



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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NEWS RELEASE

FOR RELEASE

June 29, 2017

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

The City's receipts totaled \$4,178,935 for the year ended June 30, 2016, a 33.3% decrease from the prior year. The receipts included \$947,652 of property tax, \$236,021 of tax increment financing, \$547,464 of local option sales tax, \$1,057,362 of charges for service, \$699,065 of operating grants, contributions and restricted interest, \$123,177 of capital grants, contributions and restricted interest, \$23,358 of unrestricted interest on investments, \$417,042 of bond proceeds, \$55,602 of other general receipts and \$72,192 of component unit transfers.

Disbursements for the year ended June 30, 2016 totaled \$4,430,330, a 12.9% increase over the prior year, and included \$1,107,970 for public safety, \$876,337 for capital projects and \$814,385 for public works. Also, disbursements for business type activities totaled \$574,290.

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/1620-0049-B00F>.

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CITY OF EVANSDALE

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

JUNE 30, 2016

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City of Evansdale

Officials

(Before January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Doug Faas	Mayor	Jan 2016
Kenny Loftus	Mayor Pro tem	Jan 2016
Steven Seible	Council Member	Jan 2016
Dick Dewater	Council Member	Jan 2018
Ronald Nichols	Council Member	Jan 2018
Gene Walker	Council Member	Jan 2018
DeAnne Kobliska	City Clerk	Jan 2016
Joelle Strader	Deputy Clerk	Indefinite
Craig Ament	Attorney	Jan 2016

(After January 2016)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Doug Faas	Mayor	Jan 2018
Gene Walker	Mayor Pro tem	Jan 2018
Dick Dewater	Council Member	Jan 2018
Ronald Nichols	Council Member	Jan 2018
Kenny Loftus	Council Member	Jan 2020
Steven Seible	Council Member	Jan 2020
DeAnne Kobliska	City Clerk	Jan 2018
Joelle Strader	Deputy Clerk	Indefinite
Laura Folkerts	Attorney	Jan 2018

City of Evansdale



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Evansdale, 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

Basis for Qualified Opinion on the Aggregate Remaining Fund Information

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

Qualified Opinion

In our opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinion on the Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, the financial position of the aggregate remaining fund information of the City of Evansdale as of June 30, 2016, and the changes in its cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit and each major fund of the City of Evansdale 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.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Evansdale's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2015 (which are not presented herein) and expressed a modified opinion on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the eight years ended June 30, 2014 (which are not presented herein) were audited by another auditor who expressed modified opinions on those financial statements for the years ended June 30, 2014 and June 30, 2013. Unmodified opinions were issued for the six years ended June 30, 2012. The financial statements during those eight years 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, except for the effects of not including the financial data of the City of Evansdale Volunteer Fire Department Association as described in the “Basis for Qualified Opinion on the Aggregate Remaining Fund Information” paragraph on the preceding page, 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 9 through 15 and 42 through 50, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2017 on our consideration of the City of Evansdale’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Evansdale’s internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

June 22, 2017

City of Evansdale

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Evansdale provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 decreased 35%, or approximately \$1,667,000, from fiscal year 2015 to fiscal year 2016. Bond proceeds decreased approximately \$1,868,000 and charges for service decreased \$64,000, while operating grants, contributions and restricted interest increased \$90,000 and capital grants, contributions and restricted interest increased \$123,000.
- Disbursements of the City's governmental activities increased 28%, or approximately \$839,000, from fiscal year 2015 to fiscal year 2016. Debt service disbursements decreased \$214,000 while capital projects and public works disbursements increased approximately \$867,000 and \$162,000, respectively.
- The City's total cash basis net position at June 30, 2016 decreased 6%, or approximately \$251,000, from the restated June 30, 2015 balance. Of this amount, the cash basis net position of the governmental activities decreased approximately \$593,000 and the cash basis net position of the business type activities increased approximately \$342,000.

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 sanitary sewer system, sanitation and recycling and storm water system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

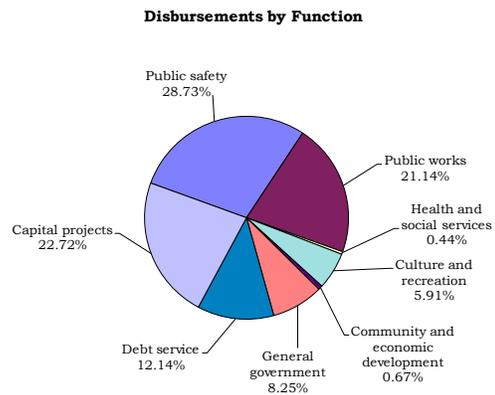
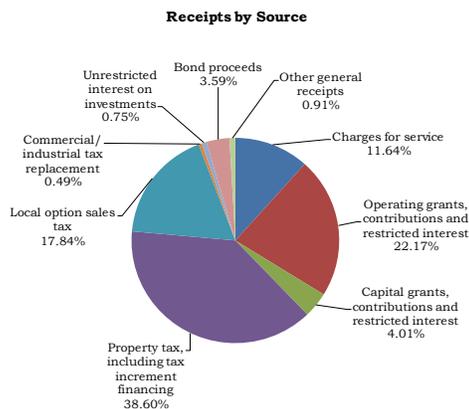
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Sewer, Sanitation/Recycling and Storm Water Funds, considered to be major funds of the City.

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 decreased from a year ago, decreasing from approximately \$3.822 million to approximately \$3.229 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2016	2015
Receipts:		
Program receipts:		
Charges for service	\$ 357	421
Operating grants, contributions and restricted interest	680	590
Capital grants, contributions and restricted interest	123	-
General receipts:		
Property tax, including tax increment financing	1,184	1,160
Local option sales tax	547	549
Commercial/industrial tax replacement	23	-
Unrestricted interest on investments	23	15
Bond proceeds	110	1,978
Other general receipts	28	29
Total receipts	3,075	4,742
Disbursements:		
Public safety	1,108	1,047
Public works	815	653
Health and social services	17	17
Culture and recreation	228	240
Community and economic development	26	32
General government	318	337
Debt service	468	682
Capital projects	876	9
Total disbursements	3,856	3,017
Change in cash basis net position before transfers	(781)	1,725
Transfers, net	188	379
Change in cash basis net position	(593)	2,104
Cash basis net position beginning of year	3,822	1,718
Cash basis net position end of year	\$ 3,229	3,822



The City's total receipts for governmental activities decreased 35%, or approximately \$1,667,000. The total cost of all programs and services increased approximately \$839,000, or 28%. The significant increase in disbursements was primarily the result of the City's capital projects.

