



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____ November 17, 2014

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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 \$5,349,432 for the year ended June 30, 2014, a 54.5% decrease from the prior year. The receipts included \$1,688,888 in property tax, \$488,325 from tax increment financing, \$1,992,989 from charges for service, \$740,689 from operating grants, contributions and restricted interest, \$422,345 from local option sales tax, \$3,861 from unrestricted interest on investments and \$12,335 from other general receipts.

Disbursements for the year ended June 30, 2014 totaled \$7,569,281, a 3.7% decrease from the prior year, and included \$2,079,458 for debt service, \$1,007,582 for public safety and \$741,327 for capital projects. Also, disbursements for business type activities totaled \$2,299,578.

The decrease in receipts is primarily due to the City issuing less debt in fiscal year 2014 than it issued in fiscal year 2013.

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/1420-0228-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, 2014

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City of Adel

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
James F. Peters	Mayor	Jan 2014
Jon McAvoy	Mayor Pro tem	Jan 2014
Dale Swanson	Council Member	Jan 2014
Michael Haynes	Council Member	Jan 2016
Shirley McAdon	Council Member	Jan 2016
Bryan Welch	Council Member	Jan 2016
Brett Klein	Administrator	Indefinite
Jackie Janssen	Clerk	Indefinite
Kathy Barger	Treasurer	Indefinite
John Reich	Attorney	Indefinite
(After January 2014)		
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
Brett Klein	Administrator	(Resigned June 2014)
Jackie Janssen	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, 2014, 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, 2014, and the respective changes in 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.

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 three years ended June 30, 2013 (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 six 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 and the budgetary comparison information on pages 7 through 13 and 34 through 36, 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 October 27, 2014 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

October 27, 2014

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, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 53.6%, or approximately \$4,500,000, from fiscal year 2013 to fiscal year 2014. During fiscal year 2013, the City issued \$4,630,000 of general obligation capital loan notes and refunding capital loan notes. 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, 2014.
- Disbursements of the City's governmental activities decreased 18.5%, or approximately \$1,195,000, in fiscal year 2014 from fiscal year 2013. The capital projects function decreased approximately \$2,865,000 due to the majority of the Aquatic Center project being completed in fiscal year 2013. The debt service function increased approximately \$1,201,000 due to refunding capital loan notes.
- The City's total cash basis net position decreased approximately \$2,220,000 from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities decreased approximately \$1,372,000 and the cash basis net position of the business type activities decreased approximately \$848,000. The decrease for governmental activities is due to the completion of the Aquatic Center. The decrease for the business type activities is due to increased costs associated with the water main loop and sanitary saver extension project, the clearwell water filter project and the painting of the water plant.

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.

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.

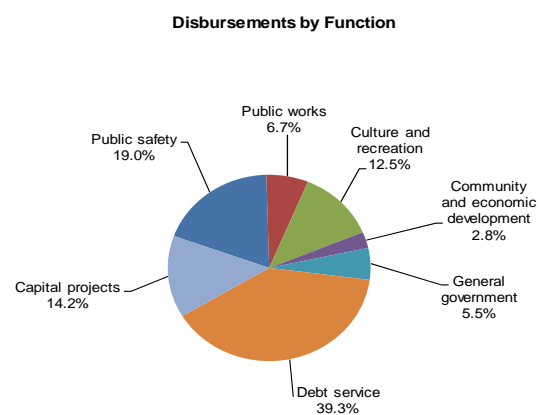
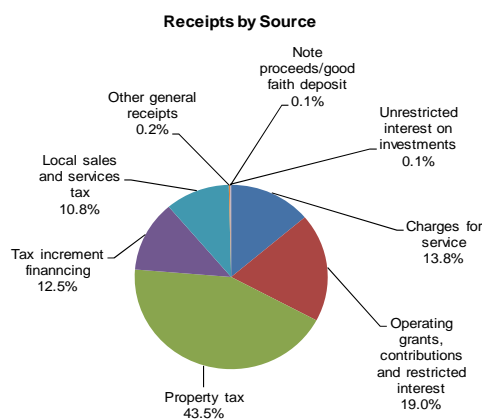
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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 decreased significantly from a year ago, decreasing from a balance of approximately \$1,751,000 to approximately \$379,000. 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,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 537	380
Operating grants, contributions and restricted interest	741	575
General receipts:		
Property tax	1,688	1,680
Tax increment financing	488	495
Local sales and services tax	422	551
Unrestricted interest on investments	4	5
Note proceeds/good faith deposit	4	4,661
Other general receipts	8	45
Total receipts	3,892	8,392
Disbursements:		
Public safety	1,008	834
Public works	352	339
Culture and recreation	656	526
Community and economic development	145	111
General government	288	170
Debt service	2,079	878
Capital projects	741	3,606
Total disbursements	5,269	6,464
Change in cash basis net position before transfers	(1,377)	1,928
Transfers, net	5	(209)
Change in cash basis net position	(1,372)	1,719
Cash basis net position beginning of year	1,751	32
Cash basis net position end of year	\$ 379	1,751



The City's total receipts for governmental activities decreased 53.6%, or approximately \$4,500,000. The total cost of all programs and services decreased approximately \$1,195,000, or 18.5%, with no new programs added this year. The significant decrease in disbursements was due primarily to completion of the Aquatic Center during fiscal year 2013.

