



**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

NEWS RELEASE

FOR RELEASE

February 3, 2017

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$2,662,031 for the year ended June 30, 2016, a 4.2% decrease from the prior year. The receipts included \$667,021 of property tax, \$11,636 from tax increment financing, \$1,341,155 from charges for service, \$302,148 from operating grants, contributions and restricted interest, \$71,246 from capital grants, contributions and restricted interest, \$169,610 from local option sales tax, \$47,950 from hotel/motel tax, \$21,229 from commercial/industrial tax replacement, \$6,137 from unrestricted interest on investments and \$23,899 from other general receipts.

Disbursements for the year ended June 30, 2016 totaled \$2,319,532, an 11.6% decrease from the prior year, and included \$554,440 for public safety, \$285,848 for general government and \$206,406 for public works. Also, disbursements for business type activities totaled \$998,405.

The significant decrease in disbursements is due primarily to costs associated with the purchase of an ambulance, pool repairs and removal of a dilapidated building in the prior fiscal 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/1620-0463-B00F>.

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CITY OF COLFAX
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2016

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City of Colfax

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Reed	Mayor	Jan 2016
Steve Theis	Mayor Pro tem	Jan 2016
Kathryn Gullion	Council Member	Jan 2016
Brian Poulter	Council Member	Jan 2016
Karla Jones	Council Member	Jan 2018
Brad Magg	Council Member	Jan 2018
Kathy Mathews	City Clerk	(Retired Dec 2015)
Larry Opfer	City Treasurer	Indefinite
Ken Walker	Attorney	Indefinite

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Expires</u>
David Mast	Mayor	Jan 2020
Karla Jones	Mayor Pro tem	Jan 2018
Brad Magg	Council Member	Jan 2018
Bryan Poulter	Council Member	Jan 2020
Curtis Small	Council Member	Jan 2020
Wes Snyder	Council Member	Jan 2020
Nancy Earles	City Clerk	Indefinite
Larry Opfer	City Treasurer	Indefinite
Billy Mallory	Attorney	Indefinite

City of Colfax



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Colfax, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Colfax as of June 30, 2016, 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 15, the City of Colfax restated the July 1, 2015 net position of the discretely presented component unit to include the Colfax Park and Recreation Auxiliary Board, which had not been previously included in the City's financial statements. 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 Colfax's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2015 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the seven years ended June 30, 2013 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 13 and 34 through 40, 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 January 12, 2017 on our consideration of the City of Colfax'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 Colfax's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

January 12, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Colfax 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, 2016. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2016 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased less than 1%, or approximately \$14,000, from fiscal year 2015 to fiscal year 2016. Capital grants, contributions and restricted interest decreased approximately \$63,000, charges for services increased approximately \$26,000, property tax increased approximately \$16,000 and commercial/industrial tax replacement increased approximately \$10,000.
- Disbursements of the City's governmental activities decreased 13.9%, or approximately \$213,000, in fiscal year 2016 from fiscal year 2015. Public safety function disbursements decreased approximately \$128,000 and community and economic development function disbursements decreased approximately \$104,000.
- The City's total cash basis net position increased 16.6%, or approximately \$342,000, from June 30, 2015 to June 30, 2016. Of this amount, the cash basis net position of the governmental activities increased approximately \$273,000 and the cash basis net position of the business type activities increased approximately \$69,000.

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, the sanitary sewer system and the landfill. 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, Employee Benefits and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Permanent 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 three Enterprise Funds to provide separate information for the Water, Sewer and Landfill Funds, considered to be major funds of the City.

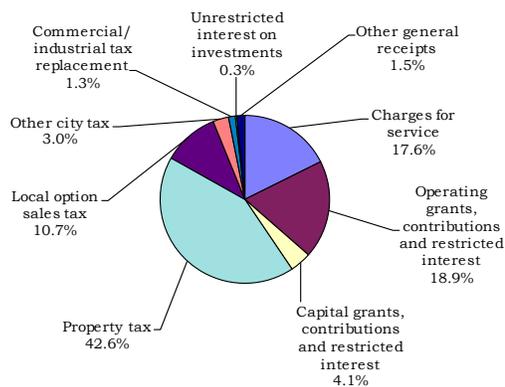
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

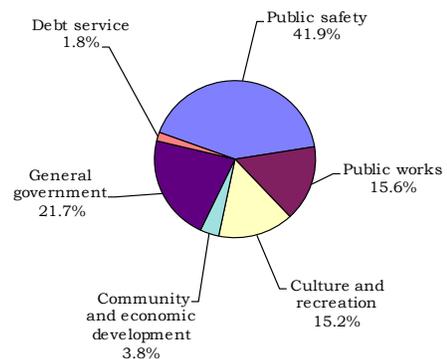
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$344,000 to approximately \$617,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service	\$ 280	254
Operating grants, contributions and restricted interest	302	290
Capital grants, contributions and restricted interest	65	128
General receipts:		
Property tax	679	663
Local option sales tax	170	163
Other city tax	48	50
Commercial/industrial tax replacement	21	11
Unrestricted interest on investments	5	4
Other general receipts	24	17
Total receipts	1,594	1,580
Disbursements:		
Public safety	554	682
Public works	206	197
Culture and recreation	201	192
Community and economic development	50	154
General government	286	284
Debt service	24	25
Total disbursements	1,321	1,534
Change in cash basis net position before transfers	273	46
Transfers, net	-	(27)
Change in cash basis net position	273	19
Cash basis net position beginning of year	344	325
Cash basis net position end of year	\$ 617	344

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased less than 1%, or approximately \$14,000, over the prior year. The total cost of all programs and services decreased approximately \$213,000, or 13.9%. Capital grants, contributions and restricted interest decreased approximately \$63,000 due to the City receiving approximately \$117,000 of CDBG funds in fiscal year 2015 for completion of the City's sewer project, offset by the receipt of approximately \$48,000 in REAP funds for the Quarry Springs Park project in fiscal year 2016. The decrease in disbursements was primarily the result of a decrease in equipment and maintenance disbursements associated with the purchase of a new ambulance and pool repairs in the prior year.