The cost of all governmental activities this year was approximately \$3.856 million compared to approximately \$3.017 million last year. However, as shown in the Statement of Activities and Net Position on pages 18-19, the amount taxpayers ultimately financed for these activities was approximately \$2.696 million because some of the cost was paid by those directly benefited from the programs (approximately \$357,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$803,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2016 from approximately \$1,011,000 to approximately \$1,160,000.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2016	2015 (Restated)
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 419	416
Sanitation/recycling	264	237
Storm water	18	18
Operating grants, contributions and restricted interest	19	19
General receipts:		
Bond proceeds	307	-
Other general receipts	4	-
Total receipts	<u>1,031</u>	<u>690</u>
Disbursements:		
Sewer	291	245
Sanitation/recycling	271	230
Storm water	12	9
Total disbursements	<u>574</u>	<u>484</u>
Change in cash basis net position before transfers	457	206
Transfers, net	<u>(115)</u>	<u>(128)</u>
Change in cash basis net position	342	78
Cash basis net position beginning of year, as restated	<u>469</u>	<u>391</u>
Cash basis net position end of year	<u>\$ 811</u>	<u>469</u>

Total business type activities receipts for the fiscal year were approximately \$1.031 million compared to approximately \$690,000 last year. The cash balance increased approximately \$342,000 over the restated prior year amount. Total disbursements for the fiscal year increased 18.6% to approximately \$574,000. The significant increase in receipts and cash balance of the business type activities was due to the receipt of bond proceeds.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Evansdale completed the year, its governmental funds reported a combined fund balance of \$3,229,245, a decrease of more than \$593,000 from last year's total of \$3,822,336. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$72,194 from the prior year to \$680,359. Disbursements increased from \$1,255,474 to \$1,299,655 in fiscal year 2016.
- The Special Revenue, Road Use Tax Fund cash balance increased \$271,410 to \$418,624. The increase was mainly attributable to a portion of the City's 2015 general obligation bond proceeds transferred to the Road Use Tax Fund to reimburse the fund for engineering fees paid for the River Forest Road Reconstruction and River Forest Levee Trail projects.
- The Special Revenue, Employee Benefits Fund cash balance increased \$39,235 to \$146,175. Receipts increased \$10,318 and disbursements decreased \$9,883 from the prior year. The employee benefits tax levy rate was decreased slightly for fiscal year 2016, but receipts increased due to the commercial/industrial replacement payments received during the fiscal year.
- The Special Revenue, Local Option Sales Tax Fund cash balance remained at zero. Local option sales tax receipts decreased approximately \$1,900, or 0.34% from the prior year.
- The Debt Service Fund cash balance decreased \$5,257 to \$72,011. Property tax and transfers in totaled \$462,931 while bond principal and interest payments totaled \$468,188 in fiscal year 2016.
- The Capital Projects Fund cash balance decreased \$920,398 to \$1,517,139 during the fiscal year. The cash balance decreased from the prior year due to ongoing projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance increased \$323,843 to \$601,119, due to the receipt of bond proceeds.
- The Enterprise, Sanitation/Recycling Fund cash balance increased \$11,957 to \$167,585. Operating receipts increased \$27,099 over the prior year while operating disbursements increased \$41,393.
- The Enterprise, Storm Water Fund cash balance increased \$5,896 to \$42,307.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on June 8, 2016 and resulted in an increase in revenues and other financing sources of \$804,412 and an increase in operating disbursements of \$950,303. Other financing sources increased due to bond proceeds of \$575,000, while disbursements primarily increased due to equipment purchases in the street department and a sewer lagoon project.

The City's receipts were \$1,659,409 less than budgeted due to state grant reimbursements for the River Forest Road Reconstruction and River Forest Levee Trail projects coming in later than anticipated due to the projects starting after fiscal year end.

With the budget amendment, total disbursements were \$3,531,785 less than the amended budget. Actual disbursements for the capital projects, public works and business type activities functions were \$3,024,663, \$281,666 and \$97,279, respectively, less than the amended budget. This was primarily due to the City's capital projects relating to streets and sewer being in the early stages of the projects.

The City exceeded the amounts budgeted in the health and social services and community and economic development functions prior to the budget amendment for the year ended June 30, 2016.

DEBT ADMINISTRATION

At June 30, 2016, the City had \$4,414,000 of bonds and other long-term debt outstanding, compared to approximately \$4,242,000 last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2016	2015
General obligation bonds	\$ 4,385	4,185
Capital leases	29	57
Total	\$ 4,414	4,242

Debt increased as a result of issuing general obligation bonds for City equipment purchases and sewer construction improvement and extension projects.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,414,000 is significantly below its constitutional debt limit of approximately \$11 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Evansdale'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. Unemployment in the County now stands at 3.6% versus 5.2% a year ago. This compares with the State's unemployment rate of 3.1% and the national rate of 4.4%.

These indicators were taken into account when adopting the budget for fiscal year 2017. Amounts available for appropriation in the operating budget are approximately \$7.3 million, a decrease of 23.4% from the final fiscal year 2016 budget. A decrease in proceeds from general obligation bonds is expected to lead this decrease. Budgeted disbursements are expected to decrease approximately \$2,314,000 from the final fiscal year 2016 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$157,000 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 DeAnne Kobliska, City Clerk, 123 N. Evans Road, Evansdale, Iowa 50707.