The City's property tax rates for fiscal year 2014 represent a slight increase over fiscal year 2013. Overall, taxable valuation increased 1.8% and property tax rates decreased 1.3%. This increase raised the City's property tax receipts approximately \$8,000 in fiscal year 2014. For fiscal year 2015, there is a slight decrease in assessed property values, but with a change in the rollback from fiscal year 2014 to fiscal year 2015, the taxable value decreased 0.7% and property tax rates per \$1,000 of taxable valuation decreased 0.5%. These changes result in budgeted property tax decreasing approximately \$26,000.

The cost of all governmental activities this year was approximately \$5.3 million compared to approximately \$6.5 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$4.0 million because some of the cost was paid by those directly benefited from the programs (approximately \$537,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$741,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased approximately \$323,000 in fiscal year 2014.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 619	603
Sewer	506	497
Garbage/recycling	229	227
Storm water	102	96
Total receipts	<u>1,456</u>	<u>1,423</u>
Disbursements:		
Water	1,167	646
Sewer	722	462
Garbage/recycling	228	224
Storm water	182	60
Total disbursements	<u>2,299</u>	<u>1,392</u>
Change in cash basis net position before transfers and note proceeds	(843)	31
Note proceeds	-	1,936
Transfers, net	(5)	209
Change in cash basis net position	<u>(848)</u>	<u>2,176</u>
Cash basis net position beginning of year	3,331	1,155
Cash basis net position end of year	<u>\$ 2,483</u>	<u>3,331</u>

Total business type activities receipts for the fiscal year were approximately \$1.456 million compared to approximately \$1.423 million last year. This slight increase was due primarily to the increase in water rates during the fiscal year. The cash balance decreased approximately \$848,000 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 \$371,536, a decrease of \$1,372,884 from last year's total of \$1,744,420. 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 increased \$5,767 over the prior year to \$279,898, due primarily to an increase in fundraising for the Nile Kinnick Museum.
- The Special Revenue, Road Use Tax Fund cash balance increased \$126,988 to \$227,526. This increase was due primarily to receiving TIF receipts to reimburse the Road Use Tax Fund for road improvements.
- 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 \$46,114, a decrease of \$5,808 from the previous year. The decrease was due primarily to disbursements and transfers out being more 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 decreased from \$407,558 to \$10,430. This was the third complete year of local option sales tax collections. The State forecasts were based on the prior year and other variables which decreased from \$544,169 to \$422,325 in fiscal year 2014. Disbursements primarily decreased due to completion of the Aquatic Center in fiscal year 2013.
- The Debt Service Fund cash balance decreased \$1,141,950 to \$(51,325). This decrease was the result of the City issuing general obligation refunding capital loan notes in fiscal year 2013 to refund notes in June 2014.
- The Capital Projects Fund cash balance increased \$49,608 to \$(195,574). This increase is attributed to the completion of the 2010 Brick Street project in fiscal year 2013 and Brownfield projects nearing completion in fiscal year 2014.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$547,985 to \$1,281,076, due primarily to the increase in capital project disbursements for water improvement projects. Also, at June 30, 2014, the City had unspent note proceeds of approximately \$621,000 restricted for water improvement projects.
- The Enterprise, Sewer Fund cash balance decreased \$216,644 to \$974,658, due primarily to the increase in capital project disbursements for sewer improvement projects. Also, at June 30, 2014, the City had unspent note proceeds of approximately \$310,000 restricted for sewer improvement projects.
- The Enterprise, Garbage/Recycling Fund cash balance decreased \$3,747 to \$122,009.
- The Enterprise, Storm Water Fund cash balance decreased \$80,556 to \$82,011.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 13, 2014 and resulted in an increase in budgeted operating disbursements of approximately \$1,307,000 to various functions, with the main increase to business type activities for the water and sewer improvement projects.

The City’s receipts were \$33,921 more than the amended budget. This was primarily due to the City receiving more miscellaneous receipts than anticipated.

Total disbursements were \$785,856 more than the amended budget. This was primarily due to the payment to refund the general obligation capital loan notes and more disbursements than budgeted for the Aquatic Center.

The City exceeded the amounts budgeted in the general government, debt service and capital projects functions for the year ended June 30, 2014.

