

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____ December 3, 2015

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Auditor of State Mary Mosiman today released an audit report on the City of Adel, Iowa.

The City's receipts totaled \$6,088,035 for the year ended June 30, 2015, a 13.8% increase over the prior year. The receipts included \$1,709,516 in property tax, \$535,382 from tax increment financing, \$2,225,807 from charges for service, \$736,446 from operating grants, contributions and restricted interest, \$441,965 from local option sales tax, \$3,749 from unrestricted interest on investments, \$435,160 from note proceeds and \$10 from other general receipts.

Disbursements for the year ended June 30, 2015 totaled \$6,491,437, a 14.2% decrease from the prior year, and included \$1,406,425 for capital projects, \$953,251 for public safety and \$914,828 for debt service. Also, disbursements for business type activities totaled \$1,714,176.

The increase in receipts is primarily due to the City issuing more debt in fiscal year 2015 than in fiscal year 2014.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1520-0228-B00F.pdf>.

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CITY OF ADEL

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2015

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City of Adel

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James F. Peters	Mayor	Jan 2016
Jon McAvoy	Mayor Pro tem	Jan 2018
Michael Haynes	Council Member	Jan 2016
Shirley McAdon	Council Member	Jan 2016
Bryan Welch	Council Member	Jan 2016
Rebecca Hillmer	Council Member	Jan 2018
Anthony Brown	Administrator	Indefinite
Jackie Steele	City Clerk	Indefinite
Kathy Barger	Treasurer	Indefinite
John Reich	Attorney	Indefinite

City of Adel



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel, Iowa, as of and for the year ended June 30, 2015, and the related Notes to 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 the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As described in Note 4 to the financial statements, the City of Adel adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Adel'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 four years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the five years ended June 30, 2010 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

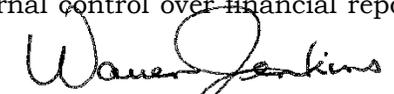
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 12 and 36 through 43, 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 November 16, 2015 on our consideration of the City of Adel's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 Adel's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 16, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 16.8%, or approximately \$652,000, from fiscal year 2014 to fiscal year 2015. In fiscal year 2014, a good faith deposit of \$4,400 for the sale of capital loan notes was received. The remaining \$435,600 of capital loan note proceeds was received on July 1, 2015.
- Disbursements of the City's governmental activities decreased 9.3%, or approximately \$492,000, in fiscal year 2015 from fiscal year 2014. Capital projects function disbursements increased approximately \$665,000 due to the Main Street Façade project. Debt service function disbursements decreased approximately \$1,164,000 due to refunding capital loan notes in fiscal year 2014.
- The City's total cash basis net position decreased approximately \$403,000 from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$68,000 and the cash basis net position of the business type activities decreased approximately \$471,000. The decrease for the business type activities is due to increased costs associated with replacing a culvert which had collapsed and a loan of approximately \$293,000 from the Enterprise, Sewer Fund to the General Fund for urban renewal projects.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

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

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

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds, the individual Internal Service Funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, garbage/recycling and storm water utilities. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and its Internal Service Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Water, Sewer, Garbage/Recycling and Storm Water Funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

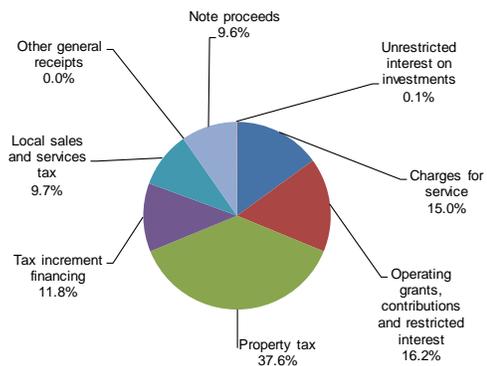
Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

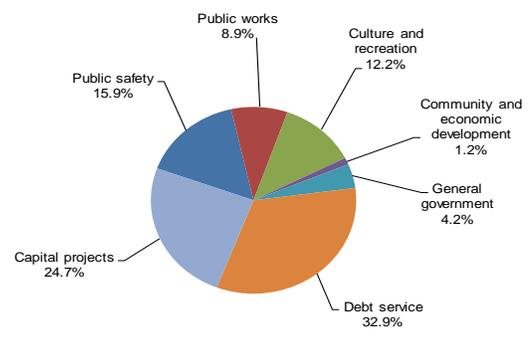
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from a balance of approximately \$379,000 to approximately \$447,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 682	537
Operating grants, contributions and restricted interest	736	741
General receipts:		
Property tax	1,710	1,688
Tax increment financing	535	488
Local sales and services tax	442	422
Unrestricted interest on investments	4	4
Note proceeds/good faith deposit	435	4
Other general receipts	-	8
Total receipts	4,544	3,892
Disbursements:		
Public safety	953	1,008
Public works	506	352
Culture and recreation	693	656
Community and economic development	67	145
General government	237	288
Debt service	915	2,079
Capital projects	1,406	741
Total disbursements	4,777	5,269
Change in cash basis net position before transfers	(233)	(1,377)
Transfers, net	301	5
Change in cash basis net position	68	(1,372)
Cash basis net position beginning of year	379	1,751
Cash basis net position end of year	\$ 447	379

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased 16.8%, or approximately \$652,000. The total cost of all programs and services decreased approximately \$492,000, or 9.3%, with no new programs added this year. The significant increase in receipts was due primarily to capital loan note proceeds received in fiscal year 2015. The significant decrease in disbursements was due primarily to refunding capital loan notes in fiscal year 2014.

The City's property tax rates for fiscal year 2015 represent a slight decrease from fiscal year 2014. Overall, taxable valuation decreased 0.75% and property tax rates decreased 0.45%. Even with this decrease, the City's property tax receipts increased approximately \$22,000 in fiscal year 2015. For fiscal year 2016, there is a decrease in assessed property values, and with a change in the rollback from fiscal year 2015 to fiscal year 2016, the taxable value decreased 3.1% and property tax rates per \$1,000 of taxable valuation increased 4.0%. These changes result in budgeted property tax decreasing approximately \$31,000.