City of Evansdale

Basic Financial Statements

City of Evansdale

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:				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,107,970	194,389	51,144	-
Public works	814,385	1,048	587,940	60,000
Health and social services	17,183	-	-	-
Culture and recreation	228,203	138,749	29,781	51,002
Community and economic development	26,022	-	-	12,175
General government	317,752	22,437	11,196	-
Debt service	468,188	-	-	-
Capital projects	876,337	-	-	-
Total governmental activities	3,856,040	356,623	680,061	123,177
Business type activities:				
Sewer	290,937	418,537	-	-
Sanitation/recycling	271,171	264,124	19,004	-
Storm water	12,182	18,078	-	-
Total business type activities	574,290	700,739	19,004	-
Total primary government	\$ 4,430,330	1,057,362	699,065	123,177
Component unit:				
Evansdale Water Works	\$ 442,911	434,923	-	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Bond proceeds, net of \$4,025 discount				
Miscellaneous				
Sale of capital assets				
Primary government transfers				
Component unit transfers				
Total general receipts and transfers				
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:				
Streets				
Urban renewal purposes				
Debt service				
Capital projects				
Other purposes				
Customer deposits				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component
Governmental Activities	Business Type Activities	Total	Unit
			Evansdale Water Works
(862,437)	-	(862,437)	
(165,397)	-	(165,397)	
(17,183)	-	(17,183)	
(8,671)	-	(8,671)	
(13,847)	-	(13,847)	
(284,119)	-	(284,119)	
(468,188)	-	(468,188)	
(876,337)	-	(876,337)	
<u>(2,696,179)</u>	<u>-</u>	<u>(2,696,179)</u>	
-	127,600	127,600	
-	11,957	11,957	
-	5,896	5,896	
-	145,453	145,453	
<u>(2,696,179)</u>	<u>145,453</u>	<u>(2,550,726)</u>	
			<u>(7,988)</u>
947,565	-	947,565	-
87	-	87	-
236,021	-	236,021	-
547,464	-	547,464	-
23,098	-	23,098	-
23,358	-	23,358	3,162
109,657	307,385	417,042	153,933
27,414	4,165	31,579	36,035
925	-	925	-
115,307	(115,307)	-	-
72,192	-	72,192	(72,192)
<u>2,103,088</u>	<u>196,243</u>	<u>2,299,331</u>	<u>120,938</u>
(593,091)	341,696	(251,395)	112,950
<u>3,822,336</u>	<u>469,315</u>	<u>4,291,651</u>	<u>537,444</u>
<u>\$ 3,229,245</u>	<u>811,011</u>	<u>4,040,256</u>	<u>650,394</u>
\$ 421,331	-	421,331	-
33,116	-	33,116	-
72,011	-	72,011	-
1,514,432	304,196	1,818,628	-
509,518	-	509,518	-
-	-	-	90,543
678,837	506,815	1,185,652	559,851
<u>\$ 3,229,245</u>	<u>811,011</u>	<u>4,040,256</u>	<u>650,394</u>

City of Evansdale

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	\$ 643,992	-	238,099	-
Tax increment financing	-	-	-	-
Other city tax	65,474	-	-	547,464
Licenses and permits	52,000	-	-	-
Use of money and property	37,789	-	-	-
Intergovernmental	139,200	587,125	6,236	-
Charges for service	267,039	-	-	-
Special assessments	25	-	-	-
Miscellaneous	35,912	-	13,618	-
Total receipts	1,241,431	587,125	257,953	547,464
Disbursements:				
Operating:				
Public safety	841,832	-	266,138	-
Public works	-	461,560	-	-
Health and social services	17,183	-	-	-
Culture and recreation	217,562	-	10,641	-
Community and economic development	5,000	-	-	-
General government	218,078	-	61,178	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	1,299,655	461,560	337,957	-
Excess (deficiency) of receipts over (under) disbursements	(58,224)	125,565	(80,004)	547,464
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Sale of capital assets	925	-	-	-
Transfers in	129,493	145,845	119,239	-
Transfers out	-	-	-	(547,464)
Component unit transfers in	-	-	-	-
Total other financing sources (uses)	130,418	145,845	119,239	(547,464)
Change in cash balances	72,194	271,410	39,235	-
Cash balances beginning of year	608,165	147,214	106,940	-
Cash balances end of year	\$ 680,359	418,624	146,175	-
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	418,624	-	-
Urban renewal purposes	-	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	146,175	-
Assigned for various purposes	199,127	-	-	-
Unassigned	481,232	-	-	-
Total cash basis fund balances	\$ 680,359	418,624	146,175	-

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
87	-	-	882,178
-	-	236,021	236,021
-	-	-	612,938
-	-	-	52,000
-	-	-	37,789
-	815	12,175	745,551
-	-	-	267,039
-	236	-	261
-	81,561	-	131,091
87	82,612	248,196	2,964,868
-	-	-	1,107,970
-	352,825	-	814,385
-	-	-	17,183
-	-	-	228,203
-	-	21,022	26,022
-	-	38,496	317,752
468,188	-	-	468,188
-	876,337	-	876,337
468,188	1,229,162	59,518	3,856,040
(468,101)	(1,146,550)	188,678	(891,172)
-	109,657	-	109,657
-	-	-	925
390,652	273,732	45,000	1,103,961
-	(157,237)	(283,953)	(988,654)
72,192	-	-	72,192
462,844	226,152	(238,953)	298,081
(5,257)	(920,398)	(50,275)	(593,091)
77,268	2,437,537	445,212	3,822,336
72,011	1,517,139	394,937	3,229,245
-	2,707	-	421,331
-	-	33,116	33,116
72,011	-	-	72,011
-	1,514,432	-	1,514,432
-	-	363,343	509,518
-	-	-	199,127
-	-	(1,522)	479,710
72,011	1,517,139	394,937	3,229,245

City of Evansdale

City of Evansdale

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

As of and for the year ended June 30, 2016

	Enterprise			Total
	Sewer	Sanitation/ Recycling	Storm Water	
Operating receipts:				
Charges for service	\$ 418,537	251,412	18,078	688,027
Miscellaneous	4,165	12,712	-	16,877
Total operating receipts	422,702	264,124	18,078	704,904
Operating disbursements:				
Business type activities	290,937	271,171	12,182	574,290
Excess (deficiency) of operating receipts over (under) operating disbursements	131,765	(7,047)	5,896	130,614
Non-operating receipts:				
Intergovernmental	-	19,004	-	19,004
Bond proceeds	307,385	-	-	307,385
Total non-operating receipts	307,385	19,004	-	326,389
Excess of receipts over disbursements	439,150	11,957	5,896	457,003
Transfers out	(115,307)	-	-	(115,307)
Change in cash balances	323,843	11,957	5,896	341,696
Cash balances beginning of year, as restated	277,276	155,628	36,411	469,315
Cash balances end of year	\$ 601,119	167,585	42,307	811,011
Cash Basis Fund Balances				
Restricted for capital projects	\$ 304,196	-	-	304,196
Unrestricted	296,923	167,585	42,307	506,815
Total cash basis fund balances	\$ 601,119	167,585	42,307	811,011

See notes to financial statements.

