	(217,418)
28	-	-	14,204
108	286	-	83,631
(75,164)	-	-	(173,547)
(75,028)	286	-	(75,712)
130,332	(37,244)	33,095	(293,130)
276,852	-	-	359,877
(48,920)	(4,158)	-	(381,903)
358,264	(41,402)	33,095	(315,156)
2,957,608	1,979,333	144,683	13,437,456
$ 3,315,872	$ 1,937,931	$ 177,778	$ 13,122,300

City of Sergeant Bluff, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2016

	Business Type Activities	
	Electric Utility	Water Utility
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	$ 2,662,103	$ 873,494
Cash Paid to Suppliers for Goods and Services	(3,527,064)	(323,687)
Cash Paid to Employees for Services	(313,633)	(215,160)
Other Receipts	75,160	8,077
Net Cash Provided (Used) by Operating Activities	(1,103,434)	342,724
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(125,088)	(97,428)
Principal Paid on Notes and Bonds	-	(184,000)
Interest & Bond Costs Paid	-	(99,540)
Net Cash (Used) by Capital and Related Financing Activities	(125,088)	(380,968)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Operating Transfers to Other Funds	(284,000)	(44,825)
Operating Transfers from Other Funds	-	83,025
Advance (to) from Other Funds	66,667	-
Net Cash Provided (Used) by Non-Capital Financing Activities	(217,333)	38,200
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	14,045	131
Proceeds from Sale (Purchase) of Investment Securities	1,431,810	(87)
Net Cash Provided by Investing Activities	1,445,855	44
Net Increase in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents at Beginning of Year	-	-
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
$ 918,242	$ 98,792	$ 453,853	$ 5,006,484
(173,624)	(38,837)	(275,811)	(4,339,023)
(152,758)	(42,000)	(8,686)	(732,237)
108	286	-	83,631
591,968	18,241	169,356	18,855
(436,436)	(14,083)	-	(673,035)
(240,000)	-	-	(424,000)
(76,802)	-	-	(176,342)
(753,238)	(14,083)	-	(1,273,377)
(48,920)	(4,158)	-	(381,903)
276,852	-	-	359,877
(66,667)	-	-	-
161,265	(4,158)	-	(22,026)
28	-	-	14,204
(23)	-	-	1,431,700
5	-	-	1,445,904
-	-	169,356	169,356
-	-	-	-
$ -	$ -	$ 169,356	$ 169,356

City of Sergeant Bluff, Iowa
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2016

	Business Type Activities	
	Electric Utility	Water Utility
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$ (505,797)	$ 87,454
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	82,706	216,995
Miscellaneous Non-Operating Income	75,160	8,077
(Increase) Decrease in Assets:		
Accounts Receivable	(148,225)	(14,309)
Estimated Unbilled Usage	(28,362)	(10,782)
Accrued Interest		(44)
Prepaids	(3,017)	(263)
Inventories	55,115	8,922
Due From Other Funds	-	-
Deferred Outflows	(1,619)	(1,091)
Increase (Decrease) in Liabilities		
Accounts Payable	16,333	15,519
Accrued Wages and Compensated Absences	1,644	3,348
Accrued Expenses	2,091	1,376
Due To Other Funds	(651,202)	14,379
Deferred Inflows	(32,652)	(21,995)
Net Pension Liability	29,967	20,186
Net OPEB Liability	1,394	964
Claims Incurred but Not Report	670	88
Customer Deposits	2,360	13,900
Total Adjustments	(597,637)	255,270
Net Cash Provided (Used) by Operating Activities	$ (1,103,434)	$ 342,724

See Accompanying Notes to Financial Statements

Business Type Activities			
Sewer Utility	Storm Water Utility	Nonmajor Solid Waste Utility	Total
$ 205,360	$ (37,530)	$ 33,095	$ (217,418)
216,881	65,637	-	582,219
108	286	-	83,631
(760)	547	661	(162,086)
(3,748)	(363)	(1,233)	(44,488)
(5)			(49)
(273)	-	-	(3,553)
-	-	-	64,037
-	-	117,215	117,215
(805)	(470)		(3,985)
6,696	240	19,715	58,503
3,103	9,389	(97)	17,387
337	4	-	3,808
165,664	(18,965)	-	(490,124)
(16,243)	(9,474)	-	(80,364)
14,907	8,695	-	73,755
702	245	-	3,305
44	-	-	802
-	-	-	16,260
386,608	55,771	136,261	236,273
$ 591,968	$ 18,241	$ 169,356	$ 18,855

City of Sergeant Bluff, Iowa
Statement of Net Position
Agency Fund - Employee Medical Flexible Spending Account
June 30, 2016

ASSETS	
Cash and Pooled Investments	$ 8,740
LIABILITIES	
Accounts Payable	8,740
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 a nonpartisan basis with an appointed administrator and administers the following programs as authorized by its charter: public safety, public works, culture and recreation, community and economic development, health and social services, general government, capital projects and debt service. The City also has municipal electric, water, sewer, solid waste and storm water utility systems which are governed by the City Council.

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

A. REPORTING ENTITY

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

Jointly Governed Organizations

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

B. Basic Financial Statements – Government-Wide Statements

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

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Unrestricted Net Position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often have constraints on resources imposed by management which can be removed or modified.