DEBT ADMINISTRATION

At June 30, 2014, the City had approximately \$11,395,000 of notes outstanding, compared to \$13,260,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2014	2013
General obligation notes	\$ 9,454	11,230
Revenue notes	1,941	2,030
Total	\$ 11,395	13,260

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 of approximately \$9.5 million, including TIF debt of approximately \$12,000, 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 2015 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the County as of July 2014 stands at 3.7% versus 3.8% at July 2013. This compares with the State’s unemployment rate of 4.5% and the national rate of 6.2% as of July 2014.

These indicators were taken into account when adopting the budget for fiscal year 2015. Amounts available for appropriation in the operating budget are approximately \$6.4 million, an increase of approximately \$75,000 over the fiscal year 2014 original budget. Property tax is expected to decrease approximately \$26,000, licenses and permits are expected to decrease approximately \$26,000 and charges for service are expected to decrease approximately \$17,000. Budgeted disbursements are expected to decrease approximately \$1,292,000 from the final fiscal year 2014 budget. This is primarily due to the decrease in budgeted business type activities disbursements. The City has added no major new programs or initiatives to the fiscal year 2015 budget.

If these estimates are realized, the City’s budgeted cash balance is expected to increase approximately \$205,000 by the close of fiscal year 2015.

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.

City of Adel

Basic Financial Statements

City of Adel

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 1,007,582	229,301	148,138
Public works	352,157	-	368,598
Culture and recreation	655,464	-	-
Community and economic development	145,296	255,394	99,948
General government	288,419	22,464	78,155
Debt service	2,079,458	-	1,381
Capital projects	741,327	29,389	44,469
Total governmental activities	5,269,703	536,548	740,689
Business type activities:			
Water	1,166,602	619,011	-
Sewer	722,695	506,452	-
Garbage/recycling	227,970	229,223	-
Storm water	182,311	101,755	-
Total business type activities	2,299,578	1,456,441	-
Total	\$ 7,569,281	1,992,989	740,689
Component units:			
South Dallas County Landfill Agency	\$ 1,099,150	1,042,997	-
Friends of Adel Public Library Foundation	15,374	-	7,510
Total component units	\$ 1,114,524	1,042,997	7,510
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			
Good faith deposit on capital loan notes			
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			
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
(630,143)	-	(630,143)		
16,441	-	16,441		
(655,464)	-	(655,464)		
210,046	-	210,046		
(187,800)	-	(187,800)		
(2,078,077)	-	(2,078,077)		
(667,469)	-	(667,469)		
(3,992,466)	-	(3,992,466)		
-	(547,591)	(547,591)		
-	(216,243)	(216,243)		
-	1,253	1,253		
-	(80,556)	(80,556)		
-	(843,137)	(843,137)		
(3,992,466)	(843,137)	(4,835,603)		
			(56,153)	-
			-	(7,864)
			(56,153)	(7,864)
1,341,769	-	1,341,769	-	-
347,119	-	347,119	-	-
488,325	-	488,325	-	-
422,345	-	422,345	-	-
3,861	-	3,861	137,075	295
4,400	-	4,400	-	-
7,935	-	7,935	6,716	17,384
5,000	(5,000)	-	-	-
2,620,754	(5,000)	2,615,754	143,791	17,679
(1,371,712)	(848,137)	(2,219,849)	87,638	9,815
1,751,176	3,330,970	5,082,146	4,327,989	63,188
\$ 379,464	2,482,833	2,862,297	4,415,627	73,003
\$ 69,814	-	69,814	-	-
227,526	-	227,526	-	-
10,430	-	10,430	-	-
-	195,126	195,126	-	-
-	982,807	982,807	-	-
-	-	-	1,831,008	-
-	-	-	-	73,003
55,853	64,993	120,846	-	-
15,841	1,239,907	1,255,748	2,584,619	-
\$ 379,464	2,482,833	2,862,297	4,415,627	73,003