City of Evansdale

City of Evansdale

Notes to Financial Statements

June 30, 2016

(1) Summary of Significant Accounting Policies

The City of Evansdale is a political subdivision of the State of Iowa located in Black Hawk County. It was first incorporated in 1947 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer, sanitation/recycling and storm water utilities for its citizens.

A. Reporting Entity

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

These financial statements present the City of Evansdale (the primary government) and the Evansdale Water Works (a component unit).

Discretely Presented Component Unit

The Evansdale Water Works was established pursuant to Chapter 388 of the Code of Iowa for the operation of the City's Water Works facilities. The Water Works is governed by a three member Board of Trustees appointed by the City Council. A financial benefit/burden exists between the City and the Water Works in that the City is authorized by statute to issue general obligation debt for a city utility and may certify taxes for the payment of the debt. Complete financial statements can be obtained from the Evansdale Water Works, 123 N Evans Road, Evansdale, Iowa 50707.

Excluded Blended Component Unit

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Black Hawk County Assessor's Conference Board, Black Hawk County E-911 Joint Service Board, Black Hawk County Emergency Management Agency, Iowa Northland Regional Council of Governments, Criminal Justice Information Systems, Black Hawk Consolidated Public Safety Communications Board and the Black Hawk County Solid Waste Management Commission.

B. Basis of Presentation

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

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

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Employee Benefits Fund is used to account for the collection and use of property tax for pension, retirement and insurance benefits.

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

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

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through enterprise funds.

The City reports the following major proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

During the year ended June 30, 2016, disbursements in the health and social services and community and economic development functions exceeded the budget prior to the budget amendment.

(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 Payable

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2017	\$ 535,000	88,522
2018	580,000	80,375
2019	610,000	70,997
2020	635,000	59,968
2021	545,000	47,815
2022-2026	1,410,000	109,550
2027-2028	70,000	3,150
Total	\$ 4,385,000	460,377

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

On September 16, 2010, the City issued \$710,000 of general obligation corporate purpose bonds to provide funds for an economic development grant, constructing street improvements and acquiring vehicles for the municipal streets and public works departments. The bonds bear interest ranging from 1.00% to 2.90% per annum and mature on June 1, 2020. During fiscal year 2016, the City paid principal of \$80,000 and interest of \$10,462 on the bonds. The outstanding principal balance at June 30, 2016 was \$345,000.

On January 3, 2012 the City issued \$310,000 of general obligation corporate purpose bonds to provide funds for constructing water system improvements, acquiring water meter reading equipment, acquiring a utility vehicle and acquiring an ambulance and equipment for the fire department. The bonds bear interest ranging from 1.00% to 2.20% per annum and mature on June 1, 2021. During fiscal year 2016, the City paid principal of \$35,000 and interest of \$4,210 on the bonds. The outstanding principal balance at June 30, 2016 was \$185,000.

On July 2, 2013, the City issued \$1,730,000 of general obligation refunding bonds to currently refund the outstanding balance of the City's 2002 general obligation sewer improvement notes. The bonds bear interest at 1.00% to 2.15% per annum and mature on June 1, 2022. During fiscal year 2016, the City paid principal of \$195,000 and interest of \$19,843 on the bonds. The outstanding principal balance at June 30, 2016 was \$1,145,000.

On May 5, 2015, the City issued \$2,200,000 of general obligation corporate purpose and refunding bonds to provide funds for constructing street, water system, water tower, sanitary sewer system, sidewalk and storm water drainage extensions and improvements, to provide funds for constructing bike trail improvements and to currently refund the outstanding balance of the City's 2007 general obligation economic development bonds. The bonds bear interest at 2.00% to 3.00% per annum and mature on June 1, 2028. During fiscal year 2016, the City paid principal of \$65,000 and interest of \$56,573 on the bonds. The outstanding principal balance at June 30, 2016 was \$2,135,000.

On June 28, 2016, the City issued \$575,000 of general obligation corporate purpose bonds to provide funds for the purchase of a jet truck and a street sweeper for use by the public works department and for constructing improvements and extensions to the Water Works' utility system. The bonds bear interest at 0.90% to 1.55% per annum and mature on June 1, 2023. During fiscal year 2016, the City made no payments on the bonds. The outstanding principal balance at June 30, 2016 was \$575,000.

Capital Lease Purchase Agreements

The City has entered into capital lease purchase agreements for equipment. The following is a schedule of the future minimum lease payments, including interest at rates of 3.25% and 3.55% per annum, and the present value of net minimum lease payments under the agreements in effect at June 30, 2016:

<u>Year</u> <u>Ending</u> <u>June 30,</u>	<u>Amount</u>
2017	<u>\$ 29,895</u>
Total minimum lease payments	29,895
Less amount representing interest	<u>(994)</u>
Present value of net minimum lease payments	<u><u>\$ 28,901</u></u>

Payments under the capital lease purchase agreement totaled \$29,893 for the year ended June 30, 2016.

(4) Pension Plans

Iowa Public Employees Retirement System

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, 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 of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2016 totaled \$49,105.

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 \$329,702 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 0.006674.

