

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

October 10, 2016

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$6,260,848 for the year ended June 30, 2015, a 7.3% increase over the prior year. The receipts included \$931,270 in property tax, \$228,966 from tax increment financing, \$1,571,391 from charges for service, \$608,716 from operating grants, contributions and restricted interest, \$549,321 from local option sales tax, \$17,520 from unrestricted interest on investments, \$2,287,547 from bond proceeds and \$66,117 from other general receipts.

Disbursements for the year ended June 30, 2015 totaled \$3,924,056, a 32.5% decrease from the prior year, and included \$1,046,834 for public safety, \$682,115 for debt service and \$652,722 for public works. Also, disbursements for business type activities totaled \$907,994.

The significant decrease in disbursements is due primarily to the retirement of urban renewal tax increment financing revenue bonds and sewer improvement notes in the prior year.

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 <https://auditor.iowa.gov/reports/1520-0049-B00F>.

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

JUNE 30, 2015

Table of Contents

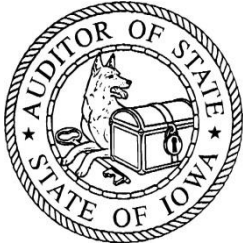
| | | <u>Page</u> |
|---|-----------------|-------------|
| Officials | | 3 |
| Independent Auditor's Report | | 5-7 |
| Management's Discussion and Analysis | | 9-14 |
| Basic Financial Statements: | <u>Exhibit</u> | |
| Government-wide Financial Statement: | | |
| Cash Basis Statement of Activities and Net Position | A | 16-17 |
| Governmental Fund Financial Statements: | | |
| Statement of Cash Receipts, Disbursements and Changes in Cash Balances | B | 18-19 |
| Proprietary Fund Financial Statements: | | |
| Statement of Cash Receipts, Disbursements and Changes in Cash Balances | C | 21 |
| Notes to Financial Statements | | 22-36 |
| Other Information: | | |
| Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds | | 38-39 |
| Notes to Other Information - Budgetary Reporting | | 40 |
| Schedule of the City's Proportionate Share of the Net Pension Liability | | 41 |
| Schedule of City Contributions | | 42-43 |
| Notes to Other Information - Pension Liability | | 44-45 |
| Supplementary Information: | <u>Schedule</u> | |
| Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds | 1 | 48-49 |
| Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Proprietary Funds | 2 | 50 |
| Schedule of Indebtedness | 3 | 52-53 |
| Bond and Note Maturities | 4 | 54 |
| Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds | 5 | 56-57 |
| 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 <u>Government Auditing Standards</u> | | 59-60 |
| Schedule of Findings | | 61-67 |
| Staff | | 68 |

City of Evansdale

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------------------------|----------------------------|---------------------|
| Doug Faas | Mayor | Jan 2016 |
| Kenny Loftus | Mayor Pro tem | Jan 2016 |
| Steven Seible | Council Member | Jan 2016 |
| Dick Dewater | Council Member | Jan 2018 |
| Ronald Nichols | Council Member | Jan 2018 |
| Gene Walker | Council Member | Jan 2018 |
| Becky Walters | City Clerk | (Resigned Nov 2014) |
| DeAnne Kobliska (Appointed Dec 2014) | City Clerk | Jan 2016 |
| Kelley Felchle | Deputy Clerk | (Resigned May 2015) |
| Joelle Strader (Hired June 2015) | Deputy Clerk | Indefinite |
| Craig Ament | Attorney | Jan 2016 |
| Sharon K. Loftus | Water Works Trustee | Jan 2016 |
| Chad Borwig | Water Works Trustee | Jan 2018 |
| Dona R. Frickson | Water Works Trustee | Jan 2020 |
| Sandra E. Clements | Water Works Office Manager | Indefinite |
| Charlotte A. White | Water Works Office Clerk | Indefinite |
| Patrick Galles | Water Works Attorney | Jan 2016 |

City of Evansdale



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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, each major fund and the aggregate remaining fund information of the City of Evansdale, 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

Basis for Qualified Opinion on the Aggregate Remaining Fund Information

The financial statements do not include financial data for one of the City's legally separate component units, the City of Evansdale Volunteer Fire Department Association. The amounts by which this omission would affect the receipts, disbursements and cash balances of the blended component units have not been determined.

Qualified Opinion

In our opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinion on the Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly the financial position of the aggregate remaining fund information of the City of Evansdale as of June 30, 2015, and the changes in its cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified 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 and each major fund of the City of Evansdale 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 discussed 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 discussed in Note 4, the City of Evansdale 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 Evansdale's basic financial statements. The financial statements for the nine years ended June 30, 2014 (which are not presented herein) were audited by another auditor who expressed modified opinions on those financial statements for the years ended June 30, 2014 and June 30, 2013. Unmodified opinions were issued for the seven years ended June 30, 2012. The financial statements during those nine years 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, except for the omission of the financial data for the City of Evansdale Volunteer Fire Department Association, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the City's 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 9 through 14 and 38 through 45, 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 June 22, 2016 on our consideration of the City of Evansdale'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 Evansdale's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

June 22, 2016

City of Evansdale

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Evansdale 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 decreased 0.02%, or approximately \$1,000, from fiscal year 2014 to fiscal year 2015. Bond proceeds increased approximately \$254,000, interfund loan receipts decreased \$120,000, sale of capital assets decreased \$99,000 and local option sales tax decreased \$28,000.
- Disbursements of the City's governmental activities decreased 40%, or approximately \$2,015,000, from fiscal year 2014 to fiscal year 2015. Debt service and public works disbursements decreased approximately \$1,807,000 and \$246,000, respectively.
- The City's total cash basis net position increased 93.7%, or approximately \$2,336,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$2,104,000 and the cash basis net position of the business type activities increased approximately \$232,000.

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 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 and the sanitary sewer system. 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 and Employee Benefits, 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.

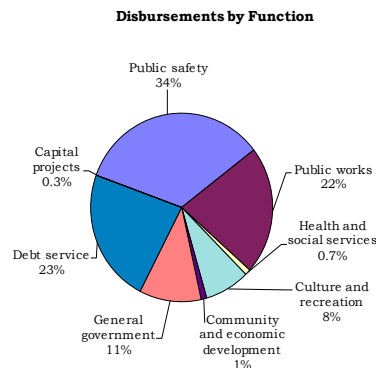
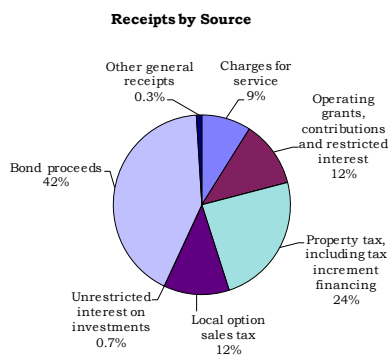
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains five Enterprise Funds to provide separate information for the Water, Sewer and Sanitation/Recycling Funds, considered to be major funds of the City, and the Storm Water and Utility Deposits Funds.

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

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 sharply from a year ago, increasing from approximately \$1.718 million to approximately \$3.822 million. 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 | \$ 421 | 363 |
| Operating grants, contributions and restricted interest | 590 | 596 |
| General receipts: | | |
| Property tax, including tax increment financing | 1,160 | 1,110 |
| Local option sales tax | 549 | 577 |
| Unrestricted interest on investments | 15 | 13 |
| Bond proceeds | 1,978 | 1,724 |
| Other general receipts | 29 | 240 |
| Total receipts | 4,742 | 4,623 |
| Disbursements: | | |
| Public safety | 1,047 | 1,048 |
| Public works | 653 | 899 |
| Health and social services | 17 | 17 |
| Culture and recreation | 240 | 230 |
| Community and economic development | 32 | 2 |
| General government | 337 | 347 |
| Debt service | 682 | 2,489 |
| Capital projects | 9 | - |
| Total disbursements | 3,017 | 5,032 |
| Change in cash basis net position before transfers | 1,725 | (409) |
| Transfers, net | 379 | 266 |
| Change in cash basis net position | 2,104 | (143) |
| Cash basis net position beginning of year | 1,718 | 1,861 |
| Cash basis net position end of year | \$ 3,822 | 1,718 |



The City's total receipts for governmental activities decreased 0.02%, or approximately \$1,000. The total cost of all programs and services decreased approximately \$2,015,000, or 40%. The significant decrease in disbursements was primarily the result of the retirement of urban renewal tax increment financing revenue bonds and sewer improvement notes in the prior year.