The City's fiscal year 2016 overall property tax rate decreased .5% from fiscal year 2015 while property valuations increased approximately 1.3%. This increased the City's property tax receipts approximately \$16,000 in fiscal year 2016. Based on the increase in the total assessed valuation, property tax receipts are budgeted to increase approximately \$23,000 next year.

The cost of all governmental activities this year was approximately \$1.321 million compared to approximately \$1.534 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16 and 17, the amount taxpayers ultimately financed for these activities was approximately \$673,000 because some of the cost was paid by those directly benefited from the programs (approximately \$280,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$368,000). 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, decreased in fiscal year 2016 from approximately \$672,000 to approximately \$647,000, primarily due to the receipt of grant proceeds in fiscal year 2015 to complete the sewer improvement project.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 384	363
Sewer	527	523
Landfill	150	151
Operating grants, contributions and restricted interest	-	25
Capital grants, contributions and restricted interest	6	-
General receipts:		
Unrestricted interest on investments	1	1
Bond proceeds	-	137
Total receipts	1,068	1,200
Disbursements:		
Water	333	361
Sewer	539	597
Landfill	127	130
Total disbursements	999	1,088
Change in cash basis net position before transfers	69	112
Transfers, net	-	27
Change in cash basis net position	69	139
Cash basis net position beginning of year	1,713	1,574
Cash basis net position end of year	\$ 1,782	1,713

Total business type activities receipts for the fiscal year were approximately \$1.068 million compared to approximately \$1.200 million last year, a decrease of approximately \$132,000. This decrease was due primarily to the receipt of approximately \$137,000 of general obligation sewer improvement bond proceeds in fiscal year 2015. The cash balance increased approximately \$69,000 over the prior year. Total disbursements for the fiscal year decreased 8.2% to approximately \$999,000, due primarily to disbursements for the completion of improvements and the extension of the sewer system in fiscal year 2015.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Colfax completed the year, its governmental funds reported a combined fund balance of \$617,021, an increase of approximately \$273,000 over last year's total of \$343,675. 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 \$108,640 over the prior year to (\$83,948). The increase in the cash balance was due primarily to a decrease in disbursements. The City purchased an ambulance during fiscal year 2015 for approximately \$163,000.
- The Special Revenue, Road Use Tax Fund cash balance increased \$69,192 to \$176,353. This increase was attributable to an increase in road use tax receipts from the State of Iowa. The City intends to use this fund to upgrade the condition of City roads.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$29,887 to \$53,512. Receipts and disbursement both increased less than 1%. This fund is used to pay for employee benefits.
- The Special Revenue, Local Option Sales Tax (LOST) Fund cash balance increased \$8,581 to \$112,709. Disbursements decreased due in part to the LOST fund paying a portion of the costs associated with pool repairs in fiscal year 2015. Transfers out increased in fiscal year 2016 due to the final 2015 transfer to the General Fund being made in September 2015. This fund is used to account for local option sales tax collections. Per the City's LOST ballot, 50% is to be used for community betterment and 50% is to be transferred to the General Fund for property tax relief.
- The Debt Service Fund cash balance increased \$73,277 to \$125,074. Receipts increased \$3,198 while disbursements decreased \$911. There was no significant change in activity during fiscal year 2016.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$52,396 to \$951,232, due primarily to a rate increase for fiscal year 2016 of approximately 7%.
- The Enterprise, Sewer Fund cash balance decreased \$5,969 to \$588,509. Receipts increased due a rate increase in fiscal year 2016. Disbursements decreased from fiscal year 2015 due to the repair project for the sewer which was completed in fiscal year 2015.
- The Enterprise, Landfill Fund cash balance increased \$22,726 to \$241,991. Receipts remained consistent with fiscal year 2015 while disbursements increased slightly over the prior year. There were no significant changes in operations during the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 9, 2016 and resulted in an increase in budgeted disbursements for the fire department, ambulance expenses, building inspections, swimming pool expenses and street repairs.

The City's receipts were \$121,923 more than budgeted. This was primarily due to the City receiving more intergovernmental receipts for the commercial/industrial replacement tax and road use tax.

Total disbursements were \$97,093 less than the amended budget. Actual disbursements for public safety, community and economic development and business type activities functions were \$1,976, \$26,996 and 8,970, respectively, more than the amended budget while public works, health and social services, culture and recreation, general government and debt service function disbursements were, in total, \$135,028 less than the amended budget. The difference in the debt service function is due primarily to principal of \$45,848 and interest of \$17,123 paid on the sewer general obligation bonds which were budgeted under the debt service function but were paid from the business type activities function.

DEBT ADMINISTRATION

At June 30, 2016, the City had \$1,886,000 of bonds and other long-term debt outstanding, compared to \$2,092,849 last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2016	2015
General obligation notes	\$ 50	71
General obligation bonds	933	979
Revenue bonds	903	1,043
Total	\$ 1,886	2,093

Debt decreased slightly as a result of scheduled principal payments made during the fiscal year.

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, including TIF debt of \$69,825 totals \$1,052,825 which is significantly below its constitutional debt limit of approximately \$3,886,000. 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

The City of Colfax's elected and appointed officials and citizens considered many factors when setting the fiscal year 2017 budget, tax rates and fees charged for various City activities. One of those factors is the economy. At the end of the fiscal year, unemployment in Jasper County was 3.9% versus 3.6% a year ago. This compares with the State's unemployment rate of 4.0% and the national rate of 4.9%.

These indicators were taken into account when adopting the budget for fiscal year 2017. Amounts available for appropriation in the operating budget are approximately \$2.747 million, a decrease of 2.65% from the final fiscal year 2016 budget. The decrease is mainly due to an expected decrease in other city taxes. Budgeted disbursements are expected to increase approximately \$159,000. The City has added no major new programs or initiatives to the fiscal year 2017 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$133,000 by the close of fiscal year 2017.