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

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

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

C. Fund Accounting

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

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

The City reports the following major governmental funds:

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

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2) Debt Service Fund – Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt, principal, interest, and related costs.

3) Capital Projects Fund – The Capital Projects Fund is used to account for the purchase of City infrastructure projects.

4) Special Revenue – Road Use Tax Fund – The Special Revenue Road Use Tax Fund is used to account for and report the proceeds from the State of Iowa that are legally restricted or committed to road related expenditures.

5) Special Revenue - Local Option Sales Tax Fund – The Special Revenue Local Option Sales Tax Fund is used to account for the revenues for the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

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

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

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

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

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

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

D. Measurement Focus and Basis of Accounting

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

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

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

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

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

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

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the business-type activities.

F. Cash and Cash Equivalents and Investments

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

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

G. Receivables

Property Taxes- Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

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

Property tax revenue recognized in these funds: become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2014 assessed property valuations; is for the tax accrual period July 1, 2015 through June 30, 2016 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2015. Any county collections on the 2015-2016 tax levy remitted to the City within 60 days subsequent to June 30, 2016, are recorded as property tax revenue.

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

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, 2016, balances of interfund amounts

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

I. Inventories

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

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016 are recorded as prepaid items.

K. Property and Equipment

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

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

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

L. Compensated Absences

The City accrues accumulated unpaid vacation costs and related employee benefits when earned (or estimated to be earned) by the employee. The amount estimated to be used in subsequent fiscal years for governmental funds is reported only as a general liability in the government-wide statement of net position and represents a reconciling item between the fund and government-wide presentations. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2016. 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 net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*,

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

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

N. Pensions

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

O. Long-Term Obligations

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

P. Fund Equity

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

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

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

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

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

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Q. Inter-fund Transactions

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

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

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2016, 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.

At June 30, 2016 the City had the following investments:

	Fair Value
Money Market Account	$ 68,190
Certificates of deposits	39,738
Repurchase agreements	1,375,000
	$ 1,482,928

The primary government's investments are categorized to give an indication of the level of risk assumed by the City at year-end. At June 30, 2016, the City's investments are in a category characterized as investments that are insured or registered, or for which the securities are held by the City or it's agent in the City's name.

The City's $1,375,000 investment in repurchase agreements is held in the name of the City and underlying securities (totaling $1,375,000), 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.

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

The City's investments consist of a money market account, certificates of deposit and repurchase agreements with the latest maturity extending to October 2018.

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, 2016, the City has limited custodial credit risk exposure because all investments of the City must be held for the credit of the City in compliance with Iowa Code Chapter 12B. The counterparty must keep the securities in an account separate and apart from its own.

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

At June 30, 2016, amounts due from other governments were as follows:

Due from Sergeant Bluff-Luton CSD for payment on account	$ 1,008
Due from the State of Iowa for local option sales taxes	98,774
Due from State of Iowa-RISE Grant	47,107
Due from Woodbury County Engineer	770,668
Due from the Iowa Department of Transportation for road use tax allocations	39,339
Due from Iowa Department of Transportation -Grant Funds	74,121
Due from Woodbury County for Court Costs	1,747
Due from State of Iowa for Hotel and Motel tax	6,213
Due from State of Iowa for fuel refunds	651
Due from the Internal Revenue Service for fuel refunds	8,445
Due from other cities for payment on account	1,924
Due from County Township for payment on account	600
Total Due from Other Governments	$ 1,050,597

As of June 30, 2016, short-term inter-fund borrowings were as follows:

Fund Due To	Fund Due From	Amount
General	Water	$ 26,099
General	Sewer	405,592
General	Non-major TIF	11,936
General	Storm Water	205,928
Local Option Sales Tax	Electric	540,594
Local Option Sales Tax	Water	58,068
Local Option Sales Tax	Sewer	36,572
Road Use Tax	Water	258,267

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

As of June 30, 2016, long-term advances were as follows:

Fund Due To	Fund Due From	Amount
Proprietary – Electric	Proprietary – Sewer	$ 599,999

Note 4 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 650,813	$ 77,500	$ -	$ 728,313
Construction in Progress	683,178	2,624,852	389,352	2,918,678
Total capital assets not being depreciated	1,333,991	2,702,352	389,352	3,646,991
Capital assets being depreciated:				
Buildings and Improvements	3,111,346	135,644	-	3,246,990
Equipment	3,902,516	209,592	88,700	4,023,408
Land Improvements	2,716,747	77,942	-	2,794,689
Infrastructure	14,936,019	384,200	-	15,320,219
Total capital assets being depreciated	24,666,628	807,378	88,700	25,385,306
Less: Accumulated Depreciation for:				
Buildings and Improvements	806,198	94,293	-	900,491
Equipment	2,609,236	217,819	88,700	2,738,355
Land Improvements	612,923	74,796	-	687,719
Infrastructure	9,020,131	400,740	-	9,420,871
Total Accumulated Depreciation	13,048,488	787,648	88,700	13,747,436
Total capital assets being depreciated, net	11,618,140	19,730	-	11,637,870
Governmental activities capital assets, net	12,952,131	2,722,082	389,352	15,284,861

Construction in progress at June 30, 2016, for governmental activities, consisted of costs associated with the following projects: Dogwood Trail, the Railroad Quiet Zone, the Senior Center, the Fire Tower, 8th Street Paving, the Connector Trail, Baker Drive Paving and 1St Street Beautification.