The cost of all governmental activities this year was approximately \$3.017 million compared to approximately \$5.032 million last year. However, as shown in the Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$2.005 million because some of the cost was paid by those directly benefited from the programs (approximately \$421,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$590,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2015 from approximately \$959,000 to approximately \$1,011,000.

| 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 | \$ 453 | 457 |
| Sewer | 416 | 418 |
| Sanitation/recycling | 237 | 237 |
| Storm water | 18 | 18 |
| Utility deposits | 26 | 26 |
| Operating grants, contributions and restricted interest | 19 | 19 |
| General receipts: | | |
| Unrestricted interest on investments | 3 | 3 |
| Bond proceeds | 310 | - |
| Other general receipts | 37 | 36 |
| Total receipts | 1,519 | 1,214 |
| Disbursements: | | |
| Water | 403 | 325 |
| Sewer | 245 | 235 |
| Sanitation/recycling | 230 | 201 |
| Storm water | 9 | 18 |
| Utility deposits | 21 | 5 |
| Total disbursements | 908 | 784 |
| Change in cash basis net position before transfers | 611 | 430 |
| Transfers, net | (379) | (266) |
| Change in cash basis net position | 232 | 164 |
| Cash basis net position beginning of year | 775 | 611 |
| Cash basis net position end of year | \$ 1,007 | 775 |

Total business type activities receipts for the fiscal year were approximately \$1.519 million compared to approximately \$1.094 million last year. This significant increase was due primarily to the receipt of \$310,000 of general obligation bond proceeds. The cash balance increased approximately \$232,000 from the prior year because most of the bond proceeds received will not be spent until next fiscal year for water improvement projects. Total disbursements for the fiscal year increased 15.8% to approximately \$908,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Evansdale completed the year, its governmental funds reported a combined fund balance of \$3,822,336, an increase of more than \$2,104,000 above last year's total of \$1,717,721. 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 \$71,051 over the prior year to \$608,165. Disbursements decreased from \$1,278,769 to \$1,255,474 in fiscal year 2015.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$36,281 to \$147,214. This decrease was attributable to public works projects/costs in excess of road use tax receipts.
- The Special Revenue, Employee Benefits Fund cash balance increased \$24,464 to \$106,940. Receipts increased \$100,326 and disbursements increased \$24,924 from the prior year. The employee benefits tax levy rate was decreased in fiscal year 2014 to eliminate a large cash balance at June 30, 2013. The levy rate was then increased in fiscal year 2015 to account for increased benefits costs.
- The Special Revenue, Local Option Sales Tax Fund cash balance remained at zero. Local option sales tax receipts decreased approximately \$28,000, or 4.8% from the prior year.
- The Debt Service Fund cash balance decreased \$52 to \$77,268. Property tax, bond proceeds and transfers in totaled \$682,063 while bond principal and interest payments totaled \$682,115 in fiscal year 2015.
- The Capital Projects Fund cash balance increased \$2,056,145 to \$2,437,537 during the fiscal year. Bond proceeds of \$1,902,547 and transfers in of \$274,661 increased the cash balance over the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$147,691 to \$452,141, due primarily to general obligation bond proceeds of \$310,000.
- The Enterprise, Sewer Fund cash balance increased \$43,970 to \$277,276, due primarily to the receipt of sewer fees in excess of current year disbursements.
- The Enterprise, Sanitation/Recycling Fund cash balance increased \$26,251 to \$155,628, due primarily to the receipt of sanitation and recycling fees in excess of current operating disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 19, 2015 and resulted in an increase in revenues and other financing sources of \$2,317,960 and an increase in operating disbursements of \$2,315,060. Other financing sources primarily increased due to bond proceeds of \$2,287,560, while disbursements primarily increased due to additional capital projects of \$1,797,560.

The City's receipts were \$21,795 more than budgeted.

With the budget amendment, total disbursements were \$2,445,859 less than the amended budget. Actual disbursements for the capital projects, business type activities and public works functions were \$1,789,048, \$451,116 and \$74,030, respectively, less than the amended budget. This was primarily due to the City's capital projects relating to streets, bridges and water extensions being in the early stages of the projects.

The City exceeded the amounts budgeted in the health and social services and community and economic development functions for the year ended June 30, 2015.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$4,242,000 of bonds and other long-term debt outstanding, compared to \$2,699,000 last year, as shown below.

| Outstanding Debt at Year-End (Expressed in Thousands) | | |
|--|----------|-------|
| | 2015 | 2014 |
| General obligation bonds | \$ 4,185 | 2,615 |
| Capital leases | 57 | 84 |
| Total | \$ 4,242 | 2,699 |

Debt increased as a result of issuing general obligation bonds for City capital projects, bond refunding of previous issuances and water construction projects.

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 \$4,242,000 is significantly below its constitutional debt limit of approximately \$11 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

City of Evansdale'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 now stands at 5.2% versus 4.8% a year ago. This compares with the State's unemployment rate of 3.8% and the national rate of 5.0%.

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are approximately \$8.2 million, an increase of 187% over the final fiscal year 2015 budget. An increase in intergovernmental receipts from several grants and proceeds from general obligation bonds are expected to lead this increase. The City will use these increases in receipts to finance city and water capital projects. Budgeted disbursements are expected to rise approximately \$3,801,000.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$94,000 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 DeAnne Kobliska, City Clerk, 123 N. Evans Road, Evansdale, Iowa 50707.

Basic Financial Statements

City of Evansdale

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

| | Program Receipts | | | |
|---|---------------------------|--|--|---|
| | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest | |
| Disbursements | | | | |
| Functions/Programs: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 1,046,834 | 233,202 | 52,158 | - |
| Public works | 652,722 | 4,287 | 501,968 | - |
| Health and social services | 17,133 | - | - | - |
| Culture and recreation | 239,664 | 168,886 | 35,586 | - |
| Community and economic development | 31,598 | - | - | - |
| General government | 337,484 | 14,580 | - | - |
| Debt service | 682,115 | - | - | - |
| Capital projects | 8,512 | - | - | - |
| Total governmental activities | 3,016,062 | 420,955 | 589,712 | - |
| Business-Type Activities | | | | |
| Business type activities: | | | | |
| Water | 403,285 | 452,566 | - | - |
| Sewer | 244,723 | 416,372 | - | - |
| Sanitation/recycling | 229,778 | 237,025 | 19,004 | - |
| Storm water | 9,454 | 18,033 | - | - |
| Utility deposits | 20,754 | 26,440 | - | - |
| Total business type activities | 907,994 | 1,150,436 | 19,004 | - |
| Total | \$ 3,924,056 | 1,571,391 | 608,716 | - |
| General Receipts and Transfers: | | | | |
| Property and other city tax levied for: | | | | |
| General purposes | | | | |
| Debt service | | | | |
| Tax increment financing | | | | |
| Local option sales tax | | | | |
| Unrestricted interest on investments | | | | |
| Miscellaneous | | | | |
| Sale of capital assets | | | | |
| Bond proceeds, net of \$88,560 premium and \$1,013 of underwriters discount | | | | |
| 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: | | | | |
| Streets | | | | |
| Urban renewal purposes | | | | |
| Debt service | | | | |
| Capital projects | | | | |
| Other purposes | | | | |
| Customer deposits | | | | |
| Unrestricted | | | | |
| Total cash basis net position | | | | |

See notes to financial statements.