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 Nancy Earles, City Clerk, 19 E. Howard, Colfax, Iowa 50054.

City of Colfax

Basic Financial Statements

City of Colfax

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2016

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 554,440	201,588	40,754	-
Public works	206,406	-	258,816	-
Culture and recreation	201,003	37,099	2,578	47,916
Community and economic development	49,472	-	-	-
General government	285,848	41,526	-	17,559
Debt service	23,958	-	-	-
Total governmental activities	1,321,127	280,213	302,148	65,475
Business type activities:				
Water	332,628	384,327	-	-
Sewer	538,466	526,600	-	5,771
Landfill	127,311	150,015	-	-
Total business type activities	998,405	1,060,942	-	5,771
Total Primary Government	\$ 2,319,532	1,341,155	302,148	71,246
Component Unit:				
Colfax Park and Recreation Auxiliary Board	\$ 85,272	-	-	21,910
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Miscellaneous				
Sale of capital assets				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year, as restated				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Urban renewal purposes				
Employee benefits				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Colfax Park and Recreation Auxiliary Board
(312,098)	-	(312,098)	
52,410	-	52,410	
(113,410)	-	(113,410)	
(49,472)	-	(49,472)	
(226,763)	-	(226,763)	
(23,958)	-	(23,958)	
(673,291)	-	(673,291)	
-	51,699	51,699	
-	(6,095)	(6,095)	
-	22,704	22,704	
-	68,308	68,308	
(673,291)	68,308	(604,983)	
			(63,362)
572,429	-	572,429	-
94,592	-	94,592	-
11,636	-	11,636	-
169,610	-	169,610	-
47,950	-	47,950	-
21,229	-	21,229	-
5,292	845	6,137	-
6,007	-	6,007	-
17,892	-	17,892	-
946,637	845	947,482	-
273,346	69,153	342,499	(63,362)
343,675	1,712,579	2,056,254	216,150
\$ 617,021	1,781,732	2,398,753	152,788
\$ 71,215	-	71,215	-
176,353	-	176,353	-
9,851	-	9,851	-
53,512	-	53,512	-
125,074	13,671	138,745	-
353,633	-	353,633	152,788
(172,617)	1,768,061	1,595,444	-
\$ 617,021	1,781,732	2,398,753	152,788

City of Colfax

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

As of and for the year ended June 30, 2016

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ 413,429	-	159,000	-
Tax increment financing	-	-	-	-
Other city tax	47,950	-	-	169,610
Licenses and permits	35,688	-	-	-
Use of money and property	4,220	-	-	20
Intergovernmental	36,325	258,816	5,149	-
Charges for service	203,163	-	-	-
Special assessments	17,534	-	-	-
Miscellaneous	67,348	-	-	-
Total receipts	825,657	258,816	164,149	169,630
Disbursements:				
Operating:				
Public safety	445,942	-	108,498	-
Public works	-	189,624	16,782	-
Culture and recreation	167,986	-	28,142	-
Community and economic development	2,984	-	-	44,696
General government	245,234	-	40,614	-
Debt service	-	-	-	-
Total disbursements	862,146	189,624	194,036	44,696
Excess (deficiency) of receipts over (under) disbursements	(36,489)	69,192	(29,887)	124,934
Other financing sources (uses):				
Sale of capital assets	17,892	-	-	-
Transfers in	127,237	-	-	-
Transfers out	-	-	-	(116,353)
Total other financing sources (uses)	145,129	-	-	(116,353)
Change in cash balances	108,640	69,192	(29,887)	8,581
Cash balances beginning of year	(192,588)	107,161	83,399	104,128
Cash balances end of year	\$ (83,948)	176,353	53,512	112,709
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Streets	-	176,353	-	-
Urban renewal purposes	-	-	-	-
Employee benefits	-	-	53,512	-
Debt service	-	-	-	-
Other purposes	88,669	-	-	112,709
Assigned for library	40,563	-	-	-
Unassigned	(213,180)	-	-	-
Total cash basis fund balances	\$ (83,948)	176,353	53,512	112,709

See notes to financial statements.

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Debt		
Service	Nonmajor	Total
94,592	-	667,021
-	11,636	11,636
-	-	217,560
-	-	35,688
-	1,052	5,292
2,643	47,916	350,849
-	-	203,163
-	-	17,534
-	490	67,838
97,235	61,094	1,576,581
<hr/>		
-	-	554,440
-	-	206,406
-	4,875	201,003
-	1,792	49,472
-	-	285,848
23,958	-	23,958
23,958	6,667	1,321,127
<hr/>		
73,277	54,427	255,454
<hr/>		
-	-	17,892
-	-	127,237
-	(10,884)	(127,237)
-	(10,884)	17,892
73,277	43,543	273,346
51,797	189,778	343,675
125,074	233,321	617,021
<hr/>		
-	71,215	71,215
-	-	176,353
-	9,851	9,851
-	-	53,512
125,074	-	125,074
-	152,255	353,633
-	-	40,563
-	-	(213,180)
125,074	233,321	617,021
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City of Colfax

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

As of and for the year ended June 30, 2016

	Enterprise			
	Water	Sewer	Landfill	Total
Operating receipts:				
Charges for service	\$ 384,327	526,600	149,754	1,060,681
Miscellaneous	-	-	261	261
Total operating receipts	384,327	526,600	150,015	1,060,942
Operating disbursements:				
Business type activities	293,738	241,057	127,311	662,106
Excess of operating receipts over operating disbursements	90,589	285,543	22,704	398,836
Non-operating receipts (disbursements):				
Intergovernmental	-	5,771	-	5,771
Interest on investments	697	126	22	845
Debt service	(38,890)	(190,038)	-	(228,928)
Capital projects	-	(107,371)	-	(107,371)
Net non-operating receipts (disbursements)	(38,193)	(291,512)	22	(329,683)
Excess (deficiency) of receipts over (under) disbursements	52,396	(5,969)	22,726	69,153
Cash balances beginning of year	898,836	594,478	219,265	1,712,579
Cash balances end of year	\$ 951,232	588,509	241,991	1,781,732
Cash Basis Fund Balances				
Restricted for debt service	\$ 3,283	10,388	-	13,671
Unrestricted	947,949	578,121	241,991	1,768,061
Total cash basis fund balances	\$ 951,232	588,509	241,991	1,781,732

See notes to financial statements.