Note 4 - CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 469,777	$ -	$ -	$ 469,777
Construction in Progress	720,593	519,460	281,430	958,623
Total capital assets not being depreciated	1,190,370	519,460	281,430	1,428,400
Capital assets being depreciated:				
Buildings and Improvements	1,239,221	-	-	1,239,221
Equipment	1,368,169	132,588	-	1,500,757
Distribution System	19,245,374	302,417	-	19,547,791
Total capital assets being depreciated	21,852,764	435,005	-	22,287,769
Less: Accumulated Depreciation				
Buildings and Improvements	359,256	31,860	-	391,116
Equipment	827,424	83,472	-	910,896
Distribution System	3,613,791	466,887	-	4,080,678
Total Accumulated Depreciation	4,800,471	582,219	-	5,382,690
Total capital assets being depreciated, net	17,052,293	(147,214)	-	16,905,079
Business-type activities capital assets, net	$ 18,242,663	$ 372,246	$ 281,430	$ 18,333,479

Construction in progress at June 30, 2016, for the business-type activities, consisted of costs associated with the Baker Prairie Bluff Lift Station.

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

Governmental Activities:	
Public Safety	$ 157,922
Public Works	503,554
Culture and Recreation	78,178
General Government	42,546
Community and Economic Development	5,448
Total depreciation expense – governmental activities	$ 787,648
Business-Type Activities:	
Water	$ 216,995
Sewer	216,881
Electric	82,706
Storm Water	65,637
Total depreciation expense – business-type activities	$ 582,219

Note 4 - CAPITAL ASSETS (CONTINUED)

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-type Activities
Land	$ 728,313	$ 469,777
Construction in Progress	2,918,678	958,623
Capital Assets (net of accumulated depreciation)	11,637,870	16,905,079
Less: General Obligation Bonds Payable	(4,430,000)	(2,385,000)
Revenue Bonds	-	(3,119,000)
Note Payable	(219,017)	-
Capital Leases	(102,425)	-
Unamortized Bond Premium	(226,144)	-
Plus: Capital Lease Assets Below Capitalization Policy	5,295	-
Net Investment in Capital Assets	$ 10,312,570	$ 12,829,479

Note 5 - LONG-TERM LIABILITIES

The City's computed legal debt limit, as of June 30, 2016, is $11,656,090 of which $6,815,000 is committed for outstanding general obligation debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2016:

	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, 2015	$ 4,765,000	$ 2,650,000	$ 7,415,000
Less: Payments	335,000	265,000	600,000
Bonds Payable June 30, 2016	$ 4,430,000	$ 2,385,000	$ 6,815,000
Due within one year	$ 310,000	$ 245,000	$ 555,000

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)

Arbitrage

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

General obligation bonds outstanding as of June 30, 2016 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2016	Due Within One Year
General Obligation:							
Sewer Improvement	2011	2.0-3.5%	2029	$100,000-$150,000	2,040,000	1,630,000	110,000
Sewer Improvement	2012	3.0%	2032	$5,000-$175,000	650,000	625,000	5,000
Corporate Purpose	2015	2.0-4.0%	2029	$325,000-$425,000	5,075,000	4,430,000	310,000
Refunding Bonds-Sewer	2015	2.0-4.0%	2017	$125,000-130,000	255,000	130,000	130,000
Total General Obligation					$ 7,220,000	$ 6,815,000	$ 555,000

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

Year Ending June 30	Business Type			Governmental			Totals		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2017	245,000	66,673	311,673	310,000	123,350	433,350	555,000	190,023	745,023
2018	120,000	61,722	181,722	325,000	117,150	442,150	445,000	178,872	623,872
2019	120,000	59,223	179,223	325,000	110,650	435,650	445,000	169,873	614,873
2020	120,000	56,722	176,722	345,000	104,150	449,150	465,000	160,872	625,872
2021	125,000	54,043	179,043	315,000	97,250	412,250	440,000	151,293	591,293
2022-2026	680,000	218,670	898,670	1,745,000	330,150	2,075,150	2,425,000	548,820	2,973,820
2027-2031	650,000	98,900	748,900	1,065,000	62,700	1,127,700	1,715,000	161,600	1,876,600
2032	325,000	10,500	335,500	-	-	-	325,000	10,500	335,500
Total	$2,385,000	$ 626,453	$ 3,011,453	$4,430,000	$ 945,400	$5,375,400	$6,815,000	$1,571,853	$8,386,853

Revenue Bonds

Details of Revenue Bonds outstanding at June 30, 2016 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Originally Issued	Outstanding June 30, 2016	Due Within One Year
SRF Water Revenue Bond 2010A	01/2010	3.0%	06/2031	Unknown	$3,867,000	$ 3,119,000	$ 165,000

Note 5 - LONG-TERM LIABILITIES (CONTINUED)

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Principal	Interest
2017	165,000	93,570
2018	170,000	88,620
2019	175,000	83,520
2020	181,000	78,270
2021	187,000	72,840
2022-2026	1,031,000	276,330
2027-2031	1,210,000	111,210
Total	$ 3,119,000	$ 804,360

Note Payable – B Street Ball Field Property

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

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

Year Ending June 30,	Principal	Interest
2017	20,000	600
Total	$ 20,000	$ 600

Note Payable – 2184 Port Neal Property

On August 20, 2015 the City entered into a note payable agreement with Kingsley State Bank for property located at 2184 Port Neal Road. The $201,000 loan includes 36 monthly payments of $850 which started October 10, 2015 at 3.5% interest with a single balloon payment due September 10, 2018. The property is being rented out as residential property. The balance on the note is $199,017 with $3,287 of principal and $6,914 of interest due in 1 year.