For the year ended June 30, 2016, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$30,593, \$71,853 and \$90,660, 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	<u>100%</u>	

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 to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate 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	\$ 614,182	329,702	89,629

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

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

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

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

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

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4 or 5 year DROP period. When electing to participate in DROP, the member signs a contract stating the member will retire at the end of the selected DROP period. During the DROP period, the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

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

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

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

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

Contributions – Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2016.

Employer contribution rates are based upon an actuarially determined normal contribution rate and are set by State statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by State statute to be the actuarial liabilities of the plan less current plan assets, with the total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and State appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 27.77% for the year ended June 30, 2016.

The City's contributions to MFPRSI for the year ended June 30, 2016 totaled \$92,554.

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

There were no state appropriations to MFPRSI for the year ended June 30, 2016.

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 \$497,698 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 MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2015, the City's proportion was 0.105935%, which was an increase of 0.002669% 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 \$46,203, \$134,982 and \$136,236, respectively.

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

Rate of inflation	3.00%.
Salary increases	4.00 to 15.00%, including inflation.
Investment rate of return	7.50%, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period from July 1, 2002 to June 30, 2012.

Mortality rates were based weighting 1/12 of the 1971 GAM table and 11/12 of the 1994 GAM table with no projection of future mortality improvement.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	7.0%	3.8%
Emerging markets debt	3.0	6.5
Domestic equities	12.5	6.0
Master limited partnerships (MLP)	5.0	8.5
International equities	12.5	7.0
Core investments	40.0%	
Target asset allocation	35.0	6.0
Private equity	15.0	9.8
Private non-core real estate	5.0	9.3
Private core real estate	5.0	6.8
Real estate	10.0	
Total	100%	

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

Sensitivity of City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 866,506	497,698	191,261

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

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. There are 18 active and 1 retired members in the plan, which includes employees of the Evansdale Water Works. Retired participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$441 for single coverage, \$834 for employee plus child coverage, \$903 for employee plus spouse coverage and \$1,353 for family coverage. For the year ended June 30, 2016, the City contributed \$138,276 and plan members eligible for benefits contributed \$19,480 to the plan.

(6) Compensated Absences

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

Type of Benefit	Amount
Vacation	\$ 37,000
Compensatory time	22,000
Sick leave	74,000
Total	<u>\$ 133,000</u>

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

(7) Interfund Loans

During the year ended June 30, 2000, the City approved a loan of \$180,848 to be repaid by the Special Revenue Fund, East Heights Tax Increment Financing District. The Evansdale Drive PCC Widening and Signalization project was completed within that district and financed with the proceeds from the issuance of general obligation corporate purpose notes which are to be repaid from the Debt Service Fund. The East Heights Tax Increment Financing District will repay the loan to the Debt Service Fund. The loan bears no interest and matured on December 31, 2015. As of June 30, 2016, no repayments had been made, leaving a balance of \$26,693.

During the year ended June 30, 2006, the Special Revenue Fund, Northwest Tax Increment Financing District loaned \$25,700 to the Enterprise Fund, Sewer Revenue for the purpose of the East End sewer and water project. As of June 30, 2016, no repayments had been made, leaving a balance of \$25,700.

During the year ended June 30, 2012, the Special Revenue Fund, Home Acres Tax Increment Financing District loaned \$71,000 to the Special Revenue Fund, East Heights Tax Increment Financing District for the purpose of eliminating the deficit balance. As of June 30, 2016, no repayments had been made, leaving a balance of \$71,000.

During the year ended June 30, 1985, the Special Revenue Fund, Home Acres Tax Increment Financing District loaned \$281,054 to the General Fund at no interest. As of June 30, 2016, no repayments had been made, leaving a balance of \$281,054.

On June 29, 2016, the City Council approved the retirement of the above interfund loans. A recommendation was made to the City to consult TIF legal counsel to determine the appropriate disposition of the interfund loan made from the Special Revenue, Home Acres Tax Increment Financing District to the General Fund.

During the year ended June 30, 2016, the Special Revenue Fund, Home Acres Tax Increment Financing District advanced/loaned \$30,676 to the Special Revenue Fund, New Housing Tax Increment Financing District for the purpose of making interest payments on District debt during fiscal years 2016 through 2019.

(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	\$ 129,493
Special Revenue: Employee Benefits	Special Revenue: Local Option Sales Tax	119,239
Tort Liability	Local Option Sales Tax	45,000
		<u>164,239</u>
Road Use Tax	Capital Projects	145,845
Capital Projects	Special Revenue: Local Option Sales Tax	253,732
	Flood Buyout	20,000
		<u>273,732</u>
Debt Service	Special Revenue: Tax Increment Financing	263,953
	Capital Projects	11,392
	Enterprise: Sewer	115,307
		<u>390,652</u>
Total		<u>\$ 1,103,961</u>
<u>Transfer from Component Unit</u>		
Debt Service	Water Works Water Operating	\$ 72,192

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

(9) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 746 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2016 were \$56,639.

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

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

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

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

(10) Deficit Balance

The Special Revenue, CDBG Rehab Program Fund had a deficit balance of \$1,522 at June 30, 2016. The deficit balance was a result of project costs incurred prior to the availability of funds. The deficit will be eliminated upon receipt of state grants.

(11) Industrial Development Revenue Bonds

The City has issued a total of \$14,550,051 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$13,730,791 is outstanding at June 30, 2016. The bonds and related interest are payable solely from the revenues generated by these entities, and the bond principal and interest do not constitute liabilities of the City.

(12) Construction Commitments

During the year ended June 30, 2016, the City entered into construction contracts for \$1,848,648 and \$398,914 for the River Forest Road Reconstruction Project and the River Forest Road Levee Trail Project, respectively. At June 30, 2016, no work had been completed on the projects.

(13) New Accounting Pronouncement

The City of Evansdale 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.

(14) Reclassification

The beginning cash balance of the Water Fund, Water Deposit Fund, Garbage Deposit Fund and Sewer Deposit Fund, all proprietary funds, were reclassified to report the Evansdale Water Works as a discretely presented component unit in accordance with criteria set forth by the Governmental Accounting Standards Board. As a result, beginning of year cash balances for proprietary funds and business type activities were decreased by \$537,444.