Net (Disbursements) Receipts and
Changes in Cash Basis Net Position

| Governmental Activities | Business Type Activities | Total |
|----------------------------|-----------------------------|-------------|
| (761,474) | - | (761,474) |
| (146,467) | - | (146,467) |
| (17,133) | - | (17,133) |
| (35,192) | - | (35,192) |
| (31,598) | - | (31,598) |
| (322,904) | - | (322,904) |
| (682,115) | - | (682,115) |
| (8,512) | - | (8,512) |
| (2,005,395) | - | (2,005,395) |

| | | |
|-------------|---------|-------------|
| - | 49,281 | 49,281 |
| - | 171,649 | 171,649 |
| - | 26,251 | 26,251 |
| - | 8,579 | 8,579 |
| - | 5,686 | 5,686 |
| - | 261,446 | 261,446 |
| (2,005,395) | 261,446 | (1,743,949) |

| | | |
|--------------|-----------|-----------|
| 924,853 | - | 924,853 |
| 6,417 | - | 6,417 |
| 228,966 | - | 228,966 |
| 549,321 | - | 549,321 |
| 14,710 | 2,810 | 17,520 |
| 28,299 | 36,766 | 65,065 |
| 1,052 | - | 1,052 |
| 1,977,547 | 310,000 | 2,287,547 |
| 378,845 | (378,845) | - |
| 4,110,010 | (29,269) | 4,080,741 |
| 2,104,615 | 232,177 | 2,336,792 |
| 1,717,721 | 774,582 | 2,492,303 |
| \$ 3,822,336 | 1,006,759 | 4,829,095 |

| | | |
|--------------|-----------|-----------|
| \$ 147,214 | - | 147,214 |
| 68,373 | - | 68,373 |
| 77,268 | - | 77,268 |
| 2,437,537 | - | 2,437,537 |
| 483,779 | - | 483,779 |
| 142,096 | 85,303 | 227,399 |
| 466,069 | 921,456 | 1,387,525 |
| \$ 3,822,336 | 1,006,759 | 4,829,095 |

City of Evansdale

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

As of and for the year ended June 30, 2015

| | General | Special Revenue | | |
|---|-------------------|-----------------|-------------------|------------------------|
| | | Road Use Tax | Employee Benefits | Local Option Sales Tax |
| Receipts: | | | | |
| Property tax | \$ 623,160 | - | 238,038 | - |
| Tax increment financing | - | - | - | - |
| Other city tax | 63,655 | - | - | 549,321 |
| Licenses and permits | 65,507 | - | - | - |
| Use of money and property | 29,015 | - | - | - |
| Intergovernmental | 71,931 | 494,246 | - | - |
| Charges for service | 280,943 | - | - | - |
| Special assessments | 185 | - | - | - |
| Miscellaneous | 81,213 | - | 9,597 | - |
| Total receipts | 1,215,609 | 494,246 | 247,635 | 549,321 |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | 789,909 | - | 256,712 | - |
| Public works | - | 530,527 | - | - |
| Health and social services | 17,133 | - | - | - |
| Culture and recreation | 228,309 | - | 11,355 | - |
| Community and economic development | 2,389 | - | - | - |
| General government | 217,734 | - | 79,773 | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | - |
| Total disbursements | 1,255,474 | 530,527 | 347,840 | - |
| Excess (deficiency) of receipts over (under) disbursements | (39,865) | (36,281) | (100,205) | 549,321 |
| Other financing sources (uses): | | | | |
| Bond proceeds, net of \$88,560 premium and \$1,013 of underwriters discount | - | - | - | - |
| Sale of capital assets | 1,052 | - | - | - |
| Transfers in | 109,864 | - | 124,669 | - |
| Transfers out | - | - | - | (549,321) |
| Total other financing sources (uses) | 110,916 | - | 124,669 | (549,321) |
| Change in cash balances | 71,051 | (36,281) | 24,464 | - |
| Cash balances beginning of year | 537,114 | 183,495 | 82,476 | - |
| Cash balances end of year | \$ 608,165 | 147,214 | 106,940 | - |
| Cash Basis Fund Balances | | | | |
| Restricted for: | | | | |
| Streets | \$ - | 147,214 | - | - |
| Urban renewal purposes | - | - | - | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | - |
| Other purposes | - | - | 106,940 | - |
| Assigned for various purposes | 142,096 | - | - | - |
| Unassigned | 466,069 | - | - | - |
| Total cash basis fund balances | \$ 608,165 | 147,214 | 106,940 | - |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor | Total |
|--------------|------------------|-----------|-----------|
| 6,417 | - | - | 867,615 |
| - | - | 228,966 | 228,966 |
| - | - | - | 612,976 |
| - | - | - | 65,507 |
| - | - | - | 29,015 |
| - | 7,948 | - | 574,125 |
| - | - | - | 280,943 |
| - | 2,417 | - | 2,602 |
| - | 10,674 | - | 101,484 |
| 6,417 | 21,039 | 228,966 | 2,763,233 |
| - | - | 213 | 1,046,834 |
| - | 122,195 | - | 652,722 |
| - | - | - | 17,133 |
| - | - | - | 239,664 |
| - | - | 29,209 | 31,598 |
| - | - | 39,977 | 337,484 |
| 682,115 | - | - | 682,115 |
| - | 8,512 | - | 8,512 |
| 682,115 | 130,707 | 69,399 | 3,016,062 |
| (675,698) | (109,668) | 159,567 | (252,829) |
| 75,000 | 1,902,547 | - | 1,977,547 |
| - | - | - | 1,052 |
| 600,646 | 274,661 | 40,127 | 1,149,967 |
| - | (11,395) | (210,406) | (771,122) |
| 675,646 | 2,165,813 | (170,279) | 2,357,444 |
| (52) | 2,056,145 | (10,712) | 2,104,615 |
| 77,320 | 381,392 | 455,924 | 1,717,721 |
| 77,268 | 2,437,537 | 445,212 | 3,822,336 |
| - | - | - | 147,214 |
| - | - | 68,373 | 68,373 |
| 77,268 | - | - | 77,268 |
| - | 2,437,537 | - | 2,437,537 |
| - | - | 376,839 | 483,779 |
| - | - | - | 142,096 |
| - | - | - | 466,069 |
| 77,268 | 2,437,537 | 445,212 | 3,822,336 |

City of Evansdale

City of Evansdale

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

As of and for the year ended June 30, 2015

| | Enterprise | | | | Total |
|--|------------|-----------|--------------------------|----------|-----------|
| | Water | Sewer | Sanitation/ Recycling | Nonmajor | |
| Operating receipts: | | | | | |
| Charges for service | \$ 417,139 | 416,257 | 229,937 | 44,473 | 1,107,806 |
| Miscellaneous | 35,427 | 115 | 7,088 | - | 42,630 |
| Total operating receipts | 452,566 | 416,372 | 237,025 | 44,473 | 1,150,436 |
| Operating disbursements: | | | | | |
| Business type activities | 403,285 | 244,723 | 229,778 | 30,208 | 907,994 |
| Excess of operating receipts over operating disbursements | 49,281 | 171,649 | 7,247 | 14,265 | 242,442 |
| Non-operating receipts (disbursements): | | | | | |
| Intergovernmental | - | - | 19,004 | - | 19,004 |
| Interest on investments | 2,810 | - | - | - | 2,810 |
| Rents | 36,766 | - | - | - | 36,766 |
| Bond proceeds | 310,000 | - | - | - | 310,000 |
| Net non-operating receipts (disbursements) | 349,576 | - | 19,004 | - | 368,580 |
| Excess of receipts over disbursements | 398,857 | 171,649 | 26,251 | 14,265 | 611,022 |
| Transfers out | (251,166) | (127,679) | - | - | (378,845) |
| Change in cash balances | 147,691 | 43,970 | 26,251 | 14,265 | 232,177 |
| Cash balances beginning of year | 304,450 | 233,306 | 129,377 | 107,449 | 774,582 |
| Cash balances end of year | \$ 452,141 | 277,276 | 155,628 | 121,714 | 1,006,759 |
| Cash Basis Fund Balances | | | | | |
| Restricted: | | | | | |
| Customer deposits | \$ - | - | - | 85,303 | 85,303 |
| Capital projects | 286,658 | - | - | - | 286,658 |
| Unrestricted | 165,483 | 277,276 | 155,628 | 36,411 | 634,798 |
| Total cash basis fund balances | \$ 452,141 | 277,276 | 155,628 | 121,714 | 1,006,759 |

See notes to financial statements.