City of Adel

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

As of and for the year ended June 30, 2014

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 998,767	-	-
Tax increment financing	-	-	488,325
Local sales and services tax	-	-	-
Licenses and permits	158,078	-	-
Use of money and property	55,674	-	-
Intergovernmental	255,741	368,598	-
Charges for service	234,828	-	-
Special assessments	5,259	-	-
Miscellaneous	115,474	-	-
Total receipts	<u>1,823,821</u>	<u>368,598</u>	<u>488,325</u>
Disbursements:			
Operating:			
Public safety	783,112	-	-
Public works	45,884	266,610	-
Culture and recreation	567,281	-	-
Community and economic development	118,322	-	10,364
General government	282,155	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>1,796,754</u>	<u>266,610</u>	<u>10,364</u>
Excess (deficiency) of receipts over (under) disbursements	<u>27,067</u>	<u>101,988</u>	<u>477,961</u>
Other financing sources (uses):			
Good faith deposit on capital loan notes	-	-	-
Operating transfers in	28,700	25,000	-
Operating transfers out	(50,000)	-	(483,769)
Total other financing sources (uses)	<u>(21,300)</u>	<u>25,000</u>	<u>(483,769)</u>
Change in cash balances	5,767	126,988	(5,808)
Cash balances beginning of year	274,131	100,538	51,922
Cash balances end of year	<u>\$ 279,898</u>	<u>227,526</u>	<u>46,114</u>
Cash Basis Fund Balances			
Restricted for:			
Urban renewal purposes	\$ 23,700	-	46,114
Streets	-	227,526	-
Local option sales tax	-	-	-
Other purposes	-	-	-
Unassigned	256,198	-	-
Total cash basis fund balances	<u>\$ 279,898</u>	<u>227,526</u>	<u>46,114</u>

See notes to financial statements.

Local Sales and Services Tax	Debt Service	Capital Projects	Nonmajor	Total
-	347,119	-	343,002	1,688,888
-	-	-	-	488,325
422,345	-	-	-	422,345
-	-	-	-	158,078
-	1,381	-	-	57,055
-	-	25,647	1,669	651,655
-	-	-	-	234,828
-	-	24,129	-	29,388
21,225	-	-	21,330	158,029
443,570	348,500	49,776	366,001	3,888,591
-	-	-	224,971	1,008,083
-	-	-	39,864	352,358
-	-	-	88,273	655,554
-	-	-	16,610	145,296
-	-	-	6,644	288,799
-	2,079,458	-	-	2,079,458
701,759	-	39,568	-	741,327
701,759	2,079,458	39,568	376,362	5,270,875
(258,189)	(1,730,958)	10,208	(10,361)	(1,382,284)
-	-	4,400	-	4,400
-	589,008	50,000	-	692,708
(138,939)	-	(15,000)	-	(687,708)
(138,939)	589,008	39,400	-	9,400
(397,128)	(1,141,950)	49,608	(10,361)	(1,372,884)
407,558	1,090,625	(245,182)	64,828	1,744,420
10,430	(51,325)	(195,574)	54,467	371,536
-	-	-	-	69,814
-	-	-	-	227,526
10,430	-	-	-	10,430
-	-	-	55,853	55,853
-	(51,325)	(195,574)	(1,386)	7,913
10,430	(51,325)	(195,574)	54,467	371,536

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, 2014

Total governmental funds cash balances (page 19) \$ 371,536

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

The Internal Service Funds are used by management to charge the costs of 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.

7,928

Cash basis net position of governmental activities (page 17) \$ 379,464

Change in cash balances (page 19) \$ (1,372,884)

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

The Internal Service Funds are used by management to charge the costs 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 balance of the Internal Service Funds is reported in governmental activities in the Cash Basis Statement of Activities and Net Position.

1,172

Change in cash basis net assets of governmental activities (page 17) \$ (1,371,712)

See notes to financial statements.

City of Adel

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

As of and for the year ended June 30, 2014

	Enterprise			
	Water	Sewer	Garbage / Recycling	Storm Water
Operating receipts:				
Charges for service	\$ 619,011	506,452	229,223	101,755
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
General government	-	-	-	-
Business type activities	457,543	361,396	227,970	182,311
Total operating disbursements	457,543	361,396	227,970	182,311
Excess (deficiency) of operating receipts over (under) operating disbursements	161,468	145,056	1,253	(80,556)
Non-operating receipts (disbursements):				
Capital projects	(621,129)	(310,776)	-	-
Debt service	(88,324)	(50,924)	-	-
Net non-operating receipts (disbursements)	(709,453)	(361,700)	-	-
Excess (deficiency) of receipts over (under) disbursements	(547,985)	(216,644)	1,253	(80,556)
Operating transfers out	-	-	(5,000)	-
Change in cash balances	(547,985)	(216,644)	(3,747)	(80,556)
Cash balances beginning of year	1,829,061	1,191,302	125,756	162,567
Cash balances end of year	\$ 1,281,076	974,658	122,009	82,011
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 96,231	98,895	-	-
Water improvements	621,129	-	-	-
Sewer improvements	-	310,776	-	-
Storm water improvements	-	-	-	50,902
Water deposits	64,993	-	-	-
Unrestricted	498,723	564,987	122,009	31,109
Total cash basis fund balances	\$ 1,281,076	974,658	122,009	82,011

See notes to financial statements.