City of Colfax

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

The City of Colfax is a political subdivision of the State of Iowa located in Jasper County. It was first incorporated in 1866 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 and landfill utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, The City of Colfax has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Colfax (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Colfax Park and Recreation Auxiliary Board (Auxiliary) has been incorporated under provisions of the Iowa Nonprofit Corporation Act to develop, improve and otherwise support the use of parks and playgrounds within the City of Colfax. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Auxiliary meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Auxiliary are substantially for the direct benefit of the City of Colfax.

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: Jasper County Assessor's Conference Board, Selective Enforcement Response Team and Safety Coalition of Central Iowa Cities, City and County Planning Board and Central Iowa Committee.

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:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

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

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 employee benefits tax levy collections and the payment of employee benefits.

The Local Option Sales Tax Fund is used to account for local option sales tax authorized by referendum and used in accordance with the referendum.

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 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, Landfill Fund accounts for the operation of the City's solid waste disposal 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:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or 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, 2016, disbursements exceeded the amounts budgeted in the public safety, community and economic development and business type activities functions.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2016 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. 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. 72.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes		General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	2017	\$ 10,000	2,000	47,000	16,328	146,000	18,052	203,000
2018	10,000	1,600	48,000	15,505	150,000	15,073	208,000	32,178
2019	10,000	1,200	48,000	14,665	154,000	12,010	212,000	27,875
2020	10,000	800	49,000	13,825	159,000	8,865	218,000	23,490
2021	10,000	400	50,000	12,967	164,000	5,620	224,000	18,987
2022-2026	-	-	268,000	51,310	130,000	2,275	398,000	53,585
2027-2031	-	-	296,000	26,863	-	-	296,000	26,863
2032-2033	-	-	127,000	3,342	-	-	127,000	3,342
Total	\$ 50,000	6,000	933,000	154,805	903,000	61,895	1,886,000	222,700

General Obligation Sewer Improvement Bonds

On October 25, 2013, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources (DNR) for the issuance of up to \$1,109,000 of general obligation sewer improvement bonds with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384 and 76 of the Code of Iowa to pay costs of constructing certain wastewater treatment facilities. During the year ended June 30, 2016, the City paid principal of \$45,849 and interest of \$17,123 on the bonds. At June 30, 2016 the outstanding principal balance is \$933,000.

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, the principal and interest on the general obligation sewer improvement bonds was paid from the Enterprise, Sewer Fund during the year ended June 30, 2016.

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$510,000 of water revenue bonds issued in February 2012. Proceeds from the bonds provided financing for the construction of improvements and extensions to the water system. The bonds are payable solely from water customer net receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require 43% of net receipts. The total principal and interest remaining to be paid on the bonds is \$196,500. For the current year, principal and interest paid and total customer net receipts were \$38,360 and \$90,589, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,984,000 of sewer revenue bonds issued in March 2003. Proceeds from the bonds provided financing for the construction of improvements and extensions to the sewer system. The bonds are payable solely from sewer customer net receipts and are payable through 2022. Annual principal and interest payments on the bonds are expected to require 43% of net receipts. The total principal and interest remaining to be paid on the bonds is \$768,395. For the current year, principal and interest paid and total customer net receipts were \$122,543 and \$285,543, respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) Water and sewer user rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the annual installments of principal and interest on the bonds falling due in the same year.

(4) Operating Lease Agreement

During the year ended June 30, 2013, the City entered into an operating lease for commercial office space. Monthly lease payments are \$850 and the lease expires June 30, 2018. During the year ended June 30, 2016, the City paid \$10,200 under the agreement.

(5) Pension Plan

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

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

Protection occupation members may retire at normal retirement age, which is generally 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 more than 22 years of service 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 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 – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

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

The City’s contributions to IPERS for the year ended June 30, 2016 totaled \$55,711.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2016, the City reported a liability of \$252,346 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015 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 IPERS relative to the contributions of all IPERS participating employers. At June 30, 2015, the City’s proportion was 0.005108%, which was an increase of 0.000905% from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$31,242, \$78,751 and \$108,374, respectively.

There were no non-employer contributing entities to IPERS.

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

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.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

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

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

The long-term expected rate of return on 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	2.04%
Domestic equity	24	6.29
International equity	16	6.75
Private equity/debt	11	11.32
Real estate	8	3.48
Credit opportunities	5	3.63
U.S. TIPS	5	1.91
Other real assets	2	6.24
Cash	1	(0.71)
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 employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on 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 (asset) to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 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 (asset)	\$ 573,736	252,346	(18,764)

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.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The City participates in a multi-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 10 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug and dental benefits are provided through a fully-insured plan with Central States Southeast and Southwest Areas Health and Welfare and Pension Funds. Retirees under age 65 would pay the same premium for the medical/prescription drug and dental benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member weekly premiums for the City and plan members are \$319 for family coverage. For the year ended June 30, 2016, the City contributed \$162,462 and plan members eligible for benefits contributed \$16,200 to the plan.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation, sick leave and compensatory time payable to employees at June 30, 2016, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 30,000
Sick leave	12,000
Compensatory time	4,000
Total	\$ 46,000

This liability has been computed based on rates of pay in effect at June 30, 2016.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2016 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 116,353
	Special Revenue:	
	Tenant Memorial	10,884
Total		\$ 127,237

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

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$2,500 during the year ended June 30, 2016.

(10) Risk Management

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

(11) Deficit Balance

The General Fund had a deficit balance of \$83,948 at June 30, 2016. The deficit will be eliminated with future tax collections.