City of Evansdale

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Evansdale is a political subdivision of the State of Iowa located in Black Hawk County. It was first incorporated in 1947 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, sanitation/recycling and storm water utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Evansdale has included all funds, organizations, agencies, boards, commissions and authorities, except for the City of Evansdale Volunteer Fire Department Association. 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 Evansdale (the primary government) and the Evansdale Municipal Waterworks (a component unit).

Blended Component Unit

The Evansdale Municipal Waterworks is legally separate from the City, but is so intertwined with the City it is, in substance, part of the City. The Evansdale Municipal Waterworks has been established pursuant to Chapter 388 of the Code of Iowa for operation of the city waterworks. Although the municipal waterworks is legally separate from the City, its operations are budgeted with, and reported with the City's Proprietary Fund Types.

Excluded Blended Component Unit

The Evansdale Volunteer Fire Department Association is incorporated under Chapter 504 of the Code of Iowa. It's mission is to diligently prevent and control fires, to provide emergency services and to perform such duties in connection therewith as may be required of it under the control of the Evansdale City Council and such officers that may be elected by the Fire Department from year to year. Contributions are used for training and to purchase items which are not included in the City's budget. The Evansdale Volunteer Fire Department Association is not presented in these financial statements because the information was not made available.

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: Black Hawk County Assessor's Conference Board, Black Hawk County E-911 Joint Service Board, Black Hawk County Emergency Management Agency, Iowa Northland Regional Council of Governments, Criminal Justice Information Systems, Black Hawk Consolidated Public Safety Communications Board and the Black Hawk County Solid Waste Management Commission.

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:

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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. 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 and all remaining proprietary funds are aggregated and reported as nonmajor proprietary 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 Employee Benefits Fund is used to account for the collection and use of property tax for pension, retirement and insurance benefits.

The Local Option Sales Tax Fund is used to account for the collection and use of local option sales 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 utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through enterprise funds.

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, Sanitation/Recycling Fund accounts for the operation and maintenance of the City's garbage system.

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 are 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.

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

Unassigned – All amounts not included in the preceding classifications.

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 health and social services and community and economic development 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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No.40.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

| Year Ending June 30, | General Obligation Bonds | |
|----------------------------|-----------------------------|----------|
| | Principal | Interest |
| 2016 | \$ 375,000 | 91,088 |
| 2017 | 535,000 | 81,947 |
| 2018 | 485,000 | 73,267 |
| 2019 | 515,000 | 64,746 |
| 2020 | 540,000 | 54,712 |
| 2021-2025 | 1,465,000 | 140,625 |
| 2026-2028 | 270,000 | 11,250 |
| Total | \$ 4,185,000 | 517,635 |

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

On September 16, 2010, the City issued \$710,000 of general obligation corporate purpose bonds to provide funds for an economic development grant, constructing street improvements and acquiring vehicles for the municipal streets and public works departments. The bonds bear interest ranging from 1.00% to 2.90% per annum and mature on June 1, 2020. During fiscal year 2015, the City paid principal of \$75,000 and interest of \$11,737 on the bonds. The outstanding principal balance at June 30, 2015 was \$425,000.

On January 3, 2012 the City issued \$310,000 of general obligation corporate purpose bonds to provide funds for constructing water system improvements, acquiring water meter reading equipment, acquiring a utility vehicle and acquiring an ambulance and equipment for the fire department. The bonds bear interest ranging from 1.00% to 2.20% per annum and mature on June 1, 2021. During fiscal year 2015, the City paid principal of \$30,000 and interest of \$4,510 on the bonds. The outstanding principal balance at June 30, 2015 was \$220,000.

On July 2, 2013, the City issued \$1,730,000 of general obligation refunding bonds to currently refund the outstanding balance of the City's 2002 general obligation sewer improvement notes. The bonds bear interest at 1.00% to 2.15% per annum and mature on June 1, 2022. During fiscal year 2015, the City paid principal of \$200,000 and interest of \$21,843 on the bonds. The outstanding principal balance at June 30, 2015 was \$1,340,000.

On May 5, 2015, the City issued \$2,200,000 of general obligation corporate purpose and refunding bonds to provide funds for constructing street, water system, water tower, sanitary sewer system, sidewalk and storm water drainage extensions and improvements, to provide funds for constructing bike trail improvements and to currently refund the outstanding balance of the City's 2007 general obligation economic development bonds. The bonds bear interest at 2.00% to 3.00% per annum and mature on June 1, 2028. During fiscal year 2015, the City made no payments on the bonds. The outstanding principal balance at June 30, 2015 was \$2,200,000. The refunding resulted in an economic gain (difference between the present value of debt service payments on the old and new debt) of \$1,258.

Capital Lease Purchase Agreements

The City has entered into capital lease purchase agreements for equipment. The following is a schedule of the future minimum lease payments, including interest at rates of 3.25% and 3.55% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2015:

| Year Ending June 30, | Amount |
|--|------------------|
| 2016 | \$ 29,893 |
| 2017 | 29,895 |
| Total minimum lease payments | 59,788 |
| Less amount representing interest | (2,948) |
| Present value of net minimum lease payments | <u>\$ 56,840</u> |

Payments under the capital lease purchase agreement totaled \$29,892 for the year ended June 30, 2015.

(4) Pension Plans

Iowa Public Employees Retirement System

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, PO 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 member's 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% 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% for each month that the member receives benefits before age 65.

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

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

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1%. 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% of covered payroll and the City contributed 8.93% for a total rate of 14.88%. Protection occupation members contributed 6.76% of covered payroll and the City contributed 10.14% for a total of 16.80%.

The City's contributions to IPERS for the year ended June 30, 2015 were \$59,761.

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 \$331,751. 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 0.008365%, which was a decrease of 0.000359% 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 of resources and collective deferred inflows of resources totaled \$28,049, \$19,310 and \$154,684, 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% per annum. |
| Rates of salary increase (effective June 30, 2010) | 4.00 to 17.00% average, including inflation. Rates vary by membership group. |
| Long-term investment rate of return (effective June 30, 1996) | 7.50% 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount Rate - The discount rate used to measure the total pension liability was 7.50%.

The projection of cash flows used to determine the discount rate assumed that 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, the 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 IPERS' 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 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

| | 1% Decrease <u>(6.50%)</u> | Discount Rate <u>(7.50%)</u> | 1% Increase <u>(8.50%)</u> |
|--|----------------------------------|------------------------------------|----------------------------------|
| City's proportionate share of the net pension liability | \$ 683,755 | 331,751 | 25,682 |

IPERS' 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.

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

Plan Description – MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at www.mfprsi.org.

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa 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 - Members with 4 or more years of service are entitled to benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66% of the member's average final compensation. Additional benefits are available to members who perform more than 22 years of service (2% for each additional year of service, up to a maximum of 8 years). Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50% surviving spouse benefit.

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4 or 5 year DROP period. When electing to participate in DROP, the member signs a contract stating the member will retire at the end of the selected DROP period. During the DROP period, the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account

established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits- Disability coverage may be either accidental or ordinary. Accidental disability is defined as permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation, for those with 5 or more years of service or the member's service retirement benefit calculation amount plus 25% of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40% of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50% of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased annually in accordance with Chapter 411.6 of the Code of Iowa which provides a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions - Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2015.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by State statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by State statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and State appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 30.41% for the year ended June 30, 2015.

The City's contributions to MFPRSI for the year ended June 30, 2015 was \$84,482.

If approved by the State legislature, State appropriations may further reduce the City's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State is considered to be a nonemployer contributing entity in accordance with the provisions of Governmental Accounting Standards Board Statement No. 67 – Financial Reporting for Pension Plans.

There were no State appropriations to MFPRSI for the year ended June 30, 2015.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City’s liability for its proportionate share of the net pension liability totaled \$374,339. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2014, the City’s proportion was 0.103266%, which was an increase of 0.001043% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015 the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$31,071, \$27,668 and \$177,026, 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 | 3.00%. |
| Salary increases | 4.50 to 15.11%, including inflation. |
| Investment rate of return | 7.50%, net of investment expense, including inflation. |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates were based weighting 2/12 of the 1971 GAM table and 10/12 of the 1994 GAM table with no projection of future mortality improvement.