Total	Internal Service
1,456,441	4,474
-	639
-	257
-	114
-	484
1,229,220	1,013
1,229,220	2,507
227,221	1,967
(931,905)	-
(139,248)	-
(1,071,153)	-
(843,932)	1,967
(5,000)	-
(848,932)	1,967
3,308,686	29,040
2,459,754	31,007
195,126	-
621,129	-
310,776	-
50,902	-
64,993	-
1,216,828	31,007
2,459,754	31,007

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, 2014

Total enterprise funds cash balances (page 23) \$ 2,459,754

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

The Internal Service Funds are used by management to charge the costs 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 are included in business type activities in the Cash Basis Statement of Activities and Net Position.

23,079

Cash basis net position of business type activities (page 17) \$ 2,482,833

Change in cash balances (page 23) \$ (848,932)

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

The Internal Service Funds are used by management to charge the costs 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.

795

Change in cash basis net position of business type activities (page 17) \$ (848,137)

See notes to financial statements.

City of Adel

Notes to Financial Statements

June 30, 2014

(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 for 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 the City Hall, City of Adel, Adel, IA. 50003.

Discretely Presented Component Units

The South Dallas County Landfill Agency (Landfill Agency) and the Friends of Adel Library Foundation (formerly known as 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.

The 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, 2014, disbursements exceeded the amounts budgeted in the general government, debt service and capital projects functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest 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, 2014, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$364,342 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
2015	\$ 670,000	240,728	100,000	50,774	770,000	291,502
2016	700,000	230,868	100,000	49,624	800,000	280,492
2017	715,000	219,470	101,000	48,324	816,000	267,794
2018	675,000	206,545	85,000	46,994	760,000	253,539
2019	580,000	192,018	85,000	45,594	665,000	237,612
2020-2024	2,855,000	734,711	460,000	201,245	3,315,000	935,956
2025-2029	1,940,000	400,005	530,000	134,258	2,470,000	534,263
2030-2033	1,315,000	88,189	480,000	42,213	1,795,000	130,402
Total	\$ 9,450,000	2,312,534	1,941,000	619,026	11,391,000	2,931,560

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 55% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,776,241. For the current year, principal and interest paid and total customer net receipts were \$87,474 and \$161,468, 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 35% of net receipts. The total principal and interest remaining to be paid on the notes is \$783,785. For the current year, principal and interest paid and total customer net receipts were \$50,294, and \$145,056, 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 and Retirement Benefits

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

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$100,272, \$89,336 and \$86,024, respectively, equal to the required contributions for each year.

(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 \$369 to \$389 for single coverage and \$1,132 to \$1,194 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, 2014, the City contributed \$155,126 and plan members eligible for benefits contributed \$35,585 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, 2014, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 81,000
Compensatory time	27,000
Total	<u>\$ 108,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2014.

(7) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Urban Renewal Tax Increment	\$ 23,700
	Enterprise:	
	Garbage/Recycling	5,000
		<u>28,700</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Urban Renewal Tax Increment	25,000
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	435,069
	Local Sales and Services Tax	138,939
	Capital Projects	15,000
		<u>614,008</u>
Capital Projects	General	50,000
Total		<u>\$ 692,708</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 Loan

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, 2014, 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, 2014 is \$125,000.

(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 are first paid. During the year ended June 30, 2014, the City rebated \$12,513 of incremental property tax to the participating companies.

(11) Deficit Balances

The Special Revenue, Short Term Projects Fund, the Debt Service Fund, the Capital Projects Fund and the Internal Service, Flex Benefits Fund had deficit balances of \$1,386, \$51,325, \$195,574 and \$10,834, respectively, at June 30, 2014. The City has a plan to reduce the deficits in fiscal year 2015.

(12) Subsequent Events

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 in the amount of \$4,400. However, the City did not receive the remainder of the capital loan note proceeds of \$435,600 until July 1, 2014.

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, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,688,888	-	-
Tax increment financing	488,325	-	-
Local sales and services tax	422,345	-	-
Licenses and permits	158,078	-	-
Use of money and property	57,055	-	-
Intergovernmental	651,655	-	-
Charges for service	234,828	1,460,915	4,474
Special assessments	29,388	-	-
Miscellaneous	158,029	-	11,472
Total receipts	3,888,591	1,460,915	15,946
Disbursements:			
Public safety	1,008,083	639	20,719
Public works	352,358	257	257
Culture and recreation	655,554	114	114
Community and economic development	145,296	-	-
General government	288,799	484	484
Debt service	2,079,458	-	-
Capital projects	741,327	-	-
Business type activities	-	2,301,386	1,013
Total disbursements	5,270,875	2,302,880	22,587
Excess (deficiency) of receipts over (under) disbursements	(1,382,284)	(841,965)	(6,641)
Other financing sources (uses), net	9,400	(5,000)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,372,884)	(846,965)	(6,641)
Balances beginning of year	1,744,420	3,337,726	40,910
Balances end of year	\$ 371,536	2,490,761	34,269