The cost of all governmental activities this year was approximately \$4.8 million compared to approximately \$5.3 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$3.4 million because some of the cost was paid by those directly benefited from the programs (approximately \$682,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$736,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased approximately \$140,000 in fiscal year 2015.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 655	619
Sewer	546	506
Garbage/recycling	237	229
Storm water	106	102
Total receipts	<u>1,544</u>	<u>1,456</u>
Disbursements:		
Water	1,030	1,167
Sewer	407	722
Garbage/recycling	233	228
Storm water	44	182
Total disbursements	<u>1,714</u>	<u>2,299</u>
Change in cash basis net position before transfers	(170)	(843)
Transfers, net	<u>(301)</u>	<u>(5)</u>
Change in cash basis net position	(471)	(848)
Cash basis net position beginning of year	2,483	3,331
Cash basis net position end of year	<u>\$ 2,012</u>	<u>2,483</u>

Total business type activities receipts for the fiscal year were approximately \$1.544 million compared to approximately \$1.456 million last year. This slight increase was due primarily to the increase in water rates during the fiscal year. The cash balance decreased approximately \$471,000 from the prior year, primarily due to water and sewer projects being worked on during the current fiscal year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Adel completed the year, its governmental funds reported a combined fund balance of \$438,342, an increase of \$66,806 from last year's total of \$371,536. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$177,793 from the prior year to \$102,105, due primarily to the CDBG Façade project beginning at the very end of fiscal year 2014 and with the project continuing throughout the current fiscal year.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$48,786 to \$178,740. This decrease was due primarily to expenses to repair a culvert collapse in fiscal year 2015 and the purchase of a truck and lift.
- The Special Revenue, Urban Renewal Tax Increment Fund was established to account for a major urban renewal project within the City's business district. At the end of the fiscal year, the cash balance was \$48,358, an increase of \$2,244 from the previous year. The increase was due primarily to disbursements and transfers out being less than tax increment financing collections. The City budgets and requests only the approximate amount of receipts needed during the year.
- The Special Revenue, Local Sales and Services Tax Fund cash balance increased from \$234,039 to \$244,469. This was the fourth complete year of local option sales tax collections. The State forecasts were based on the prior year and other variables which decreased from \$422,325 to \$408,000 in fiscal year 2015. Disbursements decreased primarily due to completion of the Aquatic Center in fiscal year 2014.
- The Debt Service Fund cash balance increased \$27,419 to \$(23,906). This increase was the result of the City issuing a general obligation refunding capital loan during fiscal year 2014, but none was issued in the current fiscal year.
- The Capital Projects Fund cash balance increased \$23,818 to \$(171,756). This increase is attributed to the completion of the Brownfield project during fiscal year 2015.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$375,293 to \$905,783, due primarily to the continuation of capital project disbursements for water improvement projects in the current fiscal year.
- The Enterprise, Sewer Fund cash balance decreased \$154,075 to \$820,583, due primarily to an interfund loan from the Sewer Fund to the General Fund during fiscal year 2015.
- The Enterprise, Garbage/Recycling Fund cash balance decreased \$3,593 to \$118,416.
- The Enterprise, Storm Water Fund cash balance increased \$61,173 to \$143,184.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 12, 2015 and resulted in an increase in budgeted operating disbursements of approximately \$1,963,000 to various functions, with the main increase to capital projects for a fire truck and the Main Street facades.

The City's receipts were \$76,462 more than the amended budget. This was primarily due to the City receiving more miscellaneous receipts than anticipated from donations for the Nile Kinnick museum.

Total disbursements were \$936,789 less than the amended budget. This was primarily due to fewer payments for capital projects than expected during fiscal year 2015.

The City exceeded the amounts budgeted in the public safety, debt service and business type activity functions for the year ended June 30, 2015.

DEBT ADMINISTRATION

At June 30, 2015, the City had approximately \$11,061,000 of notes outstanding, compared to approximately \$11,395,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2015	2014
General obligation notes	\$ 9,220	9,454
Revenue notes	1,841	1,941
Total	\$ 11,061	11,395

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of approximately \$9.2 million is below its constitutional debt limit of approximately \$10.7 million.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The City of Adel’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the County as of July 2015 stands at 2.7% versus 3.7% at July 2014. This compares with the State’s unemployment rate of 3.5% and the national rate of 5.1% as of July 2015.

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are approximately \$5.3 million, a decrease of approximately \$269,000 from the fiscal year 2015 final budget. Property tax is expected to increase approximately \$31,000, tax increment financing is expected to increase approximately \$107,000, licenses and permits are expected to decrease approximately \$110,000 and intergovernmental receipts are expected to decrease approximately \$332,000. Budgeted disbursements are expected to decrease approximately \$1,771,000 from the final fiscal year 2015 budget. This is primarily due to closing out of some of the capital projects. The City has added no major new programs or initiatives to the fiscal year 2016 budget.

If these estimates are realized, the City’s budgeted cash balance is expected to decrease approximately \$350,000 by the close of fiscal year 2016.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall, 301 S. 10th Street, City of Adel, Iowa 50003.

Basic Financial Statements

City of Adel

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 953,251	298,525	29,337
Public works	505,825	-	387,249
Culture and recreation	692,654	241,597	82,935
Community and economic development	67,539	-	-
General government	236,739	18,335	52,775
Debt service	914,828	-	-
Capital projects	1,406,425	123,670	184,150
Total governmental activities	4,777,261	682,127	736,446
Business type activities:			
Water	1,029,643	654,656	-
Sewer	407,223	545,984	-
Garbage/recycling	232,804	237,361	-
Storm water	44,506	105,679	-
Total business type activities	1,714,176	1,543,680	-
Total	\$ 6,491,437	2,225,807	736,446
Component units:			
South Dallas County Landfill Agency	\$ 693,101	1,525,195	-
Friends of Adel Public Library Foundation	14,266	-	25,711
Total component units	\$ 707,367	1,525,195	25,711
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local sales and services tax			
Unrestricted interest on investments			
Note proceeds			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			
Cash Basis Net Position			
Restricted:			
Urban renewal purposes			
Streets			
Local option sales tax			
Nile Kinnick Museum Addition			
Debt service			
Capital projects			
Closure and postclosure care			
Library Foundation			
Other purposes			
Unrestricted			
Total cash basis net position			
See notes to financial statements.			