The long-term expected rate of return on MFPRSI investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of 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 geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|-----------------------------------|-------------------|--|
| Core Plus Fixed Income | 7.0% | 3.8% |
| Emerging Markets Debt | 3.0 | 6.5 |
| Domestic Equities | 12.5 | 6.0 |
| Master Limited Partnerships (MLP) | 5.0 | 8.5 |
| International Equities | 12.5 | 7.0 |
| Core Investments | 40.0% | |
| Tactical Asset Allocation | 35.0 | 6.0 |
| Private Equity | 15.0 | 9.8 |
| Private Non-Core Real Estate | 5.0 | 9.3 |
| Private Core Real Estate | 5.0 | 6.8 |
| Real Estate | 10.0 | |
| Total | 100.0% | |

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed contributions will be made at 9.40% of covered payroll and the City's contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, MFPRSI's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on MFPRSI's investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of 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 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

| | 1% Decrease (6.50%) | Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|---------------------------|-----------------------------|---------------------------|
| City's proportionate share of the net pension liability | \$ 717,766 | 374,339 | 88,983 |

MFPRSI's Fiduciary Net Position - Detailed information about MFPRSI's fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI's website at www.mfprsi.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 16 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees plus a 2% fee.

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 \$609 for single coverage and \$1,504 for family coverage. For the year ended June 30, 2015, the City contributed \$176,670 and plan members eligible for benefits contributed \$18,541 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave 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, compensatory time and sick leave payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

| Type of Benefit | Amount |
|-------------------|------------------|
| Vacation | \$ 37,000 |
| Compensatory time | 20,000 |
| Sick leave | <u>75,000</u> |
| Total | <u>\$132,000</u> |

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

(7) Interfund Loans

During the year ended June 30, 2000, the City approved a loan of \$180,848 to be repaid by the Special Revenue Fund, East Heights Tax Increment Financing District. The Evansdale Drive PCC Widening and Signalization project was completed within that district and financed with the proceeds from the issuance of general obligation corporate purpose notes which are to be repaid from the Debt Service Fund. The East Heights Tax Increment Financing District will repay the loan to the Debt Service Fund. The loan bears no interest and matures on December 31, 2015. As of June 30, 2015, no repayments had been made, leaving a balance of \$26,693.

During the year ended June 30, 2006, the Special Revenue Fund, Northwest Tax Increment Financing District loaned \$25,700 to the Enterprise Fund, Sewer Revenue for the purpose of the East End sewer and water project. During the year ended June 30, 2015, no repayments were made, leaving a balance of \$25,700.

During the year ended June 30, 2012, the Special Revenue Fund, Home Acres Tax Increment Financing District loaned \$71,000 to the Special Revenue Fund, East Heights Tax Increment Financing District for the purpose of eliminating the deficit balance. As of June 30, 2015, no repayments had been made, leaving a balance of \$71,000.

Subsequent to June 30, 2015, the City Council approved a resolution to forgive all of the above interfund loans.

During the year ended June 30, 1985, the Special Revenue Fund, Home Acres Tax Increment Financing District loaned \$281,054 to the General Fund at no interest. As of June 30, 2015, no repayments had been made, leaving a balance of \$281,054.

(8) Interfund Transfers

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

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|---|--|---|
| General | Special Revenue: Local Option Sales Tax | <u>\$ 109,864</u> |
| Special Revenue: Employee Benefits Tort Liability | Special Revenue: Local Option Sales Tax Local Option Sales Tax | <u>124,669</u> <u>40,127</u> <u>164,796</u> |
| Capital Projects | Special Revenue: Local Option Sales Tax | <u>274,661</u> |
| Debt Service | Special Revenue: Tax Increment Financing Capital Projects Enterprise: Water Sewer | <u>210,406</u> <u>11,395</u> <u>251,166</u> <u>127,679</u> <u>600,646</u> |
| Total | | <u>\$ 1,149,967</u> |

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

(9) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 727 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of the basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2015 were \$58,097.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of casualty claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred.

The City does not disclose a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2015, no liability has been recorded in the City's financial statements. As of June 30, 2015, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000 respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Industrial Development Revenue Bonds

The City has issued a total of \$12,550,051 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$11,965,964 is outstanding at June 30, 2015. The bonds and related interest are payable solely from the revenues generated by these entities, and the bond principal and interest do not constitute liabilities of the City.

(11) Construction Commitments

During the year ended June 30, 2015, the City entered into construction contracts for \$220,501 and \$448,691 for the Norma Avenue Extension Project and the Dubuque Road Bridge Repair Project, respectively. At June 30, 2015, no work had been completed on the projects.

(12) Subsequent Event

On May 3, 2016, the City entered into a contract totaling \$1,848,648 with Peterson Contractors, Inc. for the River Forest Road reconstruction project.

Other Information

City of Evansdale
 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 | Total |
|---|---------------------------------|--------------------------------|-----------|
| Receipts: | | | |
| Property tax | \$ 867,615 | - | 867,615 |
| Tax increment financing | 228,966 | - | 228,966 |
| Other city tax | 612,977 | - | 612,977 |
| Licenses and permits | 65,839 | - | 65,839 |
| Use of money and property | 29,015 | 39,576 | 68,591 |
| Intergovernmental | 573,900 | 19,004 | 592,904 |
| Charges for service | 280,611 | 1,107,806 | 1,388,417 |
| Special assessments | 2,602 | - | 2,602 |
| Miscellaneous | 101,708 | 42,630 | 144,338 |
| Total receipts | 2,763,233 | 1,209,016 | 3,972,249 |
| Disbursements: | | | |
| Public safety | 1,046,834 | - | 1,046,834 |
| Public works | 652,722 | - | 652,722 |
| Health and social services | 17,133 | - | 17,133 |
| Culture and recreation | 239,664 | - | 239,664 |
| Community and economic development | 31,598 | - | 31,598 |
| General government | 337,484 | - | 337,484 |
| Debt service | 682,115 | - | 682,115 |
| Capital projects | 8,512 | - | 8,512 |
| Business type activities | - | 907,994 | 907,994 |
| Total disbursements | 3,016,062 | 907,994 | 3,924,056 |
| Excess (deficiency) of receipts over (under) disbursements | (252,829) | 301,022 | 48,193 |
| Other financing sources, net | 2,357,444 | (68,845) | 2,288,599 |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | 2,104,615 | 232,177 | 2,336,792 |
| Balances beginning of year | 1,717,721 | 774,582 | 2,492,303 |
| Balances end of year | \$ 3,822,336 | 1,006,759 | 4,829,095 |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to |
|------------------|-------------|-----------|
| Original | Final | Total |
| | | Variance |
| 844,933 | 844,933 | 22,682 |
| 220,428 | 220,428 | 8,538 |
| 664,386 | 664,386 | (51,409) |
| 55,020 | 55,020 | 10,819 |
| 27,430 | 27,430 | 41,161 |
| 500,630 | 500,630 | 92,274 |
| 1,550,066 | 1,567,966 | (179,549) |
| - | - | 2,602 |
| 36,000 | 48,500 | 95,838 |
| 3,898,893 | 3,929,293 | 42,956 |
| 1,120,864 | 1,120,864 | 74,030 |
| 742,055 | 742,055 | 89,333 |
| - | - | (17,133) |
| 254,579 | 267,079 | 27,415 |
| 5,000 | 5,000 | (26,598) |
| 384,917 | 384,917 | 47,433 |
| 503,865 | 683,865 | 1,750 |
| - | 1,797,560 | 1,789,048 |
| 1,034,110 | 1,359,110 | 451,116 |
| 4,045,390 | 6,360,450 | 2,436,394 |
| (146,497) | (2,431,157) | 2,479,350 |
| - | 2,287,560 | 1,039 |
| (146,497) | (143,597) | 2,480,389 |
| 2,206,683 | 2,206,683 | 285,620 |
| 2,060,186 | 2,063,086 | 2,766,009 |

City of Evansdale

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. 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, the Permanent 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 \$2,315,060. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the health and social services and community and economic development functions.