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,688,888	1,652,237	1,652,237	36,651
488,325	491,959	491,959	(3,634)
422,345	385,356	466,017	(43,672)
158,078	65,585	136,085	21,993
57,055	50,000	50,000	7,055
651,655	554,764	679,764	(28,109)
1,691,269	1,652,983	1,672,983	18,286
29,388	37,000	28,600	788
146,557	64,400	121,994	24,563
5,333,560	4,954,284	5,299,639	33,921
988,003	909,576	1,064,248	76,245
352,358	424,968	424,968	72,610
655,554	1,376,632	1,415,532	759,978
145,296	86,493	164,493	19,197
288,799	188,102	218,102	(70,697)
2,079,458	910,259	910,259	(1,169,199)
741,327	50,000	50,000	(691,327)
2,300,373	1,512,105	2,517,710	217,337
7,551,168	5,458,135	6,765,312	(785,856)
(2,217,608)	(503,851)	(1,465,673)	(751,935)
4,400	700,000	700,000	(695,600)
(2,213,208)	196,149	(765,673)	(1,447,535)
5,041,236	1,632,996	3,549,149	1,492,087
2,828,028	1,829,145	2,783,476	44,552

City of Adel

Notes to Other Information – Budgetary Reporting

June 30, 2014

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 \$1,307,177. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the general government, debt service and capital projects functions.

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, 2014

	Library Memorial	Employee Benefits	Police DARE
Receipts:			
Property tax	\$ -	343,002	-
Intergovernmental	-	-	-
Miscellaneous	9,650	-	78
Total receipts	9,650	343,002	78
Disbursements:			
Operating:			
Public safety	-	192,677	-
Public works	-	39,864	-
Culture and recreation	11,682	76,406	-
Community and economic development	-	16,610	-
General government	-	6,644	-
Total disbursements	11,682	332,201	-
Change in cash balances	(2,032)	10,801	78
Cash balances beginning of year	9,393	19,570	878
Cash balances end of year	\$ 7,361	30,371	956
Cash Basis Fund Balances			
Restricted for other purposes	\$ 7,361	30,371	956
Unassigned	-	-	-
Total cash basis fund balances	\$ 7,361	30,371	956

See accompanying independent auditor's report.

Special Revenue				
Short Term Projects	Historical Museum	Fire Association	Police Forfeiture	Total
-	-	-	-	343,002
-	-	-	1,669	1,669
-	130	11,472	-	21,330
-	130	11,472	1,669	366,001
-	-	20,080	12,214	224,971
-	-	-	-	39,864
-	185	-	-	88,273
-	-	-	-	16,610
-	-	-	-	6,644
-	185	20,080	12,214	376,362
-	(55)	(8,608)	(10,545)	(10,361)
(1,386)	13,722	11,870	10,781	64,828
(1,386)	13,667	3,262	236	54,467
-	13,667	3,262	236	55,853
(1,386)	-	-	-	(1,386)
(1,386)	13,667	3,262	236	54,467

Schedule 2

City of Adel

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

Year ended June 30, 2014

	Building Replacement	Flex Benefits	Total
Operating receipts:			
Charges for service	\$ -	4,474	4,474
Operating disbursements:			
Governmental activities:			
Public safety	-	639	639
Public works	-	257	257
Culture and recreation	-	114	114
General government	-	484	484
Business type activities:			
Water	-	502	502
Sewer	-	511	511
Total operating disbursements	-	2,507	2,507
Change in cash balances	-	1,967	1,967
Cash balances beginning of year	41,841	(12,801)	29,040
Cash balances end of year	\$ 41,841	(10,834)	31,007
Cash Basis Fund Balances			
Unrestricted	\$ 41,841	(10,834)	31,007

See accompanying independent auditor's report.

City of Adel

City of Adel
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Capital loan notes	Feb 28, 2007	3.65-4.15%	\$ 1,800,000
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 a capital loan note 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
1,245,000	-	1,245,000	-	49,930
40,000	-	20,000	20,000	960
2,325,000	-	15,000	2,310,000	69,445
1,290,000	-	300,000	990,000	16,865
1,700,000	-	150,000	1,550,000	35,620
3,500,000	-	50,000	3,450,000	88,938
1,130,000	-	-	1,130,000	33,900
-	4,400	-	4,400	-
<u>\$ 11,230,000</u>	-	<u>1,780,000</u>	<u>9,454,400</u>	<u>295,658</u>
60,000	-	14,000	46,000	1,800
570,000	-	20,000	550,000	14,494
1,400,000	-	55,000	1,345,000	32,474
<u>\$ 2,030,000</u>	-	<u>89,000</u>	<u>1,941,000</u>	<u>48,768</u>