Capital Leases

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. The final lease payment on this lease was made during the year ended June 30, 2016.

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

Note 5 - LONG-TERM LIABILITIES (CONTINUED)

On March 29, 2013, the City entered into a five-year lease agreement as lessee for financing the acquisition of a 2013 Elgin street sweeper for the public works departments. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments as of the inception date. The cost of the street sweeper was $145,000 with accumulated depreciation of $30,298 as of June 30, 2016. This asset will continue to be depreciated over its useful life of fifteen years.

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

On November 12, 2014, the City entered into a four-year lease agreement as lessee for financing the acquisition of a 2015 Peterbilt snow plow for the public works department. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its minimum lease payments as of the inception date. The cost of the street sweeper was $76,810 with accumulated depreciation of $19,811 as of June 30, 2016. This asset will continue to be depreciated over its useful life of ten years.

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

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of minimum payments as of June 30, 2016.

Year Ending June 30,	Principal	Interest	Total
2017	50,432	3,170	53,602
2018	51,993	1,609	53,602
Minimum Lease Payments			107,204
Less: Amount Representing Interest			(4,779)
Present Value of Minimum Lease Payment			$ 102,425

Note 5 - LONG-TERM LIABILITIES (CONTINUED)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Bonds Payable					
General Obligation	$ 4,765,000	$ -	$ 335,000	$ 4,430,000	$ 310,000
Unamortized Bond Premium	261,702	-	35,558	226,144	32,397
Note Payable	40,000	201,000	21,983	219,017	20,000
Capital Leases	154,505	-	52,080	102,425	50,432
Compensated Absences	58,421	61,291	58,421	61,291	61,291
Net Pension Liability	195,108	136,206	-	331,314	-
Net OPEB Liability	48,853	8,149	-	57,002	-
Governmental Activity Long-Term Liabilities	5,523,589	406,646	503,042	5,427,193	474,120
Business-Type Activities					
Bonds Payable:					
General Obligation	2,650,000	-	265,000	2,385,000	245,000
Revenue Bonds	3,278,000	-	159,000	3,119,000	165,000
Compensated Absences	28,275	33,422	28,275	33,422	33,422
Net Pension Liability	308,534	73,755	-	382,289	-
Net OPEB Liability	17,918	3,305	-	21,223	-
Business-Type Activity Long-Term Liabilities	$ 6,282,727	$ 110,482	$ 452,275	$ 5,940,934	$ 443,422

Note 6 - TRANSFERS

The following is a summary of transfers between funds:

	General	Debt Service	Capital Projects	Water	Sewer	Total Transfers Out
General	$ -	$ -	$ 30,000	$ -	$ -	$ 30,000
Capital	-	-	227,531	83,025	276,852	587,408
Road Use	-	-	128,732	-	-	128,732
LOST	530,000	-	139,092	-	-	669,092
Water	44,825	-	-	-	-	44,825
Sewer	48,920	-	-	-	-	48,920
Electric	284,000	-	-	-	-	284,000
Storm Water	4,158	-	-	-	-	4,158
Nonmajor Governmental	305,000	61,431	-	-	-	366,431
Total Transfers In	$1,216,903	$61,431	$ 525,355	$ 83,025	$ 276,852	$2,163,566

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.

Note 7 - RETIREMENT

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

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

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

- A multiplier (based on years of service).

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

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

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.

- The member's highest three-year average salary.

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

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

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

Note 7 - RETIREMENT (CONTINUED)

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

In fiscal year 2016, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%. Protection occupation members contributed 6.56% of pay and the City contributed 9.84% for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2016 were $144,669.

Collective Net Pension Liabilities, Collective Pension Expense, and Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City's liability for its proportionate share of the collective net pension liability totaled $713,603. The collective net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2015, the City's proportion was 0.014444 percent, which was an increase of 0.001745 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016 the City had collective pension expense of $87,289. At June 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,574	$ 10,079
Changes of Assumptions	21,092	154
Net difference between projected and actual earnings on pension plan investments	-	87,180
Changes in proportion and differences between City contributions and proportionate share of contributions	32,374	765
City contributions subsequent to the measurement date	144,669	-
Total	$ 209,709	$98,178

$144,669 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Total
2017	$ (27,075)
2018	(27,075)
2019	(27,075)
2020	47,096
2021	981
	$(33,148)

Note 7 - RETIREMENT (CONTINUED)

There were no non-employer contributing entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent average including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent compounded annually, net of investment expense including inflation
Wage Growth (effective June 30, 1990)	4.00 percent per annum, based on 3.00% inflation and 1.00% real wage inflation

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit Opportunities	5	3.63
U.S. TIPS	5	1.91
Other Real Assets	2	6.24
Cash	1	(.71)
Total	100%	

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability would

Note 7 - RETIREMENT (CONTINUED)

be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease 6.50%	Discount Rate 7.5%	1% Increase 8.50%
Regular Membership Group	$ 1,341,248	$ 766,068	$ 280,576
Protection Occupation	151,791	(52,465)	(224,561)
Total	$ 1,493,039	$ 713,603	$ 56,015

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

Payables to the Pension Plan – At June 30, 2016, the City reported no payables to the defined benefit pension plan for legally required employer contributions and employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

Note 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

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

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

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2016, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	$ 38,626
Interest on net OPEB obligation	3,005
Adjustment to annual required contribution	(4,099)
Annual OPEB cost	37,532
Contributions made	(26,078)
Increase in net OPEB obligation	11,454
Net OPEB obligation beginning of year	66,771
Net OPEB obligation end of year	$ 78,225

Note 8 - OTHER POSTEMPLOYMENT BENEFITS (OPEB-CONTINUED)

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, 2016.