City of Evansdale

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

Last Fiscal Year*
(In Thousands)

Other Information

Iowa Public Employees' Retirement System

| | <u>2015</u> |
|--|-------------|
| City's collective proportion of the net pension liability | 0.008365% |
| City's collective proportionate share of the net pension liability | \$ 332 |
| City's covered-employee payroll | \$ 652 |
| City's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll | 50.92% |
| Plan fiduciary net position as a percentage of the total pension liability | 87.61% |

Municipal Fire and Police Retirement System of Iowa

| | <u>2015</u> |
|--|-------------|
| City's collective proportion of the net pension liability | 0.103266% |
| City's collective proportionate share of the net pension liability | \$ 374 |
| City's covered-employee payroll | \$ 263 |
| City's collective proportionate share of the net pension liability as a percentage of its covered-employee payroll | 142.21% |
| Plan fiduciary net position as a percentage of the total pension liability | 86.27% |

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

See accompanying independent auditor's report.

City of Evansdale
Schedule of City Contributions

Last Ten Fiscal Years
(In Thousands)

Other Information

Iowa Public Employees' Retirement System

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---|-----------------|-----------------|-----------------|-----------------|
| Statutorily required contribution | \$ 59,761 | 59,199 | 56,199 | 52,992 |
| Contributions in relation to the statutorily required contribution | <u>(59,761)</u> | <u>(59,199)</u> | <u>(56,199)</u> | <u>(52,992)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| City's covered-employee payroll | \$ 658,484 | 652,292 | 634,630 | 639,837 |
| Contributions as a percentage of covered-employee payroll | 9.08% | 9.08% | 8.86% | 8.28% |

Municipal Fire and Police Retirement System of Iowa

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---|-----------------|-----------------|-----------------|-----------------|
| Statutorily required contribution | \$ 84,482 | 79,430 | 66,964 | 69,862 |
| Contributions in relation to the statutorily required contribution | <u>(84,482)</u> | <u>(79,430)</u> | <u>(66,964)</u> | <u>(69,862)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| City's covered-employee payroll | \$ 277,810 | 263,713 | 256,371 | 282,157 |
| Contributions as a percentage of covered-employee payroll | 30.41% | 30.12% | 26.12% | 24.76% |

See accompanying independent auditor's report.

| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 41,863 | 40,461 | 36,271 | 30,632 | 38,757 | 38,130 |
| <u>(41,863)</u> | <u>(40,461)</u> | <u>(36,271)</u> | <u>(30,632)</u> | <u>(38,757)</u> | <u>(38,130)</u> |
| - | - | - | - | - | - |
| 577,939 | 585,773 | 552,120 | 486,874 | 640,564 | 629,531 |
| 7.24% | 6.91% | 6.57% | 6.29% | 6.05% | 6.06% |
| <u>2011</u> | <u>2010</u> | <u>2009</u> | <u>2008</u> | <u>2007</u> | <u>2006</u> |
| 60,077 | 56,340 | 53,260 | 68,098 | 64,350 | 66,451 |
| <u>(60,077)</u> | <u>(56,340)</u> | <u>(53,260)</u> | <u>(68,098)</u> | <u>(64,350)</u> | <u>(66,451)</u> |
| - | - | - | - | - | - |
| 301,894 | 331,412 | 284,053 | 267,261 | 231,892 | 235,558 |
| 19.90% | 17.00% | 18.75% | 25.48% | 27.75% | 28.21% |

City of Evansdale

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Iowa Public Employees' Retirement System

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% per year measured from the member's first unreduced retirement age to a 6% 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% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% 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% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

Municipal Fire and Police Retirement System of Iowa

Changes of benefit terms:

There were no significant changes of benefits terms.

Changes of assumptions:

Effective July 1, 2014, two additional steps were taken to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The two additional steps result in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

City of Evansdale

Supplementary Information

City of Evansdale

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

As of and for the year ended June 30, 2015

| | Tax Increment Financing | Dental Insurance | Tort Liability | Special Revenue Property Tax Relief Surplus |
|---|----------------------------|---------------------|-------------------|---|
| Receipts: | | | | |
| Tax increment financing | 228,966 | - | - | - |
| Total receipts | 228,966 | - | - | - |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | - | 213 | - | - |
| Community and economic development | 29,209 | - | - | - |
| General government | - | - | 39,977 | - |
| Total disbursements | 29,209 | 213 | 39,977 | - |
| Excess (deficiency) of receipts over (under) disbursements | 199,757 | (213) | (39,977) | - |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | 40,127 | - |
| Transfers out | (210,406) | - | - | - |
| Total other financing sources (uses) | (210,406) | - | 40,127 | - |
| Change in cash balances | (10,649) | (213) | 150 | - |
| Cash balances beginning of year | 79,022 | 294 | 494 | 56,114 |
| Cash balances end of year | \$ 68,373 | 81 | 644 | 56,114 |
| Cash Basis Fund Balances | | | | |
| Restricted for: | | | | |
| Urban renewal purposes | \$ 68,373 | - | - | - |
| Other purposes | - | 81 | 644 | 56,114 |
| Total cash basis fund balances | \$ 68,373 | 81 | 644 | 56,114 |

See accompanying independent auditor's report.

| Flood Buyout | Police Retirement | Total |
|--------------|-------------------|-----------|
| - | - | 228,966 |
| - | - | 228,966 |
| - | - | 213 |
| - | - | 29,209 |
| - | - | 39,977 |
| - | - | 69,399 |
| - | - | 159,567 |
| - | - | 40,127 |
| - | - | (210,406) |
| - | - | (170,279) |
| - | - | (10,712) |
| 20,000 | 300,000 | 455,924 |
| 20,000 | 300,000 | 445,212 |
| - | - | 68,373 |
| 20,000 | 300,000 | 376,839 |
| 20,000 | 300,000 | 445,212 |

Schedule 2

City of Evansdale

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

As of and for the year ended June 30, 2015

| | Enterprise | | | | Total |
|----------------------------------|------------------|------------------|--------------------|----------------|---------|
| | Water Deposit | Sewer Deposit | Garbage Deposit | Storm Water | |
| Operating receipts: | | | | | |
| Charges for services | \$ 10,071 | 10,214 | 6,155 | 18,033 | 44,473 |
| Operating disbursements | | | | | |
| Business type activities | 8,232 | 7,867 | 4,655 | 9,454 | 30,208 |
| Change in cash balances | 1,839 | 2,347 | 1,500 | 8,579 | 14,265 |
| Cash balances beginning of year | 32,335 | 29,423 | 17,859 | 27,832 | 107,449 |
| Cash balances end of year | \$ 34,174 | 31,770 | 19,359 | 36,411 | 121,714 |
| Cash Basis Fund Balances | | | | | |
| Restricted for customer deposits | \$ 34,174 | 31,770 | 19,359 | - | 85,303 |
| Unrestricted | - | - | - | 36,411 | 36,411 |
| Total cash basis fund balances | \$ 34,174 | 31,770 | 19,359 | 36,411 | 121,714 |

See accompanying independent auditor's report.