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Units	
Governmental Activities	Business Type Activities	Total	South Dallas County Landfill Agency	Friends of Adel Library Foundation
(625,389)	-	(625,389)		
(118,576)	-	(118,576)		
(368,122)	-	(368,122)		
(67,539)	-	(67,539)		
(165,629)	-	(165,629)		
(914,828)	-	(914,828)		
(1,098,605)	-	(1,098,605)		
(3,358,688)	-	(3,358,688)		
-	(374,987)	(374,987)		
-	138,761	138,761		
-	4,557	4,557		
-	61,173	61,173		
-	(170,496)	(170,496)		
(3,358,688)	(170,496)	(3,529,184)		
			832,094	-
			-	11,445
			832,094	11,445
1,391,375	-	1,391,375	-	-
318,141	-	318,141	-	-
535,382	-	535,382	-	-
441,965	-	441,965	-	-
3,749	-	3,749	216,306	121
435,160	-	435,160	-	-
10	-	10	6,716	-
300,662	(300,662)	-	-	-
3,426,444	(300,662)	3,125,782	223,022	121
67,756	(471,158)	(403,402)	1,055,116	11,566
379,464	2,482,833	2,862,297	4,415,627	73,003
\$ 447,220	2,011,675	2,458,895	5,470,743	84,569
\$ 48,358	-	48,358	-	-
178,740	-	178,740	-	-
244,469	-	244,469	-	-
81,599	-	81,599	-	-
-	195,126	195,126	-	-
-	707,034	707,034	-	-
-	-	-	1,918,045	-
-	-	-	-	84,569
60,332	71,078	131,410	-	-
(166,278)	1,038,437	872,159	3,552,698	-
\$ 447,220	2,011,675	2,458,895	5,470,743	84,569

City of Adel

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2015

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 941,616	-	-
Tax increment financing	-	-	535,382
Other city tax	92,116	-	-
Licenses and permits	226,345	-	-
Use of money and property	52,308	-	-
Intergovernmental	267,008	387,249	-
Charges for service	216,148	-	-
Special assessments	98,316	-	-
Miscellaneous	87,478	-	-
Total receipts	1,981,335	387,249	535,382
Disbursements:			
Operating:			
Public safety	713,701	-	-
Public works	44,950	461,035	-
Culture and recreation	591,269	-	-
Community and economic development	60,448	-	-
General government	215,750	-	-
Debt service	-	-	-
Capital projects	881,880	-	-
Total disbursements	2,507,998	461,035	-
Excess (deficiency) of receipts over (under) disbursements	(526,663)	(73,786)	535,382
Other financing sources (uses):			
Note proceeds, net of \$440 discount	-	-	-
Transfers in	350,256	25,000	-
Transfers out	(1,386)	-	(533,138)
Total other financing sources (uses)	348,870	25,000	(533,138)
Change in cash balances	(177,793)	(48,786)	2,244
Cash balances beginning of year	279,898	227,526	46,114
Cash balances end of year	\$ 102,105	178,740	48,358
Cash Basis Fund Balances			
Restricted for:			
Urban renewal purposes	\$ -	-	48,358
Streets	-	178,740	-
Local option sales tax	-	-	-
Nile Kinnick Museum Addition	81,599	-	-
Other purposes	-	-	-
Unassigned	20,506	-	-
Total cash basis fund balances	\$ 102,105	178,740	48,358

See notes to financial statements.

Local Sales and Services Tax	Debt Service	Capital Projects	Nonmajor	Total
-	318,141	-	357,643	1,617,400
-	-	-	-	535,382
441,965	-	-	-	534,081
-	-	-	-	226,345
-	-	-	-	52,308
-	-	42,635	-	696,892
-	-	-	-	216,148
-	-	25,354	-	123,670
2,850	-	-	16,641	106,969
444,815	318,141	67,989	374,284	4,109,195
-	-	-	240,056	953,757
-	-	-	-	505,985
-	-	-	101,385	692,654
-	-	-	7,091	67,539
-	-	-	21,273	237,023
-	914,828	-	-	914,828
66,838	-	457,707	-	1,406,425
66,838	914,828	457,707	369,805	4,778,211
377,977	(596,687)	(389,718)	4,479	(669,016)
-	-	435,160	-	435,160
-	624,106	-	1,386	1,000,748
(143,938)	-	(21,624)	-	(700,086)
(143,938)	624,106	413,536	1,386	735,822
234,039	27,419	23,818	5,865	66,806
10,430	(51,325)	(195,574)	54,467	371,536
244,469	(23,906)	(171,756)	60,332	438,342
-	-	-	-	48,358
-	-	-	-	178,740
244,469	-	-	-	244,469
-	-	-	-	81,599
-	-	-	60,332	60,332
-	(23,906)	(171,756)	-	(175,156)
244,469	(23,906)	(171,756)	60,332	438,342

City of Adel

City of Adel

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2015

Total governmental funds cash balances (page 17) \$ 438,342

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

building replacement and partial self funding of the City's flexible benefits plan to individual funds. A portion of the cash balance of the Internal Service Funds is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

8,878

Cash basis net position of governmental activities (page 15)

\$ 447,220

Change in cash balances (page 17)

\$ 66,806

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

building replacement and partial self funding of the City's flexible benefits plan to individual funds. A portion of the change in the cash balance of the Internal Service Funds is reported in governmental activities in the Cash Basis Statement of Activities and Net Position.