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

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$ 3,453	0%	$ 3,453
June 30, 2011	$ 3,453	0%	$ 6,906
June 30, 2012	$ 3,453	0%	$ 10,359
June 30, 2013	$ 32,927	42.9%	$ 29,163
June 30, 2014	$ 32,927	42.9%	$ 47,967
June 30, 2015	$ 32,927	42.9%	$ 66,771
June 30, 2016	$ 37,532	69.5%	$ 78,225

Funded Status and Funding Progress - As of July 1, 2016, the most recent actuarial valuation date for the period July 1, 2015 through June 30, 2016, the actuarial accrued liability was $268,857, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $268,857.

The covered payroll (annual payroll of active employees covered by the plan) was approximately $1,438,786 and the ratio of the UAAL to covered payroll was 18.7%. As of June 30, 2016, there were no trust fund assets.

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

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of July 1, 2016 actuarial valuation date, the alternative measurement method was used. The projected annual medical trend rate is 5.0%. The ultimate medical trend rate is 5.0%.

Mortality rates are from the 2011 United States Life Tables. At that time continued participation was assumed to be 50.0%. Projected claim costs of the medical plan are $17,504 annually for retirees and $20,210 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, 2016. The City intends to finance this deficit from future TIF property tax revenues.

The individual fund deficit was as follows:

Tax Increment Financing	$ 11,936

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

Contracts

The City has entered into various contracts totaling $2,578,544 for the following projects: Sergeant Square Extension, Dogwood Trail, Baker Prairie Bluff, Maupin Pines Senior Housing, 8th Street Paving, Kingston Meadows, Jefferson Park Improvements, and the Comprehensive Design Plan. As of June 30, 2016, $2,299,302 had been incurred against these contracts. The balance of the contracts totals $279,242, which is comprised of $102,411 in retainage included in accounts payable and $176,701 in commitments outstanding. The balances will be paid as work on the projects progress.

Dogwood Trail

On May 12, 2015 the City entered into an agreement with Woodbury County. The agreement involved construction of Dogwood Trail which was designated as the new Farm to Market connection through Sergeant Bluff and replaces the former route along Port Neal Road. The City also added the project property to the legal description of the property that is included within the City's Sergeant Bluff Consolidated Urban Renewal Area. The County reimbursed the City 100% for the costs associated with the west end of Dogwood Trail. The County agreed to make a financial contribution to construction of the section of the road from South Lewis Boulevard and 220th Street, west to Port Neal Road based on a cost share percentage. The County issued a tax increment revenue bond that will be payable from the incremental property tax revenues generated in the tax increment area known as Liberty Park Urban Renewal Area and also payable from the incremental property tax revenues generated from the project. The City and County agree that the incremental property tax revenues that are generated from the project property should be shared equally between the County and the City. The County and the City also agree that 100% of the incremental property tax revenues from the project property should be made solely to the County until the County has been fully reimbursed for that portion of the TIF Bond that is attributable to capitalized interest that will be paid on the tax increment financing (TIF) bond. In the event that the County has not been fully reimbursed by the City for the total amount of principal paid by the County on the Dogwood Trail portion of the TIF bond at the end of the 20-year life of the County/City Consolidated Urban Renewal Area, the County agrees to forgive the City for the remaining principal balance.

The original agreement was revised December 20, 2016 which included wording that the City agrees to pay the County the total amount of annual interest due on the Dogwood Trail portion of the TIF Bond no

Note 11 – COMMITMENTS (CONTINUED)

later than 10 days prior to each scheduled payment date according to the Dogwood Trail portion of the TIF Bond principal and interest payment schedule. The amendment also included that the City will not provide tax abatements during the life of the agreement and will certify to the Woodbury County Auditor debt only in the amount of the City's share of the incremental property tax revenues that are projected to become available from the Project Property in a given year to provide property tax rebates for their share of new incremental value under the agreed upon schedules.

NOTE 12 - SPLIT FUNDING HEALTH INSURANCE PLAN

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

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

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

	Current Year	Prior Year
Claims Payable, beginning of fiscal year	$ 2,266	$ 3,401
Claims Incurred	34,580	31,943
Claims Paid	(32,909)	(33,078)
Claims Payable, end of fiscal year	$ 3,937	$ 2,266

Note 13 - OPERATING LEASES

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

Note 14 - SUBSEQUENT EVENTS

On August 9, 2016 Council approved voluntary annexation proposals for the Dutch View Addition, which lies within an urbanized area of Sioux City, Iowa. The Council is of the opinion that it is in the best interest of the public and would secure territory which may be used for development of a recreational trail.