City of Evansdale

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

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued |
|-------------------------------------|------------------|-------------------|--------------------------------|
| General obligation bonds and notes: | | | |
| Economic development | Nov 1, 2007 | 4.00% \$ | 300,000 |
| Essential corporate purpose | Apr 22, 2009 | 1.75 - 3.30 | 770,000 |
| Essential corporate purpose | Sep 16, 2010 | 1.00 - 2.90 | 710,000 |
| Essential corporate purpose | Jan 3, 2012 | 1.00 - 2.20 | 310,000 |
| Essential corporate purpose | Jul 2, 2013 | 1.00 - 2.15 | 1,730,000 |
| Essential corporate purpose | May 5, 2015 | 2.00 - 3.00 | 2,200,000 |
| Total | | | |
| Capital leases: | | | |
| John Deere Loader | Jun 5, 2010 | 3.25% \$ | 103,900 |
| John Deere Loader | Aug 26, 2011 | 3.55 | 60,871 |
| Total | | | |

See accompanying independent auditor's report.

| Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| 110,000 | - | 110,000 | - | 4,400 |
| 215,000 | - | 215,000 | - | 6,875 |
| 500,000 | - | 75,000 | 425,000 | 11,737 |
| 250,000 | - | 30,000 | 220,000 | 4,510 |
| 1,540,000 | - | 200,000 | 1,340,000 | 21,843 |
| - | 2,200,000 | - | 2,200,000 | - |
| \$ 2,615,000 | 2,200,000 | 630,000 | 4,185,000 | 49,365 |
| 46,040 | - | 14,850 | 31,190 | 1,519 |
| 37,809 | - | 12,159 | 25,650 | 1,364 |
| \$ 83,849 | - | 27,009 | 56,840 | 2,883 |

Schedule 4

City of Evansdale
 Bond and Note Maturities
 June 30, 2015

| Year Ending June 30, | General Obligation Bonds | | | | | | | | |
|----------------------------|--------------------------------|-------------------|--------------------------------|-------------------|--------------------------------|---------------------|--------------------------------|---------------------|------------------|
| | Essential Corporate Purpose | | Essential Corporate Purpose | | Essential Corporate Purpose | | Essential Corporate Purpose | | Total |
| | Issued Sept 16, 2010 | | Issued Jan 3, 2012 | | Issued Jul 2, 2013 | | Issued May 5, 2015 | | |
| | Interest | | Interest | | Interest | | Interest | | |
| Rates | Amount | Rates | Amount | Rates | Amount | Rates | Amount | | |
| 2016 | 1.90% | \$ 80,000 | 1.60% | \$ 35,000 | 1.00% | \$ 195,000 | 2.00% | \$ 65,000 | 375,000 |
| 2017 | 2.20 | 85,000 | 1.60 | 35,000 | 1.00 | 205,000 | 2.00 | 210,000 | 535,000 |
| 2018 | 2.50 | 85,000 | 1.60 | 35,000 | 1.25 | 195,000 | 2.00 | 170,000 | 485,000 |
| 2019 | 2.75 | 85,000 | 2.20 | 35,000 | 1.50 | 195,000 | 2.00 | 200,000 | 515,000 |
| 2020 | 2.90 | 90,000 | 2.20 | 40,000 | 1.70 | 210,000 | 2.00 | 200,000 | 540,000 |
| 2021 | | - | 2.20 | 40,000 | 1.95 | 200,000 | 2.00 | 210,000 | 450,000 |
| 2022 | | - | | - | 2.15 | 140,000 | 2.50 | 210,000 | 350,000 |
| 2023 | | - | | - | | - | 2.50 | 215,000 | 215,000 |
| 2024 | | - | | - | | - | 2.75 | 225,000 | 225,000 |
| 2025 | | - | | - | | - | 3.00 | 225,000 | 225,000 |
| 2026 | | - | | - | | - | 3.00 | 200,000 | 200,000 |
| 2027 | | - | | - | | - | 3.00 | 35,000 | 35,000 |
| 2028 | | - | | - | | - | 3.00 | 35,000 | 35,000 |
| Total | | <u>\$ 425,000</u> | | <u>\$ 220,000</u> | | <u>\$ 1,340,000</u> | | <u>\$ 2,200,000</u> | <u>4,185,000</u> |

See accompanying independent auditor's report.

City of Evansdale

City of Evanston

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

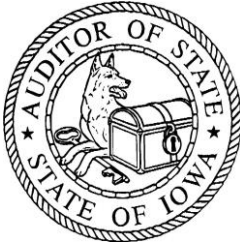
For the Last Ten Years

| | 2015 | 2014 | 2013 | 2012 |
|------------------------------------|---------------------|------------------|------------------|------------------|
| Receipts: | | | | |
| Property tax | \$ 867,615 | 779,245 | 832,750 | 707,966 |
| Tax increment financing | 228,966 | 252,905 | 316,678 | 432,122 |
| Other city tax | 612,976 | 654,613 | 593,966 | 648,463 |
| Licenses and permits | 65,507 | 54,907 | 55,603 | 45,854 |
| Use of money and property | 29,015 | 27,648 | 31,604 | 32,988 |
| Intergovernmental | 574,125 | 676,683 | 599,223 | 923,676 |
| Charges for service | 280,943 | 265,205 | 283,424 | 283,594 |
| Special assessments | 2,602 | 2,673 | 9,111 | 1,922 |
| Miscellaneous | 101,484 | 85,383 | 96,225 | 241,253 |
| Total | \$ 2,763,233 | 2,799,262 | 2,818,584 | 3,317,838 |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | \$ 1,046,834 | 1,047,850 | 1,006,111 | 1,008,844 |
| Public works | 652,722 | 898,838 | 655,573 | 594,387 |
| Health and social services | 17,133 | 16,787 | 15,705 | - |
| Culture and recreation | 239,664 | 229,918 | 272,425 | 318,416 |
| Community and economic development | 31,598 | 2,500 | 4,632 | 217,338 |
| General government | 337,484 | 347,148 | 304,788 | 325,253 |
| Debt service | 682,115 | 2,489,309 | 844,973 | 608,018 |
| Capital projects | 8,512 | - | - | - |
| Total | \$ 3,016,062 | 5,032,350 | 3,104,207 | 3,072,256 |

See accompanying independent auditor's report.

| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|-----------|-----------|-----------|-----------|-----------|-----------|
| 658,967 | 722,822 | 654,598 | 606,490 | 610,801 | 578,551 |
| 527,155 | 357,693 | 330,353 | 299,649 | 190,498 | 279,310 |
| 596,158 | 574,534 | 604,838 | 589,386 | 527,123 | 538,262 |
| 50,114 | 53,730 | 42,231 | 53,233 | 81,387 | 117,366 |
| 26,345 | 43,373 | 30,414 | 68,169 | 105,244 | 58,713 |
| 1,470,318 | 1,203,268 | 912,046 | 496,354 | 614,411 | 588,435 |
| 261,967 | 236,937 | 239,148 | 226,418 | 264,813 | 215,150 |
| - | - | - | - | - | - |
| 405,803 | 284,497 | 291,731 | 278,595 | 308,699 | 373,041 |
| 3,996,827 | 3,476,854 | 3,105,359 | 2,618,294 | 2,702,976 | 2,748,828 |
| 1,162,243 | 974,691 | 927,839 | 974,757 | 1,294,472 | 1,030,127 |
| 1,602,296 | 605,309 | 478,549 | 584,970 | 787,181 | 651,404 |
| 20,256 | 19,519 | 19,053 | 21,314 | 21,497 | 15,802 |
| 235,863 | 185,530 | 432,144 | 264,105 | 204,863 | 166,675 |
| 773,567 | 555,335 | 103,335 | 475,785 | 224,922 | 214,340 |
| 430,371 | 453,568 | 909,356 | 366,144 | 354,334 | 322,565 |
| 539,111 | 537,626 | 1,355,659 | 618,420 | 696,125 | 704,896 |
| - | - | - | - | - | - |
| 4,763,707 | 3,331,578 | 4,225,935 | 3,305,495 | 3,583,394 | 3,105,809 |

**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**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

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, each major fund and the aggregate remaining fund information of the City of Evansdale, 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 June 22, 2016. Our report expressed an adverse opinion on the financial statements of the blended component unit due to the omission of the Evansdale Volunteer Fire Department Association. 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 Evansdale'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 Evansdale's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Evansdale'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 Evansdale's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal controls described in the accompanying Schedule of Findings identified as item (A) to be a material weakness.

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 (B) through (G) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Evansdale'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 Evansdale's Responses to the Findings

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

June 22, 2016

City of Evansdale

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. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one individual has control over each of the following areas for the City:
- (1) Cash – preparing bank account reconciliations, cash receipt and disbursement functions and handling and recording cash. There is no independent review of the bank reconciliations.
 - (2) Receipts – opening mail, collecting, depositing, recording and posting. No initial listing is prepared.
 - (3) Disbursements – purchasing, check preparation, signing recording and posting.
 - (4) Payroll - recordkeeping, preparation and distribution.
 - (5) Long-term debt – recordkeeping, investing, reconciling earnings and reviewing compensated absences records. Compensated absences are not reviewed by an independent person.