(12) Tax Increment Financing

In July 2001, the City and Jasper County entered into a 28E agreement to develop the Colfax I-80 Interchange Urban Renewal Project area. The City extended its water and sanitary sewer service to the area. By June 30, 2011, the County had loaned the City \$1,197,501 for the extension costs and \$80,175 to reimburse engineering costs. The County collects and retains the tax increment receipts from the taxable properties located in the area. If the receipts are not sufficient to fully reimburse the County for all the principal and interest paid by the County for this specific purpose upon maturity of the loan, the City will be obligated to repay the unpaid balance plus interest at the rate being paid by the County on its loan. Since the repayment is contingent on future property tax paid in the Urban Renewal Project area, the amounts of the payments, if any, are not readily determinable.

In January 2013, the City and Jeff Light (the developer) entered into a development agreement to construct a Subway restaurant. The City will pay up to \$75,000 of incremental property tax to the developer beginning on the date the incremental property tax becomes available. The City has certified the agreement to the County Auditor. The obligation is not a general obligation of the City, but the debt is subject to the constitutional debt limitation of the City. As of June 30, 2016, the City has paid \$5,175 to the developer.

(13) Landfill Closure and Postclosure Care

The City has entered into an agreement with several other municipalities, as allowed under Chapter 28E of the Code of Iowa, to provide for economical and environmentally responsible disposal of solid waste and establish permanent environmental responsibility for the Newton Sanitary Landfill (Landfill). State and federal laws and regulations require the Landfill to place a final cover on the site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. To date, 35% of the Landfill has been filled and the estimated total liability for such is \$5,943,680, based on 2016 cost estimates. Actual costs may be higher due to inflation, technology changes and changes in regulations.

The Code of Iowa requires the Landfill to maintain separate closure and postclosure care accounts to accumulate resources for the payment of these costs. As of June 30, 2016, \$1,150,166 has been accumulated. Since the estimated closure and postclosure costs have not been fully funded, the Landfill is required to demonstrate financial assurance for the unfunded costs. The Landfill has adopted the local government financial test assurance mechanism and has met the requirement issued by the Iowa Department of Natural Resources. The unfunded liability will be funded over the estimated remaining life of the Landfill. In the event it is not adequately funded, the 28E agreement makes the City of Colfax responsible for 4.86% of the unfunded liability, or approximately \$233,000, based on the June 30, 2016 information. The City's proportionate share is updated annually in accordance with the agreement.

(14) Economic Development Loan

In 2004, the City loaned \$150,000 to a local manufacturing company with funds received from the Iowa Department of Economic Development, now the Iowa Economic Development Authority (IEDA). The loan was forgivable to the extent of \$75,000 and the Company fulfilled the requirement for loan forgiveness. Repayments totaling \$21,250 were received through 2007 on the \$75,000 balance. Any repayments were to be used by the City for similar projects. In 2009, a new company acquired the assets of the original company and received a \$25,000 loan and a \$25,000 forgivable loan from IEDA. In addition, the City loaned \$20,000 which was to be repaid, beginning March 1, 2011, with annual payments of \$2,000. To date, no payments have been received.

The City has requested repayment of the \$53,750 remaining balance, plus interest, from the owners of the original company. To date, no payments have been received.

(15) Restatement

Beginning net position for the discretely presented component unit was restated to correctly report the Colfax Park and Recreation Auxiliary Board as a component unit in accordance with the requirements set forth by the Governmental Accounting Standards Board.

	Discretely Presented Component Unit
Net position, June 30, 2015, as previously reported	\$ -
Correction to report the Auxiliary	216,150
Net position, July 1, 2015, as restated	\$ 216,150

(16) New Accounting Pronouncement

The City of Colfax adopted fair value guidance as set forth in Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. The Statement sets forth guidance for determining and disclosing the fair value of assets and liabilities reported in the financial statements. Adoption of the guidance did not have a significant impact on amounts reported or disclosed in the financial statements.

City of Colfax

Other Information

City of Colfax
 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, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 667,021	-	667,021
Tax increment financing	11,636	-	11,636
Other city tax	217,560	-	217,560
Licenses and permits	35,688	-	35,688
Use of money and property	5,292	845	6,137
Intergovernmental	350,849	5,771	356,620
Charges for service	203,163	1,060,681	1,263,844
Special assessments	17,534	-	17,534
Miscellaneous	67,838	261	68,099
Total receipts	1,576,581	1,067,558	2,644,139
Disbursements:			
Public safety	554,440	-	554,440
Public works	206,406	-	206,406
Health and social services	-	-	-
Culture and recreation	201,003	-	201,003
Community and economic development	49,472	-	49,472
General government	285,848	-	285,848
Debt service	23,958	-	23,958
Capital projects	-	-	-
Business type activities	-	998,405	998,405
Total disbursements	1,321,127	998,405	2,319,532
Excess of receipts over disbursements	255,454	69,153	324,607
Other financing sources, net	17,892	-	17,892
Excess of receipts and other financing sources over disbursements and other financing uses	273,346	69,153	342,499
Balances beginning of year	343,675	1,712,579	2,056,254
Balances end of year	\$ 617,021	1,781,732	2,398,753

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
657,568	657,568	9,453
-	6,000	5,636
299,659	299,659	(82,099)
33,075	33,075	2,613
3,000	10,451	(4,314)
217,176	270,863	85,757
1,226,600	1,226,600	37,244
15,000	15,000	2,534
-	3,000	65,099
2,452,078	2,522,216	121,923
480,134	552,464	(1,976)
224,975	247,250	40,844
12,000	12,000	12,000
188,275	207,834	6,831
22,476	22,476	(26,996)
288,140	290,140	4,292
95,019	95,019	71,061
-	7	7
825,915	989,435	(8,970)
2,136,934	2,416,625	97,093
315,144	105,591	219,016
-	-	17,892
315,144	105,591	236,908
1,969,872	1,969,872	86,382
2,285,016	2,075,463	323,290

City of Colfax

Notes to Other Information – Budgetary Reporting

June 30, 2016

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 discretely presented component unit. 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 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 \$279,691. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements exceeded the amounts budgeted in the public safety, community and economic development and business type activities functions.