On July 1, 2016 the City of Sergeant Bluff issued General Obligation Corporate Purpose Bonds, Series 2016 in the amount of $1,500,000 with interest ranging between 1.1% and 2.35%. The bond proceeds will fund the acquisition and construction of major capital facilities and projects. The bonds have a true interest rate of 2.199106% with principal payments due 2016 through 2032.

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Required Supplementary Information

City of Sergeant Bluff, Iowa
Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances- Budget and Actual (Cash Basis) -
Governmental Funds and Proprietary Funds
Required Supplementary Information
Year ended June 30, 2016

	Actual Amounts		
	Governmental Funds	Proprietary Funds	Total Actual
Revenue:			
Property taxes	$ 1,821,451	$ -	$ 1,821,451
Tax increment financing	63,654	-	63,654
Other city tax	742,471	-	742,471
Special assessments	1,241	-	1,241
Licenses and permits	65,760	-	65,760
Intergovernmental revenue	1,499,874	-	1,499,874
Charges for services	458,132	4,889,269	5,347,401
Use of money and property	17,301	14,204	31,505
Miscellaneous	257,178	83,631	340,809
Total Revenue	4,927,062	4,987,104	9,914,166
Expenditures:			
Public safety	1,400,073	-	1,400,073
Public works	476,267	-	476,267
Health and Social Services	9,600	-	9,600
Culture and recreation	624,601	-	624,601
Community and economic development	292,473	-	292,473
General government	748,414	-	748,414
Capital projects	2,736,461	-	2,736,461
Debt service	460,510	-	460,510
Business type activities	-	5,849,448	5,849,448
Total Expenditures	6,748,399	5,849,448	12,597,847
(Deficiency) of revenues over expenditures	(1,821,337)	(862,344)	(2,683,681)
Other financing sources (uses):			
Proceeds from sale of fixed asset	4,840	-	4,840
Proceeds from Note Payable	-	-	-
Payment on Notes Payable	-	-	-
Proceeds from Capital Lease	-	-	-
Proceeds from issuance of debt	-	-	-
Premium on Bonds Issued	-	-	-
Proceeds from Refunding Bonds	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-
Interfund Transfers In	1,803,689	359,877	2,163,566
Interfund Transfers Out	(1,781,663)	(381,903)	(2,163,566)
Total other financing sources (uses)	26,866	(22,026)	4,840
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,794,471)	(884,370)	(2,678,841)
Fund balances-beginning of year	4,907,507	999,920	5,907,427
Prior Period Adjustment	10,192	-	10,192
Fund balances- end of year	$ 3,123,228	$ 115,550	$ 3,238,778

Budgeted Amounts		Variance With Final Budget Positive (Negative)
Original	Final	
$ 1,820,273	$ 1,820,273	$ 1,178
60,553	60,553	3,101
619,966	749,742	(7,271)
-	-	1,241
57,100	58,075	7,685
690,645	2,514,851	(1,014,977)
5,578,600	5,637,188	(289,787)
15,000	15,000	16,505
154,150	242,206	98,603
8,996,287	11,097,888	(1,183,722)
1,324,477	1,422,542	22,469
485,955	511,036	34,769
9,700	9,700	100
705,700	767,492	142,891
276,300	303,778	11,305
736,139	774,685	26,271
2,554,191	4,235,444	1,498,983
804,763	463,760	3,250
4,664,184	5,597,437	(252,011)
11,561,409	14,085,874	1,488,027
(2,565,122)	(2,987,986)	304,305
-	-	4,840
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
2,568,004	1,870,356	293,210
(2,568,004)	(1,870,356)	(293,210)
-	-	4,840
$ (2,565,122)	$ (2,987,986)	$ 309,145

City of Sergeant Bluff, Iowa
Budget to GAAP Reconcilation
Required Supplementary Information
Year ended June 30, 2016

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	$ 4,927,062	$ 468,119	$ 5,395,181
Expenditures/expenses	6,748,399	(71,533)	6,676,866
Net	(1,821,337)	539,652	(1,281,685)
Other financing sources, net	26,866	(4,840)	22,026
	(1,794,471)	534,812	(1,259,659)
Beginning fund balances/net position	4,907,507	165,012	5,072,519
Prior Period Adjustment	10,192	-	10,192
Beginning fund balance/net position - restated	4,917,699	165,012	5,082,711
Ending fund balances/net position	$ 3,123,228	$ 699,824	$ 3,823,052

Proprietary Funds		
Enterprise		
Cash Basis	Accrual Adjustments	Accrual Basis
$ 4,987,104	$ 204,212	5,191,316
5,849,448	(365,002)	5,484,446
(862,344)	569,214	(293,130)
(22,026)	-	(22,026)
(884,370)	569,214	(315,156)
999,920	12,437,536	13,437,456
-	-	-
999,920	12,437,536	13,437,456
$ 115,550	$ 13,006,750	$ 13,122,300

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

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

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

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

During the fiscal year ended June 30, 2016, disbursements exceeded the amounts budgeted in the Business-Type areas. The Business-Type areas are being reviewed so as to bring charges for such services more in line with current rates which will alleviate disbursements exceeding budgeted amounts.