For the Evansdale Municipal Waterworks, one individual has control over each of the following areas:

- (1) Cash – preparing bank account reconciliations, cash receipt and disbursement functions and handling and recording cash. There is no independent review of the bank reconciliations.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements – preparing, recording and reconciling.
- (4) Compensated absences – no review by an independent person.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Evansdale Municipal Waterworks should review their operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including elected officials. Independent reviews of reconciliations and compensated absences records should be documented by the signature or initials of the independent reviewer and the date of the review.

City of Evansdale

Schedule of Findings

Year ended June 30, 2015

Responses –

City – The Mayor will open the mail and record checks received. Monthly comparisons will be made to revenue fund accounts to ensure checks received are deposited in the correct fund. It is standard procedure to have all deposits reviewed by the City Clerk after the Deputy Clerk has posted the receipts, and the deposit is then taken to the bank by either the City Clerk or the Mayor. The City Clerk and the Deputy City Clerk will begin taking turns completing the monthly bank reconciliations and the Mayor will be reviewing them.

We believe our current process for disbursing checks does segregate duties among employees. An invoice is approved and signed off by a department head and the invoice is reviewed by the Deputy Clerk and entered into the accounting system. Once the invoices are entered, they are reviewed by the City Clerk and approved to proceed with the issuing of checks. Once the checks are printed, the check and invoices are again reviewed and signed by the City Clerk and the Mayor.

The Mayor will review employee timesheets and match them to the payroll register as well as the check stubs. Long-term debt is handled through an outside company. They present the City Council every year with a “long-term debt” report, provide advice to the City throughout the year and complete required reports due to the State of Iowa and the County.

Evansdale Municipal Waterworks – We will alternate between the two office staff on doing the bank reconciliation and also the cash receipts bank deposit. City staff did the bank reconciliation prior to our split this year.

We both collect and all the other steps are alternated between us. One person opens all the mail, records up to 5 payments received and the other person enters them. For the 21 days in May, 10 of the days we received 6-22 payments. The person doing the entering does not know which 5 were recorded on a day where more than 5 were received. The office manager does a verification process before disconnect notices are sent out. The Board approves an account reconciliation report every month. Ultimately, we have 2,000 customers verifying their payments are properly collected, deposited timely and posted correctly.

We alternate all the steps of check writing. The Board Chairman verifies checks before signing them. The Board approves a 4 part expenditure report every month which covers claims, deposit refunds and payroll.

The Board Chairman signs timesheets which also include our banked compensated balances hours, hours earned and used this pay period and the remaining banked hours. The Board approves a detailed payroll report every month.

Conclusion – Responses accepted.

City of Evansdale

Schedule of Findings

Year ended June 30, 2015

- (B) Computer System – The City does not have a written disaster recovery plan for its computer system.

Recommendation – The City should develop a written disaster recovery plan.

Response – We have hired a new IT company to handle all of our IT needs. This task will be a part of their evaluation when they begin their services.

Conclusion – Response accepted.

- (C) Evansdale Library – The Library maintains a petty cash fund on an imprest basis. However, there is very little activity and receipts/vouchers retained have not been submitted to reimburse the petty cash fund for several years. In addition, checks received by the Library are not restrictively endorsed upon receipt.

Recommendation - The Library petty cash receipts/vouchers should be submitted for reimbursement on a regular basis to maintain the petty cash at the amount established by the City Council. A restrictive endorsement should be placed on all checks when received to help provide protection in case of theft or loss.

Response – A restrictive stamp “for deposit only” was purchased and in use. The petty cash fund has been transferred to the business office after the receipts were reconciled.

Conclusion – Response accepted.

- (D) Evansdale Municipal Waterworks – The Municipal Waterworks maintains a petty cash fund on an imprest basis. However, there is very little activity and receipts/vouchers retained have not been submitted to reimburse the petty cash fund for several years.

Recommendation - The Municipal Waterworks petty cash receipts/vouchers should be submitted for reimbursement on a regular basis to maintain the petty cash at the amount established by the City Council.

Response – Waterworks will reconcile petty cash fund and keep current.

Conclusion – Response accepted.

- (E) Evansdale Fire Department – The Fire Department maintains a petty cash fund. However, receipts/vouchers are not retained nor is a ledger maintained to account for the activity. The petty cash fund is not kept on an imprest basis.

Recommendation - The Fire Department should retain petty cash receipts/vouchers and maintained a ledger to account for the activity. The petty cash fund should be maintained on an imprest basis with receipts/vouchers submitted to reimburse the petty cash fund on a regular basis to the amount established by the City Council.

Response – The petty cash fund has been reimbursed and instructions for disbursements/reimbursements have been given to the Fire Chief.

Conclusion – Response accepted.

City of Evansdale

Schedule of Findings

Year ended June 30, 2015

- (F) Evansdale Friends of the Library - All accounting functions are handled by one or two individuals without adequate compensating controls. Additionally, all disbursements were not supported by invoices or other supporting documentation.

Recommendation - The Friends of the Library should segregate accounting duties to the extent possible and require all disbursements to be supported by invoices or other supporting documentation.

Response - The Friends of the Library will segregate accounting duties and also record expenditures and bank balances on the monthly Library Board minutes.

Conclusion - Response accepted.

- (G) Friends of the Evansdale Park/Recreation - All accounting functions are handled by one or two individuals without adequate compensating controls. Additionally, all disbursements were not supported by invoices or other supporting documentation.

Recommendation - The Friends of the Evansdale Park/Recreation should segregate accounting duties to the extent possible and require all disbursements to be supported by invoices or other supporting documentation.

Response - The Park Chair has agreed to sign off on all disbursements as well as personally review and initial receipts, checks and bank statements.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Evansdale

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 health and social services and community economic development 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 – A disbursement was budgeted in the wrong line item and it has been noted to place the disbursement in the correct program in both fiscal year 2016 and 2017.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements 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 were noted. These disbursements are detailed as follows:

| <u>Paid to</u> | <u>Purpose</u> | <u>Amount</u> |
|--------------------------|-------------------------------|---------------|
| Elan Cardmember Services | Late payment fee and interest | \$ 59 |

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 these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – A credit card policy is under review currently by both our insurance company and attorney as part of our amended employee handbook for approval by the City Council.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Evansdale

Schedule of Findings

Year ended June 30, 2015

- (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.
- (6) 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 Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
- (9) Separately Maintained Records – The Evansdale Volunteer Fire Department Association, Evansdale Friends of the Library and Friends of the Evansdale Park/Recreation each maintain a bank account for activity separate from the City Clerk's accounting records. The transactions and the resulting balances were not included in the City's accounting records and were not included in the City's annual budget, monthly financial reports or Annual Financial Reports. The transactions and resulting balances are included in these financial statements for the Evansdale Friends of the Library and Friends of the Evansdale Park/Recreation. However, the Evansdale Volunteer Fire Department Association transactions and resulting balances were not included as records were not made available.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and annual budget and should be reported to the City Council on a monthly basis.

Response - The Mayor has had the opportunity to once again talk with the Volunteer Fire Department Association and they have indicated that they will participate in the audit for fiscal year 2016.

Conclusion – Response accepted.

- (10) Tax Increment Financing (TIF) – On June 29, 2016, the City Council approved the retirement of certain interfund loans it had previously entered into. One of the interfund loans was from the Special Revenue Fund, Home Acres Tax Increment Financing District to the General Fund for \$281,054 on June 30, 1985.

Recommendation – The City should consult TIF legal counsel to determine the appropriate disposition of the City's Home Acres interfund loan.

City of Evansdale

Schedule of Findings

Year ended June 30, 2015

Response – The City will consult TIF legal counsel to determine the appropriate disposition of the City’s interfund loan.

Conclusion – Response accepted.

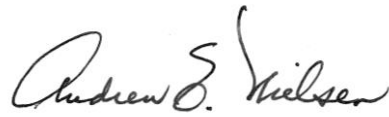
- (11) Annual Urban Renewal Report – The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1.

City of Evansdale

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager
Darryl J. Brumm, CPA, Senior Auditor II
Kelly L. Hilton, Senior Auditor
Dan S. Nilsen, Staff Auditor
Nate W. Packer, Staff Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large, stylized initial "A".

Andrew E. Nielsen, CPA
Deputy Auditor of State