City of Colfax

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

Iowa Public Employees' Retirement System
For the Last Two Years*
(In Thousands)

Other Information

	2016	2015
City's proportion of the net pension liability	0.005108%	0.004203%
City's proportionate share of the net pension liability	\$ 252	167
City's covered-employee payroll	\$ 602	564
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	41.86%	29.61%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Colfax

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last 6 Years*
(In Thousands)

Other Information

	2016	2015	2014
Statutorily required contribution	\$ 56	56	52
Contributions in relation to the statutorily required contribution	(56)	(56)	(52)
Contribution deficiency (excess)	\$ -	-	-
City's covered-employee payroll	\$ 601	602	564
Contributions as a percentage of covered-employee payroll	9.32%	9.30%	9.22%

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

See accompanying independent auditor's report.

2013	2012	2011
50	46	44
(50)	(46)	(44)
-	-	-
552	524	548
9.06%	8.78%	8.03%

City of Colfax

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for 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.

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

Changes of assumptions:

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

- Decreased the inflation assumption from 3.25% 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 the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate in the calculation of the UAL amortization payments.

Supplementary Information

City of Colfax

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

As of and for the year ended June 30, 2016

	Special Revenue				
	CDBG	Urban Renewal Tax Increment	Tenant Memorial	Flood	Quarry Springs
Receipts:					
Tax increment financing	\$ -	11,636	-	-	-
Use of money and property	-	-	357	-	-
Intergovernmental	-	-	-	-	47,916
Miscellaneous	-	-	-	-	-
Total receipts	-	11,636	357	-	47,916
Disbursements:					
Operating:					
Culture and recreation	-	-	-	-	4,875
Community and economic development	7	1,785	-	-	-
Total disbursements	7	1,785	-	-	4,875
Excess (deficiency) of receipts over (under) disbursements	(7)	9,851	357	-	43,041
Other financing uses:					
Transfers out	-	-	(10,884)	-	-
Change in cash balances	(7)	9,851	(10,527)	-	43,041
Cash balances beginning of year	49,626	-	69,376	746	-
Cash balances end of year	\$ 49,619	9,851	58,849	746	43,041
Cash Basis Fund Balances					
Nonspendable - Cemetery perpetual care	\$ -	-	-	-	-
Restricted for:					
Urban renewal purposes	-	9,851	-	-	-
Other purposes	49,619	-	58,849	746	43,041
Total cash basis fund balances	\$ 49,619	9,851	58,849	746	43,041

See accompanying independent auditor's report.

<u>Permanent</u>	
Cemetery Perpetual Care	Total
-	11,636
695	1,052
-	47,916
490	490
<u>1,185</u>	<u>61,094</u>
-	4,875
-	1,792
-	<u>6,667</u>
1,185	54,427
-	(10,884)
1,185	43,543
70,030	189,778
<u>71,215</u>	<u>233,321</u>
71,215	71,215
-	9,851
-	152,255
<u>71,215</u>	<u>233,321</u>

City of Colfax
Schedule of Indebtedness
Year ended June 30, 2016

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Water and sewer improvements	Oct 24, 2006	4.65%	\$ 110,000
Street improvements	Sept 1, 2010	4.00	100,000
Total			
General obligation bonds:			
Sewer improvement	Oct 25, 2013	1.75% *	\$ 1,109,000
Revenue bonds:			
Water revenue	Feb 24, 2012	3.00% *	\$ 510,000
Sewer revenue	Mar 25, 2003	1.75 *	1,984,000
Total			

* The City is also required to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
11,000	-	11,000	-	516
60,000	-	10,000	50,000	2,442
\$ 71,000	-	21,000	50,000	2,958
978,849	-	45,849	933,000	17,123
212,000	-	32,000	180,000	6,360
831,000	-	108,000	723,000	14,543
\$ 1,043,000	-	140,000	903,000	20,903

City of Colfax

City of Colfax
Bond and Note Maturities
June 30, 2016

Year Ending June 30,	General Obligation Notes		General Obligation Bonds	
	Street Improvements		Sewer Improvement	
	Issued Sept 1, 2010		Issued Oct 25, 2013	
	Interest Rates	Amount	Interest Rates	Amount
2017	4.00%	\$ 10,000	1.75%	\$ 47,000
2018	4.00	10,000	1.75	48,000
2019	4.00	10,000	1.75	48,000
2020	4.00	10,000	1.75	49,000
2021	4.00	10,000	1.75	50,000
2022		-	1.75	51,000
2023		-	1.75	52,000
2024		-	1.75	54,000
2025		-	1.75	55,000
2026		-	1.75	56,000
2027		-	1.75	57,000
2028		-	1.75	58,000
2029		-	1.75	59,000
2030		-	1.75	60,000
2031		-	1.75	62,000
2032		-	1.75	63,000
2033		-	1.75	64,000
Total		<u>\$ 50,000</u>		<u>\$ 933,000</u>

Year Ending June 30,	Revenue Bonds				
	Water		Sewer		Total
	Issued Feb 24, 2012		Issued March 25, 2003		
	Interest Rates	Amount	Interest Rates	Amount	
2017	3.00%	\$ 34,000	1.75%	\$ 112,000	
2018	3.00	35,000	1.75	115,000	150,000
2019	3.00	36,000	1.75	118,000	154,000
2020	3.00	37,000	1.75	122,000	159,000
2021	3.00	38,000	1.75	126,000	164,000
2022		-	1.75	130,000	130,000
		<u>\$ 180,000</u>		<u>\$ 723,000</u>	<u>903,000</u>

See accompanying independent auditor's report.