950

Change in cash basis net assets of governmental activities (page 15)

\$ 67,756

See notes to financial statements.

Exhibit D

City of Adel

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2015

	Enterprise			
	Water	Sewer	Garbage / Recycling	Storm Water
Operating receipts:				
Charges for service	\$ 654,656	545,984	237,361	105,679
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	-
Public works	-	-	-	-
General government	-	-	-	-
Business type activities	526,273	331,241	232,804	44,506
Total operating disbursements	526,273	331,241	232,804	44,506
Excess (deficiency) of operating receipts over (under) operating disbursements	128,383	214,743	4,557	61,173
Non-operating receipts (disbursements):				
Capital projects	(408,795)	(19,291)	-	-
Debt service	(94,881)	(57,015)	-	-
Net non-operating receipts (disbursements)	(503,676)	(76,306)	-	-
Excess (deficiency) of receipts over (under) disbursements	(375,293)	138,437	4,557	61,173
Transfers out	-	(292,512)	(8,150)	-
Change in cash balances	(375,293)	(154,075)	(3,593)	61,173
Cash balances beginning of year	1,281,076	974,658	122,009	82,011
Cash balances end of year	\$ 905,783	820,583	118,416	143,184
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 96,231	98,895	-	-
Water improvements	270,510	-	-	-
Sewer improvements	-	385,622	-	-
Storm water improvements	-	-	-	50,902
Water deposits	71,078	-	-	-
Unrestricted	467,964	336,066	118,416	92,282
Total cash basis fund balances	\$ 905,783	820,583	118,416	143,184

See notes to financial statements.

Total	Internal Service
1,543,680	4,810
-	1,034
-	326
-	580
1,134,824	1,290
1,134,824	3,230
408,856	1,580
(428,086)	-
(151,896)	-
(579,982)	-
(171,126)	1,580
(300,662)	-
(471,788)	1,580
2,459,754	31,007
1,987,966	32,587
195,126	-
270,510	-
385,622	-
50,902	-
71,078	-
1,014,728	32,587
1,987,966	32,587

City of Adel

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position –
Proprietary Funds

As of and for the year ended June 30, 2015

Total enterprise funds cash balances (page 21) \$ 1,987,966

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

.....
of building replacement and partial self funding of the City's flexible benefits plan to individual funds. A portion of the cash balances of the Internal Service Funds is included in business type activities in the Cash Basis Statement of Activities and Net Position.

23,709

Cash basis net position of business type activities (page 15) \$ 2,011,675

Change in cash balances (page 21) \$ (471,788)

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

.....
of building replacement and partial self funding of the City's flexible benefits plan to individual funds. A portion of the change in the cash balances of the Internal Service Funds is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

630

Change in cash basis net position of business type activities (page 15) \$ (471,158)

See notes to financial statements.

City of Adel

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Adel is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1848 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, garbage/recycling and storm water utilities to its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Adel 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.

These financial statements present the City of Adel (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. The individual component unit financial statements can be obtained at City Hall, City of Adel, Adel, IA. 50003.

Discretely Presented Component Units

The South Dallas County Landfill Agency (Landfill Agency) and Friends of Adel Library Foundation are presented in separate columns to emphasize they are legally separate from the City, but are financially accountable to the City or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Landfill Agency is governed by a one member board appointed by the City Council. A financial benefit/burden relationship exists between the City and the Landfill Agency in that the Landfill Agency's operating budget is subject to the approval of the City Council.

Friends of Adel Library Foundation is an entity which is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City.

Blended Component Unit

Pursuant to Chapter 501B of Code of Iowa, the City of Adel Fire Association (Association) is an unincorporated nonprofit association. The Association exists for charitable purposes in support of the City's Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be blended. Based on these criteria, the Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. The Association is reported as part of the City and blended into the nonmajor governmental funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission, Dallas County Joint E911 Service Board, Central Iowa Regional Transportation and Planning Alliance (CIRTPA), Adel Enterprises, Adel Partners, Metropolitan Advisory Council and the Greater Dallas County Development Alliance.

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts 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 on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Sales and Services Tax Fund is used to account for the collection and use of local option sales and services tax.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Garbage/Recycling Fund accounts for the operation and maintenance of the City's solid waste collection and recycling system.

The Enterprise, Storm Water Fund accounts for the operation and maintenance of the City's storm water system.

The City also reports the following additional proprietary funds:

Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

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 are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public safety, debt service and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure 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, 2015, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$364,914 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

(3) Notes Payable

Annual debt service requirements to maturity for general obligation notes and revenue notes are as follows:

Year Ending June 30,	General Obligation					
	Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 730,000	248,923	100,000	49,624	830,000	298,547
2017	755,000	228,530	101,000	48,324	856,000	276,854
2018	715,000	215,125	85,000	46,994	800,000	262,119
2019	620,000	200,118	85,000	45,594	705,000	245,712
2020	635,000	185,243	90,000	44,194	725,000	229,437
2021-2025	2,880,000	679,371	470,000	190,070	3,350,000	869,441
2026-2030	1,985,000	340,715	545,000	117,833	2,530,000	458,548
2031-2033	900,000	45,026	365,000	25,619	1,265,000	70,645
Total	\$ 9,220,000	2,143,051	1,841,000	568,252	11,061,000	2,711,303