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

	2016	2015
City's proportion of the net pension liability (asset)	.0144440%	.0126993%
City's proportionate share of the net pension liability	$714	$ 504
City's covered –employee payroll	$1,574	$1,447
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	45.4%	34.8%
Plan fiduciary net position as a percentage of the total pension liability	85.19%	87.61%

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

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

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

	2016	2015	2014	2013
Statutorily required contributions	$ 145	$ 135	$ 135	$ 122
Contributions in relation to the statutorily required contributions	(145)	(135)	(135)	(122)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered-employee payroll	$ 1,574	$ 1,456	$ 1,447	$ 1,336
Contributions as a percentage of covered -employee payroll	9.210%	9.275%	9.331%	9.131%

[1]Due to a software change, the information is not available for fiscal years 2007-2011.

	2012	2011	2010	2009	2008	2007
$	105	n/a	n/a	n/a	n/a	n/a
	(105)	n/a	n/a	n/a	n/a	n/a
$	-	n/a	n/a	n/a	n/a	n/a
$	1,220	n/a	n/a	n/a	n/a	n/a
	8.610%	n/a	n/a	n/a	n/a	n/a

Changes of benefit terms:

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

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

Changes of assumptions:

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

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

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

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

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

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

Year Ended June 30,	Actuarial Valuation Date		Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	July 1, 2009	*	$ -	$ 16,092	$ 16,092	0.00%	$ 1,180,879	1.4%
2011	July 1, 2009		$ -	$ 16,092	$ 16,092	0.00%	$ 1,180,879	1.4%
2012	July 1, 2009		$ -	$ 16,092	$ 16,092	0.00%	$ 1,180,879	1.4%
2013	July 1, 2012		$ -	$ 195,975	$ 195,975	0.00%	$ 1,160,283	16.9%
2014	July 1, 2012		$ -	$ 195,975	$ 195,975	0.00%	$ 1,160,283	16.9%
2015	July 1, 2012		$ -	$ 195,975	$ 195,975	0.00%	$ 1,160,283	16.9%
2016	July 1, 2016		$ -	$ 268,857	$ 268,857	0.00%	$ 1,438,786	18.7%

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

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

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Other Supplementary Information

City of Sergeant Bluff, Iowa
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue				
	Employee Benefits	Tax Increment Financing	Volunteer Fire Dept	Senior Center	Total Nonmajor Governmental Funds
Assets					
Cash and Pooled Investments	$ 13,845	$ -	$ 193,992	$ 10,192	$ 218,029
Receivables (Net, where applicable, of allowance for uncollectibles)					
Taxes	1,021	-	-	-	1,021
Subsequent Year Taxes	264,027	58,081	-	-	322,108
Total Assets	278,893	58,081	193,992	10,192	541,158
Liabilities					
Due to Other Funds	-	11,936	-	-	11,936
Total Liabilities	-	11,936	-	-	11,936
Deferred Inflows of Resources					
Unavailable Revenue - Subsequent Year Property Taxes	264,027	58,081	-	-	322,108
Total Deferred Inflows of Resources	264,027	58,081	-	-	322,108
Fund Balances (Deficits)					
Restricted for:					
Specific Tax Levy Purposes	14,866	-	-	-	14,866
Fire Department Purposes	-	-	193,992	-	193,992
Senior Center Purposes				10,192	10,192
Unassigned	-	(11,936)	-		(11,936)
Total Fund Balances (Deficits)	14,866	(11,936)	193,992	10,192	207,114
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 278,893	$ 58,081	$ 193,992	$ 10,192	$ 541,158

City of Sergeant Bluff, Iowa
Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue				
	Employee Benefits	Tax Increment Financing	Volunteer Fire Dept	Senior Center	Total Nonmajor Governmental Funds
Revenue:					
Taxes	$ 303,595	$ -	$ -	$ -	$ 303,595
Tax increment financing		63,654	-	-	63,654
Other city tax	2,543	-	-	-	2,543
Intergovernmental revenue	8,782	-	-	-	8,782
Charges for services	-	-	145,889	-	145,889
Contributions	-	-	25,557	-	25,557
Interest	-	-	201	-	201
Total Revenue	314,920	63,654	171,647	-	550,221
Expenditures:					
Public Safety	-	-	94,733	-	94,733
Total Expenditures	-	-	94,733	-	94,733
Excess of revenues over expenditures	314,920	63,654	76,914	-	455,488
Other financing sources (uses):					
Transfers out	(305,000)	(61,431)	-	-	(366,431)
Total other financing sources (uses)	(305,000)	(61,431)	-	-	(366,431)
Net Change in Fund Balance	9,920	2,223	76,914	-	89,057
Fund balances (Deficits) - beginning of year	4,946	(14,159)	117,078	-	107,865
Prior period adjustment	-	-	-	10,192	10,192
Fund balances (Deficits) - beginning of year, as restated	4,946	(14,159)	117,078	10,192	118,057
Fund balances (deficits) - end of year	$ 14,866	$ (11,936)	$ 193,992	$ 10,192	$ 207,114

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City of Sergeant Bluff, Iowa
Statement of Changes in Assets and Liabilities
Agency Fund- Employee Medical Flexible Spending Account
For the Year Ended June 30, 2016

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Assets				
Cash and Cash Equivalents	$ 10,849	$ 3,925	$ 6,034	$ 8,740
Total Assets	10,849	3,925	6,034	8,740
Liabilities				
Accounts Payable	10,849	3,925	6,034	8,740
Total Liabilities	$ 10,849	$ 3,925	$ 6,034	$ 8,740