City of Colfax

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

For the Last Ten Years

	2016	2015	2014	2013
Receipts:				
Property tax	\$ 667,021	662,646	637,336	660,068
Tax increment financing	11,636	180	22	-
Other city tax	217,560	212,907	206,494	206,891
Licenses and permits	35,688	32,606	26,783	17,489
Use of money and property	5,292	4,294	4,515	4,097
Intergovernmental	350,849	368,544	878,898	598,222
Charges for service	203,163	186,231	155,675	135,926
Special assessments	17,534	21,337	14,191	-
Miscellaneous	67,838	91,656	38,734	92,336
Total	<u>\$ 1,576,581</u>	<u>1,580,401</u>	<u>1,962,648</u>	<u>1,715,029</u>
Disbursements:				
Operating:				
Public safety	\$ 554,440	681,559	447,887	497,721
Public works	206,406	197,336	199,743	209,222
Health and social services	-	-	-	-
Culture and recreation	201,003	192,279	193,412	186,941
Community and economic development	49,472	154,033	313,077	352,847
General government	285,848	284,342	345,996	285,338
Debt service	23,958	24,869	28,571	40,290
Total	<u>\$ 1,321,127</u>	<u>1,534,418</u>	<u>1,528,686</u>	<u>1,572,359</u>

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
715,037	679,221	633,148	661,194	627,494	583,887
-	-	26,699	23,036	17,140	17,426
224,624	249,343	238,398	236,577	229,257	213,583
24,784	10,350	12,898	9,198	12,363	22,075
4,350	6,933	12,514	19,999	22,702	22,415
300,116	238,912	237,890	256,998	418,635	256,279
156,178	120,678	130,646	119,656	144,787	108,484
-	-	10,731	46,797	-	-
78,319	105,097	64,615	81,213	24,970	73,784
1,503,408	1,410,534	1,367,539	1,454,668	1,497,348	1,297,933
435,717	450,330	612,848	486,489	408,237	384,234
184,579	302,819	213,773	335,071	503,078	246,762
-	4,217	5,900	-	-	-
238,896	172,112	229,619	256,398	186,962	174,050
107,916	130,449	31,126	43,916	83,565	3,001
240,012	235,094	175,296	180,088	177,694	200,153
185,010	198,018	194,521	201,880	242,514	188,570
1,392,130	1,493,039	1,463,083	1,503,842	1,602,050	1,196,770

City of Colfax



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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Colfax, Iowa, as of and for the year ended June 30, 2016, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 12, 2017. 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 Colfax'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 Colfax's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Colfax'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 Colfax's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Colfax'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 which 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, 2016 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Colfax's Responses to the Findings

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

January 12, 2017

City of Colfax

Schedule of Findings

Year ended June 30, 2016

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. For the City, one of two employees has control over each of the following areas:
- (1) Cash – reconciling bank accounts, cash disbursement functions and recording cash.
 - (2) Petty cash/change fund – handling petty cash, collecting and depositing. Surprise counts of the petty cash/change fund are not performed by an individual independent of the custodian of this fund.
 - (3) Receipts – opening mail, collecting and depositing.
 - (4) Utilities – utility billing, collecting, depositing, posting to customer accounts and maintaining accounts receivable records.
 - (5) Disbursements – purchasing, invoice processing, preparing checks, mailing, recording and having access to credit cards.
 - (6) Payroll – recordkeeping, preparing, posting and distributing.
 - (7) Accounting system – performing all general accounting functions and having custody of City assets.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – We will continue to look for ways to segregate duties by utilizing the Mayor, City Council and City Treasurer.

Conclusion – Response accepted.

- (B) Financial Reporting – We identified transfers to the General Fund posted as intergovernmental receipts rather than transfers, REAP grant funds recorded as miscellaneous rather than intergovernmental receipts, receipts from the sale of capital assets recorded as miscellaneous rather than other financing sources, a disbursement for equipment recorded as a transfer rather than a disbursement and a transfer from the City's savings account recorded as a transfer in and recorded twice as a disbursement.

In addition, the Colfax Park and Recreation Auxiliary Board had not been identified by the City as a component unit required to be disclosed the City's financial statements.

City of Colfax

Schedule of Findings

Year ended June 30, 2016

Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

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

Response – We will make the correct entries in the future and adjust the line items within the funds to reflect the correct reporting.

Conclusion – Response accepted.

- (C) Discretely Presented Component Unit – One important aspect of internal control is the segregation of duties to prevent one individual from handling duties which are incompatible. For the Colfax Park and Recreation Auxiliary Board, the responsibilities for the deposit preparation, cash disbursement and bank reconciliation functions are not properly segregated from recording and accounting functions.

In addition, two of five disbursements tested were not supported by an original invoice or other supporting documentation.

Recommendation – We realize segregation of duties is difficult with a limited number of individuals. However, the Colfax Park and Recreation Auxiliary Board, should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing Board members. All disbursements should be supported by an original invoice or other supporting documentation.

Response – The Colfax Park and Recreation Auxiliary Board will have additional Board members review and handle different duties. They will also strive to ensure all disbursements are supported by an invoice.

Conclusion – Response accepted.

- (D) Separately Maintained Records – The Colfax Fire Department maintains 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 Report. However, the transactions and resulting balance are included in these financial statements.

In addition, invoices or other supporting documentation were not maintained for four of five transactions tested.

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.

City of Colfax

Schedule of Findings

Year ended June 30, 2016

In addition, invoices or other supporting documentation should be maintained for all disbursements.

Response – The Fire Department is considering either having the City handle their funds or setting up a Fire Association as a 501c3.

Conclusion – Response acknowledged. The Department should ensure supporting documentation is obtained and maintained for all disbursements.

- (E) Credit Cards – The City has credit cards and retail charge accounts for use by employees for City business. The City has not adopted a formal policy to regulate the use of credit cards or retail charge accounts.

In addition, two instances were noted in which credit card charges were not supported by an original receipt or invoice.