	Primary Government/ Proprietary Funds	Discretely Presented Component Unit
Balances June 30, 2015, as previously reported	\$ 1,006,759	-
Discretely presented component unit	(537,444)	537,444
Balances July 1, 2015, as restated	\$ 469,315	537,444

Other Information

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

Other Information

Year ended June 30, 2016

	Governmental Funds Actual	Proprietary Funds Actual	Component Unit Actual	Total
Receipts:				
Property tax	\$ 882,178	-	-	882,178
Tax increment financing	236,021	-	-	236,021
Other city tax	612,938	-	-	612,938
Licenses and permits	52,000	-	-	52,000
Use of money and property	37,789	-	39,197	76,986
Intergovernmental	745,551	19,004	-	764,555
Charges for service	267,039	688,027	761,671	1,716,737
Special assessments	261	-	-	261
Miscellaneous	131,091	16,877	71,583	219,551
Total receipts	<u>2,964,868</u>	<u>723,908</u>	<u>872,451</u>	<u>4,561,227</u>
Disbursements:				
Public safety	1,107,970	-	-	1,107,970
Public works	814,385	-	-	814,385
Health and social services	17,183	-	-	17,183
Culture and recreation	228,203	-	-	228,203
Community and economic development	26,022	-	-	26,022
General government	317,752	-	-	317,752
Debt service	468,188	-	-	468,188
Capital projects	876,337	-	-	876,337
Business type activities	-	574,290	841,242	1,415,532
Total disbursements	<u>3,856,040</u>	<u>574,290</u>	<u>841,242</u>	<u>5,271,572</u>
Excess (deficiency) of receipts over (under) disbursements	(891,172)	149,618	31,209	(710,345)
Other financing sources, net	<u>298,081</u>	<u>192,078</u>	<u>81,741</u>	<u>571,900</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(593,091)	341,696	112,950	(138,445)
Balances beginning of year	<u>3,822,336</u>	<u>469,315</u>	<u>537,444</u>	<u>4,829,095</u>
Balances end of year	<u>\$ 3,229,245</u>	<u>811,011</u>	<u>650,394</u>	<u>4,690,650</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
862,357	862,357	19,821
222,023	239,090	(3,069)
655,795	655,795	(42,857)
57,020	57,020	(5,020)
27,430	27,430	49,556
2,648,226	2,870,571	(2,106,016)
1,508,373	1,508,373	208,364
-	-	261
-	-	219,551
<u>5,981,224</u>	<u>6,220,636</u>	<u>(1,659,409)</u>
1,126,908	1,135,908	27,938
744,616	1,096,051	281,666
-	17,183	-
254,009	239,326	11,123
5,000	37,016	10,994
347,886	347,886	30,134
493,481	516,176	47,988
3,901,000	3,901,000	3,024,663
980,154	1,512,811	97,279
<u>7,853,054</u>	<u>8,803,357</u>	<u>3,531,785</u>
(1,871,830)	(2,582,721)	1,872,376
<u>1,778,000</u>	<u>2,343,000</u>	<u>(1,771,100)</u>
(93,830)	(239,721)	101,276
<u>2,346,015</u>	<u>2,346,015</u>	<u>2,483,080</u>
<u>2,252,185</u>	<u>2,106,294</u>	<u>2,584,356</u>

City of Evansdale

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 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 Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$950,303. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2016, disbursements in the health and social services and community and economic development functions exceeded the budget prior to the budget amendment.

City of Evansdale

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

For the Last Two Years*
(In Thousands)

Other Information

Iowa Public Employees' Retirement System

	<u>2016**</u>	<u>2015</u>
City's proportion of the net pension liability	0.006674%	0.008365%
City's proportionate share of the net pension liability	\$ 330	332
City's covered-employee payroll	\$ 658	652
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	50.15%	50.92%
IPERS' net position as a percentage of the total pension liability	85.19%	87.61%

Municipal Fire and Police Retirement System of Iowa

	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.105935%	0.103266%
City's proportionate share of the net pension liability	\$ 498	374
City's covered-employee payroll	\$ 278	263
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	179.14%	142.21%
Plan fiduciary net position as a percentage of the total pension liability	83.04%	86.27%

* 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.

** Effective July 1, 2015, the Evansdale Water Works was reclassified from a blended to a discretely presented component unit and, accordingly, is excluded from this Schedule.

See accompanying independent auditor's report.

City of Evansdale
Schedule of City Contributions

For the Last Ten Years
(In Thousands)

Other Information

Iowa Public Employees' Retirement System

	2016**	2015	2014	2013
Statutorily required contribution	\$ 49,105	59,761	59,199	56,199
Contributions in relation to the statutorily required contribution	(49,105)	(59,761)	(59,199)	(56,199)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered-employee payroll	\$ 544,231	658,484	652,292	634,630
Contributions as a percentage of covered-employee payroll	9.02%	9.08%	9.08%	8.86%

Municipal Fire and Police Retirement System of Iowa

	2016	2015	2014	2013
Statutorily required contribution	\$ 92,554	84,482	79,430	66,964
Contributions in relation to the statutorily required contribution	(92,554)	(84,482)	(79,430)	(66,964)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered-employee payroll	\$ 333,288	277,810	263,713	256,371
Contributions as a percentage of covered-employee payroll	27.77%	30.41%	30.12%	26.12%

** Effective July 1, 2015, the Evansdale Water Works was reclassified from a blended to a discretely presented component unit and, accordingly, is excluded from this Schedule.

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
52,992	41,863	40,461	36,271	30,632	38,757
(52,992)	(41,863)	(40,461)	(36,271)	(30,632)	(38,757)
-	-	-	-	-	-
639,837	577,939	585,773	552,120	486,874	640,564
8.28%	7.24%	6.91%	6.57%	6.29%	6.05%

2012	2011	2010	2009	2008	2007
69,862	60,077	56,340	53,260	68,098	64,350
(69,862)	(60,077)	(56,340)	(53,260)	(68,098)	(64,350)
-	-	-	-	-	-
282,157	301,894	331,412	284,053	267,261	231,892
24.76%	19.90%	17.00%	18.75%	25.48%	27.75%

City of Evansdale

City of Evansdale

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Iowa Public Employees' Retirement System

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 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.