General Obligation Notes

In July 2014, the City issued \$440,000 of general obligation capital loan notes, Series 2014. The notes were issued to purchase a fire truck. The notes bear interest at rates ranging from 1.20% to 2.75% per annum and mature in varying annual amounts ranging from \$30,000 to \$50,000, with the final maturity due in the year ending June 1, 2025. On May 13, 2014, the City received a good faith deposit of \$4,400. The City received the remainder of the capital loan note proceeds of \$435,600 on July 1, 2014.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,400,000 of water revenue notes issued in June 2013. Proceeds from the notes provided financing for water capital project construction. The notes are payable solely from water customer net receipts and are payable through 2033. Annual principal and interest payments on the notes are expected to require less than 75% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,681,860. For the current year, principal and interest paid and total customer net receipts were \$94,381 and \$128,383, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$879,000 of sewer revenue notes issued in June 1997 and May 2013. Proceeds from the notes provided financing for the construction of improvements to the sewer plant. The notes are payable solely from sewer customer net receipts and are payable through 2033. Annual principal and interest payments on the notes are

expected to require less than 27% of net receipts. The total principal and interest remaining to be paid on the notes is \$727,392. For the current year, principal and interest paid and total customer net receipts were \$56,393 and \$214,743, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers to a water reserve account and a sewer revenue reserve account within the Enterprise Funds shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the respective systems.
- (d) User rates shall be established at a level which produces and maintains net receipts at a level not less than 100% for the water revenue notes and 110% for the sewer revenue notes of the amount of principal and interest on the notes falling due in the same year.
- (e) Sufficient monthly transfers shall be made to a separate water improvement account within the Enterprise Funds until a balance of \$50,000 has been accumulated.

(4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive 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, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

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

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

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

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

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

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

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protective occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.80 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$103,301.

Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$290,959. The collective net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0073365 percent, which was a decrease of 0.002133 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$38,951, \$21,679 and \$261,268, respectively.

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

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

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

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

The long-term expected rate of return on IPERS' 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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

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

investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	\$ 853,539	\$ 290,959	\$ (183,607)

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

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 18 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug and dental benefits are provided through a fully-insured plan with Wellmark and Delta Dental, respectively. Retirees under age 65 would pay the same premium for the medical/prescription drug and dental benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$389 to \$418 for single coverage and \$1,194 to \$1,283 for family coverage for medical/prescription drug benefits and \$31 for single coverage and \$62 to \$174 for family coverage for dental benefits. For the year ended June 30, 2015, the City contributed \$163,451 and plan members eligible for benefits contributed \$37,051 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 73,000
Compensatory time	8,000
Total	<u>\$ 81,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Urban Renewal Tax Increment	\$ 49,543
	Capital Projects	51
	Enterprise:	
	Sewer	292,512
	Garbage/Recycling	8,150
		<u>350,256</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Urban Renewal Tax Increment	25,000
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	458,595
	Local Sales and Services Tax	143,938
	Capital Projects	21,573
		<u>624,106</u>
Special Revenue:	General	
Short Term Projects		1,386
Total		<u>\$ 1,000,748</u>

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

(8) Interfund Loans

On July 25, 2012, the City agreed to advance \$150,000 from the Special Revenue, Road Use Tax Fund to the Special Revenue, Urban Renewal Tax Increment Fund for the purpose of paying for the 12th Street paving project. The City approved a repayment schedule of \$25,000 each fiscal year, starting with fiscal year 2014, for the borrowing from the Special Revenue, Road Use Tax Fund.

During the year ended June 30, 2015, the Special Revenue, Urban Renewal Tax Increment Fund repaid \$25,000 to the Special Revenue, Road Use Tax Fund. The amount due to the Special Revenue, Road Use Tax Fund at June 30, 2015 is \$100,000.

On December 9, 2014, the City agreed to advance \$292,512 from the Enterprise, Sewer Fund to the General Fund for costs associated with the City's urban renewal projects. This loan will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Fund to the General Fund, as funds become available in the Special Revenue, Urban Renewal Tax Increment Fund. At June 30, 2015, the amount due to the Enterprise, Sewer Fund is \$292,512.

(9) Risk Management

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

(10) Rebate Agreements

The City has entered into three rebate agreements to assist in certain urban renewal projects. The City agreed to rebate incremental property tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of up to five years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. During the year ended June 30, 2015, the City rebated \$7,504 of incremental property tax to the participating companies.

(11) Deficit Balances

The Debt Service Fund, the Capital Projects Fund and the Internal Service, Flex Benefits Fund had deficit balances of \$23,906, \$171,756 and \$9,254, respectively, at June 30, 2015. The City has a plan to reduce the deficits in fiscal year 2016.

City of Adel

Other Information

City of Adel
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,617,400	-	-
Tax increment financing	535,382	-	-
Local sales and services tax	534,081	-	-
Licenses and permits	226,345	-	-
Use of money and property	52,308	-	-
Intergovernmental	696,892	-	-
Charges for service	216,148	1,548,490	4,810
Special assessments	123,670	-	-
Miscellaneous	106,969	-	3,758
Total receipts	4,109,195	1,548,490	8,568
Disbursements:			
Public safety	953,757	1,034	6,758
Public works	505,985	326	326
Culture and recreation	692,654	-	-
Community and economic development	67,539	-	-
General government	237,023	580	580
Debt service	914,828	-	-
Capital projects	1,406,425	-	-
Business type activities	-	1,716,096	1,290
Total disbursements	4,778,211	1,718,036	8,954
Excess (deficiency) of receipts over (under) disbursements	(669,016)	(169,546)	(386)
Other financing sources (uses), net	735,822	(300,662)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	66,806	(470,208)	(386)
Balances beginning of year	371,536	2,490,761	34,269
Balances end of year	\$ 438,342	2,020,553	33,883

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,617,400	1,633,573	1,633,573	(16,173)
535,382	533,138	533,138	2,244
534,081	465,793	465,793	68,288
226,345	90,450	198,450	27,895
52,308	52,200	52,200	108
696,892	559,286	901,921	(205,029)
1,759,828	1,687,507	1,737,507	22,321
123,670	21,573	21,573	102,097
103,211	23,000	28,500	74,711
5,649,117	5,066,520	5,572,655	76,462
948,033	930,378	938,078	(9,955)
505,985	399,735	529,735	23,750
692,654	613,887	692,687	33
67,539	114,028	185,028	117,489
237,023	235,586	268,438	31,415
914,828	913,728	913,728	(1,100)
1,406,425	623,000	2,219,883	813,458
1,714,806	1,631,005	1,676,505	(38,301)
6,487,293	5,461,347	7,424,082	936,789
(838,176)	(394,827)	(1,851,427)	1,013,251
435,160	600,000	435,160	-
(403,016)	205,173	(1,416,267)	1,013,251
2,828,028	4,020,530	4,020,530	(1,192,502)
2,425,012	4,225,703	2,604,263	(179,251)

City of Adel

Notes to Other Information – Budgetary Reporting

June 30, 2015

The budgetary comparison is presented 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 the component units and the Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund 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. During the year, one budget amendment increased budgeted disbursements by \$1,962,735. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public safety, debt service and business type activities functions.