Recommendation – The City should adopt a formal written policy regulating the use of the City's credit cards and retail charge accounts. The policy, at a minimum, should address who controls the credit cards, who is authorized to use the credit cards and retail charge accounts and for what purposes, as well as the types of supporting documentation required to substantiate charges. Additionally, all charges on City credit cards and charge accounts should be supported by an original receipt or invoice.

Response – The City adopted a formal policy at the October 10, 2016 Council meeting.

Conclusion – Response acknowledged. In addition, the City should ensure all credit cards and charge accounts are supported by an original receipt or invoice.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Colfax

Schedule of Findings

Year ended June 30, 2016

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2016 exceeded the amounts budgeted in the public safety, community and economic development and business type activities functions. In addition, disbursements exceeded the amount budgeted prior to a budget amendment in the public safety function. 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 – Staff will endeavor to ensure the budget is amended in a timely fashion.

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:

Paid to	Purpose	Amount
VISA	Flowers for funeral	\$ 45
Menards	Coffee maker	30
Shugar’s*	Unable to determine - disbursement is not supported	925
Casey’s General Store*	Unable to determine - disbursement is not supported	43
Grinnell Steakhouse*	Unable to determine - disbursement is not supported	2,067
		<u>\$ 3,110</u>

* These items were paid for from the bank account maintained by the Colfax Fire Department.

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 – Those purchases will not be allowed in the future. Staff will be informed that all receipts must be maintained and itemized.

Conclusion – Response accepted.

City of Colfax

Schedule of Findings

Year ended June 30, 2016

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Bryan Poulter, City Council Member, Pool Chemical Manager	Compensation for managing the City pool chemicals	\$ 2,500

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with City Council Member Poulter do not appear to represent a conflict of interest since the disbursements did not exceed \$2,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.
- (9) Payment of General Obligation Bonds – Although the City levied property tax in the Debt Service Fund to pay the principal and interest on the sewer improvement general obligation notes, the principal and interest was paid from the Enterprise, Sewer Fund.

Recommendation – The City should make a corrective transfer to the Enterprise, Sewer Fund from the Debt Service Fund for amounts currently and previously levied by the Debt Service Fund for the payment of principal and interest on the sewer improvement general obligation notes. Future note principal and interest should be paid from the property tax levied in the Debt Service Fund for that purpose.

Response – The City staff will make the correction.

Conclusion – Response accepted.

- (10) Financial Condition – The General Fund had a deficit balance of \$83,948 at June 30, 2016.

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

Response – The City has set up a plan to resolve the deficit issue.

Conclusion – Response accepted.

City of Colfax

Schedule of Findings

Year ended June 30, 2016

- (11) Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

We noted the following regarding the City's TIF debt certification:

- On September 22, 2014, the City certified \$47,192 as an internal loan, which represented project costs paid from other funds, as TIF indebtedness. However, the internal loan was not formally approved by the City Council. Additionally, the \$47,192 internal loan had been previously certified on the TIF debt certification dated September 23, 2013.
- The City failed to submit Form 3 to the County Auditor during fiscal year 2016 to decertify the \$47,192 which was previously certified twice in error. The City sent an email to the County Auditor regarding the \$47,192 to be decertified; and in error, the County Auditor decertified all of the City's outstanding TIF debt.

Recommendation – The City should consult TIF legal counsel to determine the disposition of the City's TIF certifications and should work with the County Auditor to ensure the proper amount of debt is certified. The City should ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa and includes only allowable debt approved by the City Council prior to certification.

Response – City staff contacted the Jasper County Auditor's Office and our bonding attorney, Dorsey Whitney, to correct the TIF Fund. The County Auditor's Office responded by correcting the error.

Conclusion – Response accepted.

- (12) Tax Increment Financing (TIF) Payments – In January 2013, the City entered into a development agreement with a developer to construct a Subway restaurant. Pursuant to the agreement, the City will pay up to \$75,000 of incremental property tax to the developer beginning on the date the incremental property tax becomes available. The City has properly certified this debt to the County Auditor. However, the first payment to the developer, which was made during the year ended June 30, 2015, was paid from the General Fund rather than from the Special Revenue, Urban Renewal Tax Increment Fund. As of June 30, 2016, the General Fund has not been reimbursed.

Recommendation – The City should reimburse the General Fund for the developer payment incorrectly made from that fund.

Response – The General Fund will be reimbursed for the TIF payment.

Conclusion – Response accepted.

City of Colfax

Schedule of Findings

Year ended June 30, 2016

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

However, the following exceptions were noted:

The City's ending cash balance and fiscal year disbursements of the Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary do not agree with the City's general ledger.

The amount reported by the City as TIF debt outstanding at July 1, 2014 was understated by \$54,887.

Recommendation – The City should ensure the cash balance, fiscal year disbursements and debt amounts reported on the Levy Authority Summary agree with the City's records.

Response – The City will correct this in the Annual Urban Renewal Report which is due December 1, 2016.

Conclusion – Response accepted.

- (14) Volunteer Firefighter Pay – Volunteer firefighters receive compensation for each call attended. Rather than paying the individual, the City writes a check to the separately maintained Fire Department account and no payroll taxes are withheld. Per the Internal Revenue Service (IRS), all amounts earned by employees are taxable for Federal income tax purposes.

Recommendation – Compensation for volunteer firefighters should be paid directly to the individual firefighters and should be properly taxed per the IRS.

Response – City staff is working with the Fire Department to determine if they would rather have a set fee paid annually to the Department or whether the individuals will be reimbursed on a per run basis.

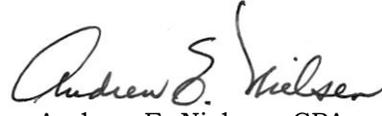
Recommendation – Response acknowledged. The payment to the volunteer firefighters should be paid through the City's payroll system to ensure compensation is properly taxed and reported to the IRS.

City of Colfax

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Jenny M. Podrebarac, Senior Auditor II
Michael Holowinski, Assistant Auditor
Tyler H. Moran, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State