City of Adel
Note Maturities
June 30, 2014

Year Ending June 30,	General					
	Capital Loan Notes		Refunding Capital Loan Notes		Refunding Capital Loan Notes	
	Issued Jun 29, 2010		Issued Sept 27, 2011		Issued Sept 27, 2011	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2015	2.40%	\$ 20,000	1.30%	\$ 50,000	1.10%	\$ 280,000
2016	-	-	1.65	100,000	1.35	260,000
2017	-	-	2.00	100,000	1.60	275,000
2018	-	-	2.30	110,000	1.90	175,000
2019	-	-	2.50	150,000	-	-
2020	-	-	2.70	150,000	-	-
2021	-	-	2.90	150,000	-	-
2022	-	-	3.10	150,000	-	-
2023	-	-	3.25	150,000	-	-
2024	-	-	3.35	150,000	-	-
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	-	-	-	-	-	-
Total		<u>\$ 20,000</u>		<u>\$ 2,310,000</u>		<u>\$ 990,000</u>

See accompanying independent auditor's report.

Obligation Notes						
Refunding				Refunding		
Capital Loan Notes		Capital Loan Notes		Capital Loan Notes		
Issued Sept 27, 2011		Issued July 10, 2012		Issued July 25, 2012		
Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Total
1.10%	\$ 150,000	1.00%	\$ 55,000	3.00%	\$ 115,000	670,000
1.35	150,000	1.25	65,000	3.00	125,000	700,000
1.60	150,000	1.25	70,000	3.00	120,000	715,000
1.90	160,000	1.75	75,000	3.00	155,000	675,000
2.15	150,000	1.75	80,000	3.00	200,000	580,000
2.35	150,000	1.75	85,000	3.00	205,000	590,000
2.60	160,000	2.00	195,000	3.00	210,000	715,000
2.80	160,000	2.10	200,000		-	510,000
3.00	160,000	2.25	205,000		-	515,000
3.15	160,000	2.40	215,000		-	525,000
	-	2.50	220,000		-	370,000
	-	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>\$ 1,550,000</u>		<u>\$ 3,450,000</u>		<u>\$ 1,130,000</u>	<u>9,450,000</u>

Schedule 4

City of Adel

Note Maturities

June 30, 2014

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	
2015	3.92%	\$ 15,000	1.00%	\$ 25,000	0.75%	\$ 60,000	100,000
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>\$ 46,000</u>		<u>\$ 550,000</u>		<u>\$ 1,345,000</u>	<u>1,941,000</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

	2014	2013	2012	2011
Receipts:				
Property tax	\$ 1,688,888	1,679,872	1,611,593	1,561,144
Tax increment financing	488,325	495,028	465,346	467,273
Other city tax	422,345	551,408	237,001	136,256
Licenses and permits	158,078	86,289	72,196	35,522
Use of money and property	57,055	56,394	49,356	56,996
Intergovernmental	651,655	564,582	496,700	542,442
Charges for service	234,828	123,499	124,546	132,885
Special assessments	29,388	66,146	178,916	43,819
Miscellaneous	158,029	118,376	84,591	124,221
Total	\$ 3,888,591	3,741,594	3,320,245	3,100,558
Disbursements:				
Operating:				
Public safety	\$ 1,008,083	841,419	805,808	782,863
Public works	352,358	340,004	325,110	366,024
Culture and recreation	655,554	529,000	514,599	577,657
Community and economic development	145,296	110,994	94,243	89,977
General government	288,799	172,477	235,204	212,663
Debt service	2,079,458	877,907	816,684	704,716
Capital projects	741,327	3,605,883	636,067	2,365,269
Total	\$ 5,270,875	6,477,684	3,427,715	5,099,169

See accompanying independent auditor's report.

2010	2009	2008	2007	2006	2005
1,539,578	1,483,628	1,462,337	1,306,736	1,214,167	1,231,889
473,457	445,748	357,449	335,343	338,005	334,406
5,301	6,439	6,191	6,355	51,698	9,622
20,082	30,964	29,059	57,008	84,249	99,610
48,251	49,501	122,458	127,168	101,573	58,328
425,202	459,541	342,075	326,922	329,448	345,590
130,725	153,382	129,482	129,033	105,163	164,373
8,553	28,936	36,679	206,648	50,291	22,553
131,813	152,889	202,769	125,962	432,106	151,494
2,782,962	2,811,028	2,688,499	2,621,175	2,706,700	2,417,865
775,402	780,846	676,871	613,718	550,119	527,147
345,804	371,991	318,469	346,757	291,767	338,276
531,748	523,375	470,579	408,423	435,096	345,241
120,609	145,513	129,666	58,476	94,236	56,238
230,178	252,274	184,558	187,673	215,456	255,105
705,798	700,572	717,810	3,844,998	821,609	515,837
604,318	548,770	119,581	2,410,874	977,057	2,393,528
3,313,857	3,323,341	2,617,534	7,870,919	3,385,340	4,431,372

City of Adel



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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 the 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, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 27, 2014. 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 significant deficiencies.