City of Evansdale

Notes to Other Information – Pension Liability

Year ended June 30, 2016

Municipal Fire and Police Retirement System of Iowa

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

One additional step was taken to phase in the 1994 Group Annuity Mortality Table for post-retirement mortality. The one additional step results in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

Supplementary Information

City of Evansdale

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

As of and for the year ended June 30, 2016

	Tax Increment Financing	Dental Insurance	Tort Liability	Special Property Tax Relief Surplus
Receipts:				
Tax increment financing	\$ 236,021	-	-	-
Intergovernmental	-	-	-	-
Total receipts	236,021	-	-	-
Disbursements:				
Operating:				
Community and economic development	7,325	-	-	-
General government	-	-	38,496	-
Total disbursements	7,325	-	38,496	-
Excess (deficiency) of receipts over (under) disbursements	228,696	-	(38,496)	-
Other financing sources (uses):				
Transfers in	-	-	45,000	-
Transfers out	(263,953)	-	-	-
Total other financing sources (uses)	(263,953)	-	45,000	-
Change in cash balances	(35,257)	-	6,504	-
Cash balances beginning of year	68,373	81	644	56,114
Cash balances end of year	\$ 33,116	81	7,148	56,114
Cash Basis Fund Balances				
Restricted for:				
Urban renewal purposes	\$ 33,116	-	-	-
Other purposes	-	81	7,148	56,114
Unassigned	-	-	-	-
Total cash basis fund balances	\$ 33,116	81	7,148	56,114

See accompanying independent auditor's report.

Revenue				
Flood Buyout	Police Retirement	CDBG Rehab Program		Total
-	-	-		236,021
-	-	12,175		12,175
-	-	12,175		248,196
-	-	13,697		21,022
-	-	-		38,496
-	-	13,697		59,518
-	-	(1,522)		188,678
-	-	-		45,000
(20,000)	-	-		(283,953)
(20,000)	-	-		(238,953)
(20,000)	-	(1,522)		(50,275)
20,000	300,000	-		445,212
-	300,000	(1,522)		394,937
-	-	-		33,116
-	300,000	-		363,343
-	-	(1,522)		(1,522)
-	300,000	(1,522)		394,937

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Essential corporate purpose	Sept 16, 2010	1.00-2.90%	\$ 710,000
Essential corporate purpose	Jan 3, 2012	1.00-2.20	310,000
Essential corporate purpose	Jul 2, 2013	1.00-2.15	1,730,000
Essential corporate purpose	May 5, 2015	2.00-3.00	2,200,000
Essential corporate purpose	Jun 28, 2016	0.90-1.55	575,000
Total			
Capital leases:			
John Deere Loader	Jun 5, 2010	3.25%	\$ 103,900
John Deere Loader	Aug 26, 2011	3.55	60,871
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
425,000	-	80,000	345,000	10,462
220,000	-	35,000	185,000	4,210
1,340,000	-	195,000	1,145,000	19,843
2,200,000	-	65,000	2,135,000	56,573
-	575,000	-	575,000	-
<u>\$ 4,185,000</u>	<u>575,000</u>	<u>375,000</u>	<u>4,385,000</u>	<u>91,088</u>
31,190	-	15,342	15,848	1,028
25,650	-	12,597	13,053	926
<u>\$ 56,840</u>	<u>-</u>	<u>27,939</u>	<u>28,901</u>	<u>1,954</u>

City of Evansdale

Bond Maturities

June 30, 2016

Year Ending June 30,	General Obligation					
	Essential Corporate Purpose		Essential Corporate Purpose		Essential Corporate Purpose	
	Issued Sept 16, 2010		Issued Jan 3, 2012		Issued Jul 2, 2013	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2017	2.20%	\$ 85,000	1.60%	\$ 35,000	1.00%	\$ 205,000
2018	2.50	85,000	1.60	35,000	1.25	195,000
2019	2.75	85,000	2.20	35,000	1.50	195,000
2020	2.90	90,000	2.20	40,000	1.70	210,000
2021		-	2.00	40,000	1.95	200,000
2022		-		-	2.15	140,000
2023		-		-		-
2024		-		-		-
2025		-		-		-
2026		-		-		-
2027		-		-		-
2028		-		-		-
Total		<u>\$ 345,000</u>		<u>\$ 185,000</u>		<u>\$1,145,000</u>

See accompanying independent auditor's report.

Bonds

Essential Corporate Purpose		Essential Corporate Purpose		
Issued May 5, 2015		Issued Jun 28, 2016		
Interest Rates	Amount	Interest Rates	Amount	Total
2.00%	\$ 210,000	0.00%	\$ -	535,000
2.00	170,000	0.90	95,000	580,000
2.00	200,000	1.05	95,000	610,000
2.00	200,000	1.15	95,000	635,000
2.00	210,000	1.30	95,000	545,000
2.50	210,000	1.45	95,000	445,000
2.50	215,000	1.55	100,000	315,000
2.75	225,000		-	225,000
3.00	225,000		-	225,000
3.00	200,000		-	200,000
3.00	35,000		-	35,000
3.00	35,000		-	35,000
	<u>\$2,135,000</u>		<u>\$ 575,000</u>	<u>\$4,385,000</u>

City of Evansdale

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

For the Last Ten Years

	2016	2015	2014	2013
Receipts:				
Property tax	882,178	867,615	779,245	832,750
Tax increment financing	236,021	228,966	252,905	316,678
Other city tax	612,938	612,976	654,613	593,966
Licenses and permits	52,000	65,507	54,907	55,603
Use of money and property	37,789	29,015	27,648	31,604
Intergovernmental	745,551	574,125	676,683	599,223
Charges for service	267,039	280,943	265,205	283,424
Special assessments	261	2,602	2,673	9,111
Miscellaneous	131,091	101,484	85,383	96,225
Total	2,964,868	2,763,233	2,799,262	2,818,584
Disbursements:				
Operating:				
Public safety	1,107,970	1,046,834	1,047,850	1,006,111
Public works	814,385	652,722	898,838	655,573
Health and social services	17,183	17,133	16,787	15,705
Culture and recreation	228,203	239,664	229,918	272,425
Community and economic development	26,022	31,598	2,500	4,632
General government	317,752	337,484	347,148	304,788
Debt service	468,188	682,115	2,489,309	844,973
Capital projects	876,337	8,512	-	-
Total	3,856,040	3,016,062	5,032,350	3,104,207

See accompanying independent auditor's report.