City of Adel
Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.0073365%
City's proportionate share of the net pension liability	\$ 291
City's covered-employee payroll	\$ 1,070
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	27.20%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

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

See accompanying independent auditor's report.

City of Adel
Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 103	100	89	86
Contributions in relation to the statutorily required contribution	<u>(103)</u>	<u>(100)</u>	<u>(89)</u>	<u>(86)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 1,100	1,070	935	965
Contributions as a percentage of covered-employee payroll	9.36%	9.35%	9.52%	8.91%

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
86	76	69	58	52	51
<u>(86)</u>	<u>(76)</u>	<u>(69)</u>	<u>(58)</u>	<u>(52)</u>	<u>(51)</u>
-	-	-	-	-	-
1,028	1,002	1,173	830	723	710
8.37%	7.58%	5.88%	6.99%	7.19%	7.18%

City of Adel

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

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

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

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

Changes of assumptions:

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

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

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

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

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

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

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

City of Adel

Supplementary Information

City of Adel

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2015

	Library Memorial	Employee Benefits	Police DARE
Receipts:			
Property tax	\$ -	357,643	-
Miscellaneous	12,554	-	79
Total receipts	12,554	357,643	79
Disbursements:			
Operating:			
Public safety	-	234,001	331
Culture and recreation	9,202	92,183	-
Community and economic development	-	7,091	-
General government	-	21,273	-
Total disbursements	9,202	354,548	331
Excess (deficiency) of receipts over (under) disbursements	3,352	3,095	(252)
Other financing sources:			
Transfers in	-	-	-
Change in cash balances	3,352	3,095	(252)
Cash balances beginning of year	7,361	30,371	956
Cash balances end of year	\$ 10,713	33,466	704
Cash Basis Fund Balances			
Restricted for other purposes	\$ 10,713	33,466	704

See accompanying independent auditor's report.

Special Revenue				
Short Term Projects	Historical Museum	Fire Association	Police Forfeiture	Total
-	-	-	-	357,643
-	250	3,758	-	16,641
-	250	3,758	-	374,284
-	-	5,724	-	240,056
-	-	-	-	101,385
-	-	-	-	7,091
-	-	-	-	21,273
-	-	5,724	-	369,805
-	250	(1,966)	-	4,479
1,386	-	-	-	1,386
1,386	250	(1,966)	-	5,865
(1,386)	13,667	3,262	236	54,467
-	13,917	1,296	236	60,332
-	13,917	1,296	236	60,332

City of Adel

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Internal Service Funds

Year ended June 30, 2015

	Building Replacement	Flex Benefits	Total
Operating receipts:			
Charges for service	\$ -	4,810	4,810
Operating disbursements:			
Governmental activities:			
Public safety	-	1,034	1,034
Public works	-	326	326
General government	-	580	580
Business type activities:			
Water	-	627	627
Sewer	-	663	663
Total operating disbursements	-	3,230	3,230
Change in cash balances	-	1,580	-
Cash balances beginning of year	41,841	(10,834)	31,007
Cash balances end of year	\$ 41,841	(9,254)	32,587
Cash Basis Fund Balances			
Unrestricted	\$ 41,841	(9,254)	32,587

See accompanying independent auditor's report.

City of Adel

City of Adel
Schedule of Indebtedness
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Capital loan notes	Jun 29, 2010	2.40	\$ 2,555,000
Refunding capital loan notes	Sept 27, 2011	1.30-3.75	2,325,000
Refunding capital loan notes	Sept 27, 2011	0.50-1.90	1,740,000
Refunding capital loan notes	Sept 27, 2011	0.50-3.15	2,165,000
Capital loan notes	Jul 10, 2012	2.40-3.25	3,500,000
Refunding capital loan notes	Jul 25, 2012	3.00	1,130,000
Capital loan notes	Jul 1, 2014	1.20-2.75 *	440,000
Total			
Revenue notes:			
Sewer	Jun 26, 1997	3.00% **	\$ 309,000
Sewer	May 14, 2013	1.00-3.50	570,000
Water	Jun 11, 2013	0.75-3.50	1,400,000
Total			

* The City issued capital loan notes of \$440,000 on July 1, 2014. The City received a good faith deposit of \$4,400 on May 13, 2014 and the remaining proceeds of \$435,600 on July 1, 2014.

** The agreement also requires the City to annually pay a .05% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
20,000	-	20,000	-	480
2,310,000	-	50,000	2,260,000	69,250
990,000	-	280,000	710,000	14,315
1,550,000	-	150,000	1,400,000	34,345
3,450,000	-	55,000	3,395,000	88,438
1,130,000	-	115,000	1,015,000	33,900
4,400	435,600	-	440,000	-
<u>\$ 9,454,400</u>	<u>435,600</u>	<u>670,000</u>	<u>9,220,000</u>	<u>240,728</u>
46,000	-	15,000	31,000	1,380
550,000	-	25,000	525,000	15,013
1,345,000	-	60,000	1,285,000	34,381
<u>\$ 1,941,000</u>	<u>-</u>	<u>100,000</u>	<u>1,841,000</u>	<u>50,774</u>