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 deficiencies described in the accompanying Schedule of Findings as items (D) and (E) to be significant deficiencies.

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, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those 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

October 27, 2014

City of Adel

Schedule of Findings

Year ended June 30, 2014

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 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, Library Foundation and 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 will review and enforce the policy which addresses internal controls regarding segregation of duties to ensure an independent reviewer reviews and signs off.

Conclusion – Response accepted.

City of Adel

Schedule of Findings

Year ended June 30, 2014

- (B) Financial Reporting – During the audit, we identified material amounts of receipts and disbursements not posted correctly. Adjustments were subsequently made by the City to properly report the amounts in the City’s financial statements.

Recommendation – The City should implement procedures to ensure receipts, disbursements and transfers are properly recorded in the City’s financial statements.

Response – We had new hires at both our Clerk and Treasurer positions this past year. Procedures should improve with experience in the positions. We will review procedures to ensure amounts are accurate and recorded correctly.

Conclusion – Response accepted.

- (C) Bank Reconciliations – Although monthly bank reconciliations were prepared, variances existed between the bank balance and the Treasurer’s general ledger balance. The reconciliations were not reviewed by an independent person. Additionally, signatures are pre-printed on checks and cancelled checks are not reviewed. The bank reconciliation variances were resolved for audit purposes.

Recommendation – To improve financial accountability and control, monthly bank reconciliations should be performed and variances between book and bank balances should be investigated and resolved timely. In addition, the 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.

Response – Reconciliations will be reviewed, including the initials of the reviewer and the date reviewed.

Conclusion – Response accepted.

- (D) Annual Financial Report – The City prepared the Annual Financial Report for the year ended June 30, 2013. However, the receipts, disbursements and cash basis fund balances by fund/fund type were materially misstated.

Recommendation – The City should implement procedures to ensure the Annual Financial Report is accurate in total as well as by fund/fund type.

Response – More training, time and attention will be given to the preparation of the Annual Financial Reports to ensure proper reporting in the future.

Conclusion – Response accepted.

- (E) 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.

City of Adel

Schedule of Findings

Year ended June 30, 2014

- (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 are looking into having the Fire Department follow accounting policies similar to the Adel Library Foundation policies.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Adel

Schedule of Findings

Year ended June 30, 2014

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the general government, debt service and capital projects 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.” In addition, several items in the “Total Budget as certified or last amended” column on the budget amendment form did not match the original budget.

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. In addition, the “Total Budget as certified or last amended” column should agree with the original budget.

Response – While it is difficult to project the spending that takes place during the last two months of the fiscal year, we will try to be more accurate.

Conclusion – Response accepted.

- (2) Questionable Disbursements – A disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented was noted. This disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Adel Flowers	Flowers for funeral	\$ 53

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by this disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response – We will document the public purpose of these disbursements in the City Council minutes.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

City of Adel

Schedule of Findings

Year ended June 30, 2014

- (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, 2014 were noted.
- (9) Annual Urban Renewal Report – No instances of non-compliance with the Annual Urban Renewal Report requirements for the year ended June 30, 2014 were noted.
- (10) Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality shall certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for future urban renewal projects. Indebtedness incurred is to be certified to the County Auditor and the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. In addition, Chapter 403.19(5)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from a reduction in debt or for any other reason to the County Auditor.

The City has used TIF receipts to pay general obligation debt, legal and other fees and economic development grants and projects, but has not certified these costs as TIF debt.

Recommendation – The City should consult TIF legal counsel to determine the disposition of the City's TIF certifications and the amount of TIF debt to be certified.

Response – In the Fall of 2013, the City was made aware of expenses being paid directly out of the Special Revenue, Urban Renewal Tax Increment Fund. Through training, the Treasurer learned the proper rules for these funds and no longer pays uncertified debt directly from the Special Revenue, Urban Renewal Tax Increment Fund.

Conclusion – Response accepted.

- (11) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, outstanding for more than two years to the Office of Treasurer of State annually. The City did not remit these obligations as required.

Recommendation – Outstanding checks should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State as required.

Response – Unclaimed property will be remitted this fall before the deadline.

Conclusion – Response accepted.

City of Adel

Schedule of Findings

Year ended June 30, 2014

- (12) Financial Condition – The Special Revenue, Short Term Projects Fund, the Capital Projects Fund, the Debt Service Fund and the Internal Service, Flex Benefits Fund had deficit balances of \$1,386, \$195,574, \$51,325 and \$10,833, respectively, at June 30, 2014.

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

Response – The City will endeavor to reduce the deficits as quickly as possible.

Conclusion – Response accepted.

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

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

Response – The Fire Department has contacted its bank and this should be remedied by October 2014.


Conclusion – Response accepted.

City of Adel

Staff

This audit was performed by:

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