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

	2016	2015	2014	2013
Revenues:				
Property tax	$ 1,819,841	$ 1,775,819	$ 1,811,902	$ 1,728,096
Tax increment financing revenue	63,654	105,419	107,169	114,630
Other city tax	768,488	661,992	557,122	531,753
Licenses and permits	54,865	57,781	46,856	52,041
Intergovernmental	2,041,718	787,487	709,102	1,021,820
Charges for service	358,395	300,543	348,678	272,745
Proceeds from sale of assets	4,840	22,083	45,047	2,250
Use of money and property	94,844	94,747	83,347	85,394
Special assessments	1,241	1,361	8,551	1,511
Miscellaneous	187,295	823,615	209,119	136,440
Total	$ 5,395,181	$ 4,630,847	$ 3,926,893	$ 3,946,680
Expenditures:				
Operating:				
Public safety	$ 1,384,898	$ 1,119,232	$ 1,349,764	$ 1,099,945
Public works	464,169	631,233	480,703	571,815
Health and social services	9,600	9,600	9,600	9,635
Culture and recreation	628,822	655,013	684,291	629,766
Community and economic development	295,101	213,671	62,036	44,910
General government	696,781	735,550	634,712	608,413
Capital projects	2,736,984	1,542,989	305,655	620,609
Debt service	460,511	591,569	454,317	452,732
Total	$ 6,676,866	$ 5,498,857	$ 3,981,078	$ 4,037,825

See Accompanying Independent Auditor's Report

Modified Accrual Basis					
2012	2011	2010	2009	2008	2007
$ 1,661,947	$ 1,619,049	$ 1,624,757	$ 1,561,438	$ 1,429,954	$ 1,161,191
122,220	114,309	87,956	22,371	-	139,332
498,718	389,905	390,381	368,402	380,639	380,152
26,813	22,477	19,186	18,185	30,285	36,208
472,882	660,307	1,706,953	740,150	363,853	295,843
232,440	210,568	205,860	195,840	220,694	197,471
-	-	2,165	29,065	-	-
107,103	117,393	113,200	80,622	76,477	54,395
1,600	6,519	3,970	-	65,801	25,334
197,574	130,540	158,523	144,973	134,355	123,657
$ 3,321,297	$ 3,271,067	$ 4,312,951	$ 3,161,046	$ 2,702,058	$ 2,413,583
$ 1,012,941	$ 1,103,491	$ 1,386,082	$ 1,101,673	$ 918,523	$ 920,527
424,370	358,414	428,516	452,415	314,352	297,768
8,884	10,200	2,400	-	-	-
578,167	554,559	463,002	356,831	325,725	268,710
59,322	65,496	55,457	35,330	33,609	124,156
540,359	552,778	481,894	311,718	453,175	339,113
142,998	894,030	1,830,471	1,362,548	598,026	503,037
446,028	863,623	1,436,444	639,818	645,238	559,782
$ 3,213,069	$ 4,402,591	$ 6,084,266	$ 4,260,333	$ 3,288,648	$ 3,013,093

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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

DRAFT

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, 2016, 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 .

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2016, 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 responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Sergeant Bluff, Iowa's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

DRAFT

Certified Public Accountants

Sioux City, Iowa
, 2017

CITY OF SERGEANT BLUFF, IOWA

SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2015

Status of Prior Audit Findings

II-A-15 Financial Reporting

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

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

Current Status - The City has improved controls over financial reporting.

III-A-15 Certified Budget - Disbursements during the year ended June 30, 2015, exceeded the amounts budgeted in the Community and Economic Development, Debt Service, and Business-Type Activity functions.

Recommendation - The budget should have been amended before disbursements were allowed to exceed the budget.

Current Status - The City has improved control over budgeting and disbursements, however, expenses exceeded budgeted amounts in the business-type activity functions for the year ended June 30, 2016.

DRAFT

CITY OF SERGEANT BLUFF, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2016

Part I: Summary of the Independent Auditors' Results

A. Unmodified opinions were issued on the financial statements.

B. No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.

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:

No matters were reported.

Instances of Non-Compliance:

No matters were reported.

DRAFT

CITY OF SERGEANT BLUFF, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2016

Part III: Other Findings Related to Required Statutory Reporting

III-A-16 Certified Budget - Disbursements during the year ended June 30, 2016, exceeded the amounts budgeted in the Business-Type Activity functions.

Recommendation - The budget should have been amended before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-16 Questionable Expenditures - We noted no disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-16 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-16 Business Transactions - No significant transactions between the City and City officials or employees were noted.

III-E-16 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-16 City Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-16 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

III-H-16 Annual Financial Report - The annual financial report was filed by December 1.

III-I-16 Revenue Bonds - No instances of non-compliance with revenue bond provisions were noted.

III-J-16 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-16 Annual Urban Renewal Report - The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

III-L-16 Financial Condition – At June 30, 2016, the City had a deficit balance of $11,936 in the Tax Increment Financing Special Revenue Fund.

Recommendation – The City should investigate alternatives to eliminate the deficit to return the fund to a sound financial position.

Response – The City intends to use future TIF property tax revenue to eliminate the deficit.

Conclusion – Response accepted.

DRAFT