Schedule 4

City of Adel

Note Maturities

June 30, 2015

Year Ending June 30,	General Obligation Notes						
	Refunding Capital Loan Notes		Refunding Capital Loan Notes		Refunding Capital Loan Notes		
	Issued Sept 27, 2011		Issued Sept 27, 2011		Issued Sept 27, 2011		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2016	1.65%	\$ 100,000	1.35%	\$ 260,000	1.35%	\$ 150,000	
2017	2.00	100,000	1.60	275,000	1.60	150,000	
2018	2.30	110,000	1.90	175,000	1.90	160,000	
2019	2.50	150,000	-	-	2.15	150,000	
2020	2.70	150,000	-	-	2.35	150,000	
2021	2.90	150,000	-	-	2.60	160,000	
2022	3.10	150,000	-	-	2.80	160,000	
2023	3.25	150,000	-	-	3.00	160,000	
2024	3.35	150,000	-	-	3.15	160,000	
2025	3.45	150,000	-	-	-	-	
2026	3.75	150,000	-	-	-	-	
2027	3.75	150,000	-	-	-	-	
2028	3.75	150,000	-	-	-	-	
2029	3.75	150,000	-	-	-	-	
2030	3.75	150,000	-	-	-	-	
2031	3.75	150,000	-	-	-	-	
2032	-	-	-	-	-	-	
2033	-	-	-	-	-	-	
Total		<u>\$ 2,260,000</u>		<u>\$ 710,000</u>		<u>\$ 1,400,000</u>	

See accompanying independent auditor's report.

Capital Loan Notes		Refunding				Capital Loan Notes		Total
Issued July 10, 2012		Capital Loan Notes		Capital Loan Notes		Issued July 1, 2014		
Interest		Interest		Interest				
Rates	Amount	Rates	Amount	Rates	Amount			
1.25%	\$ 65,000	3.00%	\$ 125,000	1.20%	\$ 30,000	730,000		
1.25	70,000	3.00	120,000	1.20	40,000	755,000		
1.75	75,000	3.00	155,000	1.20	40,000	715,000		
1.75	80,000	3.00	200,000	2.00	40,000	620,000		
1.75	85,000	3.00	205,000	2.00	45,000	635,000		
2.00	195,000	3.00	210,000	2.00	45,000	760,000		
2.10	200,000		-	2.75	50,000	560,000		
2.25	205,000		-	2.75	50,000	565,000		
2.40	215,000		-	2.75	50,000	575,000		
2.50	220,000		-	2.75	50,000	420,000		
2.60	230,000		-		-	380,000		
2.70	240,000		-		-	390,000		
2.80	245,000		-		-	395,000		
2.90	255,000		-		-	405,000		
3.00	265,000		-		-	415,000		
3.10	275,000		-		-	425,000		
3.25	475,000		-		-	475,000		
	-		-		-	-		
	<u>\$ 3,395,000</u>		<u>\$ 1,015,000</u>		<u>\$ 440,000</u>	<u>9,220,000</u>		

Schedule 4

City of Adel

Note Maturities

June 30, 2015

Year Ending June 30,	Revenue Notes						Total
	Sewer		Sewer		Water		
	Issued Jun 26, 1997		Issued May 14, 2013		Issued June 11, 2013		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2016	4.92%	\$ 15,000	1.00%	\$ 25,000	1.00%	\$ 60,000	100,000
2017	5.92	16,000	1.00	25,000	1.00	60,000	101,000
2018	-	-	2.00	25,000	1.50	60,000	85,000
2019	-	-	2.00	25,000	1.50	60,000	85,000
2020	-	-	2.00	25,000	2.00	65,000	90,000
2021	-	-	2.00	25,000	2.00	65,000	90,000
2022	-	-	3.00	25,000	2.50	65,000	90,000
2023	-	-	3.00	25,000	2.50	65,000	90,000
2024	-	-	3.00	30,000	2.75	70,000	100,000
2025	-	-	3.00	30,000	2.75	70,000	100,000
2026	-	-	3.25	30,000	3.00	75,000	105,000
2027	-	-	3.25	30,000	3.00	75,000	105,000
2028	-	-	3.25	30,000	3.25	75,000	105,000
2029	-	-	3.25	35,000	3.25	80,000	115,000
2030	-	-	3.50	35,000	3.38	80,000	115,000
2031	-	-	3.50	35,000	3.38	85,000	120,000
2032	-	-	3.50	35,000	3.50	85,000	120,000
2033	-	-	3.50	35,000	3.50	90,000	125,000
Total		<u>\$ 31,000</u>		<u>\$ 525,000</u>		<u>\$ 1,285,000</u>	<u>1,841,000</u>

See accompanying independent auditor's report.

City of Adel

City of Adel

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2015	2014	2013	2012
Receipts:				
Property tax	\$ 1,617,400	1,688,888	1,679,872	1,611,593
Tax increment financing	535,382	488,325	495,028	465,346
Other city tax	534,081	422,345	551,408	237,001
Licenses and permits	226,345	158,078	86,289	72,196
Use of money and property	52,308	57,055	56,394	49,356
Intergovernmental	696,892	651,655	564,582	496,700
Charges for service	216,148	234,828	123,499	124,546
Special assessments	123,670	29,388	66,146	178,916
Miscellaneous	106,969	158,029	118,376	84,591
Total	\$ 4,109,195	3,888,591	3,741,594	3,320,245
Disbursements:				
Operating:				
Public safety	\$ 953,757	1,008,083	841,419	805,808
Public works	505,985	352,358	340,004	325,110
Culture and recreation	692,654	655,554	529,000	514,599
Community and economic development	67,539	145,296	110,994	94,243
General government	237,023	288,799	172,477	235,204
Debt service	914,828	2,079,458	877,907	816,684
Capital projects	1,406,425	741,327	3,605,883	636,067
Total	\$ 4,778,211	5,270,875	6,477,684	3,427,715

See accompanying independent auditor's report.

2011	2010	2009	2008	2007	2006
1,561,144	1,539,578	1,483,628	1,462,337	1,306,736	1,214,167
467,273	473,457	445,748	357,449	335,343	338,005
136,256	5,301	6,439	6,191	6,355	51,698
35,522	20,082	30,964	29,059	57,008	84,249
56,996	48,251	49,501	122,458	127,168	101,573
542,442	425,202	459,541	342,075	326,922	329,448
132,885	130,725	153,382	129,482	129,033	105,163
43,819	8,553	28,936	36,679	206,648	50,291
124,221	131,813	152,889	202,769	125,962	432,106
3,100,558	2,782,962	2,811,028	2,688,499	2,621,175	2,706,700
782,863	775,402	780,846	676,871	613,718	550,119
366,024	345,804	371,991	318,469	346,757	291,767
577,657	531,748	523,375	470,579	408,423	435,096
89,977	120,609	145,513	129,666	58,476	94,236
212,663	230,178	252,274	184,558	187,673	215,456
704,716	705,798	700,572	717,810	3,844,998	821,609
2,365,269	604,318	548,770	119,581	2,410,874	977,057
5,099,169	3,313,857	3,323,341	2,617,534	7,870,919	3,385,340

City of Adel



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 16, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings as item (D) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Adel'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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

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

The City of Adel's Responses to the Findings

The City of Adel's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Adel'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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Adel during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 16, 2015

City of Adel

Schedule of Findings

Year ended June 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Investments – recordkeeping, investing and reconciling earnings.
- (3) Long-term debt – recordkeeping, compliance and debt payment processing.
- (4) Payroll – recordkeeping, preparing and distributing.
- (5) Receipts – collecting, preparing deposits and reconciling. In addition, the mail is not opened and distributed by someone other than accounting personnel and an initial listing of receipts is not prepared by the mail opener.
- (6) Receipts for Parks and Recreation – collecting, depositing and reconciling.

For the Library Foundation, one individual has control over each of the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements - preparing, recording and reconciling.

For the Fire Association, one individual has control over each of the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements - preparing, recording and reconciling.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, the Library Foundation and the Fire Association should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations prepared should be performed and the review should be documented by the signature or initials of the reviewer and the date of the review.

Response – We are working on segregating duties as much as we can with limited staff available. City bank reconciliations will be reviewed, dated, and initialed.

Conclusion – Response accepted.

City of Adel

Schedule of Findings

Year ended June 30, 2015

- (B) Financial Reporting – During the audit, we identified a material transfer not posted correctly. According to City personnel, the transfer was inadvertently transferred from the Special Revenue, Urban Renewal Tax Increment Fund to the General Fund. An adjustment was subsequently made by the City to properly report the amount in the City's financial statements.

Recommendation – The City should implement procedures to ensure transfers are properly recorded in the City's financial statements.

Response – Transfers will be reviewed by a second employee prior to being submitted to the City Council for approval to be recorded in the City's financial statements.

Conclusion – Response accepted.

- (C) Bank Reconciliations – Monthly bank reconciliations were not reviewed by an independent person. Additionally, signatures are pre-printed on checks, which can be applied by the same individual, and cancelled checks are not reviewed.

Recommendation – To improve financial accountability and control, monthly bank reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review.

In addition, separate passwords should be established to ensure the same individual is not able to apply two separate signatures on the check during the processing of the checks.

Response – Bank reconciliations will now be reviewed, dated and initialed. We will work with our accounting software vendor to obtain new passwords so we are able to separate authorization for each of the two different check signatures.

Conclusion – Response accepted.

- (D) Accounting Policies and Procedures Manual – The Fire Association does not have a current accounting policies and procedures manual.

Recommendation – An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.
- (4) Ensure City accounts are appropriately utilized.

Response – We will work with the Fire Association to adopt accounting policies and procedures similar to the Adel Library Foundation's policies.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Adel

Schedule of Findings

Year ended June 30, 2015

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the public safety, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – We are continually working to improve our efforts on the budgeting process. This process will include a review of budget classifications as well as amounts.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Doug Cook, Public Works Employee, Owner of Cooks Construction	Caterpillar rental	\$900

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Notes – No instances of non-compliance with the revenue note requirements for the year ended June 30, 2015 were noted.

City of Adel

Schedule of Findings

Year ended June 30, 2015

- (9) Annual Urban Renewal Report – No instances of non-compliance with the Annual Urban Renewal Report requirements for the year ended June 30, 2015 were noted.
- (10) Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement as provided in the Code section. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

In November 2014, the City certified tax increment financing (TIF) indebtedness to the County Auditor for transfers from the Special Revenue, Urban Renewal Tax Increment Fund for project and other miscellaneous costs within the City's urban renewal area. While the City intended these payments to represent loans from the Special Revenue, Urban Renewal Tax Increment Fund for the related TIF projects, certain loans were not formally approved by the City Council and, accordingly, do not represent TIF debt which may be certified to the County Auditor. In addition, the City has used TIF receipts to pay legal and other fees, but has not certified these costs as TIF Debt.

Recommendation – The City should ensure transfers from the Special Revenue, Urban Renewal Tax Increment Fund are formally approved by the City Council as interfund loans and represent TIF debt before being certified to the County Auditor.

Response – The City has endeavored to correct our process for TIF transfers in the future.

Conclusion – Response accepted.

- (11) Financial Condition – The Capital Projects Fund, the Debt Service Fund and the Internal Service, Flex Benefits Fund had deficit balances of \$171,756, \$23,906 and \$9,254, respectively, at June 30, 2015.

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

Response – We are still working on reducing these deficits. All deficits have decreased since the prior year's audit.

Conclusion – Response accepted.

- (12) Fire Association Check Images – Chapter 554D.114(5) of the Code of Iowa requires the front and back of check images be received. However, the Fire Association is receiving only the front of the check images.

Recommendation – The Fire Association should receive both the front and back of check images as required.

Response – We will work with the Fire Association to request both the front and the back of check images from its bank.

Conclusion – Response accepted.

City of Adel

Staff

This audit was performed by:

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