2012	2011	2010	2009	2008	2007
707,966	658,967	722,822	654,598	606,490	610,801
432,122	527,155	357,693	330,353	299,649	190,498
648,463	596,158	574,534	604,838	589,386	527,123
45,854	50,114	53,730	42,231	53,233	81,387
32,988	26,345	43,373	30,414	68,169	105,244
923,676	1,470,318	1,203,268	912,046	496,354	614,411
283,594	261,967	236,937	239,148	226,418	264,813
1,922	-	-	-	-	-
241,253	405,803	284,497	291,731	278,595	308,699
<u>3,317,838</u>	<u>3,996,827</u>	<u>3,476,854</u>	<u>3,105,359</u>	<u>2,618,294</u>	<u>2,702,976</u>
1,008,844	1,162,243	974,691	927,839	974,757	1,294,472
594,387	1,602,296	605,309	478,549	584,970	787,181
-	20,256	19,519	19,053	21,314	21,497
318,416	235,863	185,530	432,144	264,105	204,863
217,338	773,567	555,335	103,335	475,785	224,922
325,253	430,371	453,568	909,356	366,144	354,334
608,018	539,111	537,626	1,355,659	618,420	696,125
-	-	-	-	-	-
<u>3,072,256</u>	<u>4,763,707</u>	<u>3,331,578</u>	<u>4,225,935</u>	<u>3,305,495</u>	<u>3,583,394</u>

City of Evansdale



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STATE OF IOWA

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Evansdale, 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 June 22, 2017. Our report expressed a qualified opinion on the aggregate remaining fund information due to the omission of the Evansdale Volunteer Fire Department Association. Our report expressed unmodified opinions on the financial statements of the governmental activities, business type activities, the discretely presented component unit and each major fund of the City of Evansdale which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

The City of Evansdale's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Evansdale's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State

June 22, 2017

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Generally, one or two individuals have control over each of the following areas for the City:

- (1) Cash – preparing bank account reconciliations, cash receipt and disbursement functions and handling and recording cash. There is no independent review of the bank reconciliations.
- (2) Receipts – collecting, depositing, recording and posting. The initial listing is not reviewed by an independent person.
- (3) Disbursements – purchasing, check preparation, signing, recording and posting.
- (4) Payroll - recordkeeping, preparation and distribution.
- (5) Long-term debt – recordkeeping and reviewing compensated absences records. Compensated absences are not reviewed by an independent person.

Cause – The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

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

Response – The bank reconciliations are prepared and the Mayor reviews each monthly disbursement and receipt to the bank statement and signs off on the reconciliation.

Receipts, as discussed, whomever completes the deposit will take the deposit to the bank.

City of Evansdale

Schedule of Findings

Year ended June 30, 2016

Disbursements, as discussed, the Mayor opens the mail, distributes the invoices to the correct department. The department head reviews the invoice, signs off on it and forwards to the Deputy Clerk. The Deputy Clerk enters the payables and the City Clerk reviews the register to ensure the correct amount on the invoice is listed and that the invoice is posted to the correct fund and she signs off on it. The checks are printed and both the City Clerk and the Mayor review each invoice again and sign the checks.

The department heads review each time sheet and forward to the City Clerk, the City Clerk enters into the software and the Mayor reviews each timesheet and the preliminary calculation register. We will add an additional step to have the Mayor sign the payroll register, which is processed after the check stubs are printed.

The City's financial advisors prepare a long-term debt schedule annually and the schedule is reviewed by each Council Member, City Clerk and the Mayor. The financial advisors go over the schedule and answer any questions the Council or Mayor may have.

Conclusion – Response accepted.

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – A transfer in the amount of \$143,857 from the Special Revenue, Tax Increment Financing Fund to the Debt Service Fund was incorrectly coded as a debt service function disbursement rather than a transfer. An adjustment was made to properly report the transfer in the financial statements.

Cause – Procedures have not been established to require independent review of transfers to ensure the City's financial statements are accurate and reliable.

Effect – Lack of independent review procedures resulted in City employees not detecting the error in the normal course of performing their assigned functions. As a result, a material adjustment to the City's financial statements was necessary.

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

Response – Coding issue has been addressed.

Conclusion – Response accepted.

City of Evansdale

Schedule of Findings

Year ended June 30, 2016

(C) Computer System

Criteria – A disaster recovery plan for financial continuity should include the following elements:

- Identification of critical applications.
- Identification of staff responsibilities.
- Identification of steps for recovery of systems critical to City operations.
- Identification of computer equipment needed for temporary processing.
- Identification of business location(s) which could be used to process critical applications in the event of an emergency, including any applicable written agreements for the use of the location(s).
- Requirement to keep a copy of the disaster recovery plan off site.
- Requirement to keep system backups current and off site.
- An inventory of all hardware and components.
- An inventory of all software applications.
- A requirement that copies of all user documentation and policy and procedures manuals be located off site.
- A requirement for an extra stock of paper supplies, such as checks, warrants, purchase orders, etc., to be located off site.
- A requirement outlining the frequency of testing or review of the disaster recovery plan.

Condition – The City does not have a written disaster recovery plan for its computer system.

Cause – Management has not developed a written disaster recovery plan.

Effect – The failure to have a formal disaster recovery plan could result in the City's inability to function in the event of a disaster or continue City business without interruption.

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

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

Conclusion – Response accepted.

City of Evansdale

Schedule of Findings

Year ended June 30, 2016

(D) Evansdale Friends of the Library

Criteria – A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same individual. This segregation of duties helps prevent losses from error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – All accounting functions are handled by one or two individuals without adequate compensating controls.

Cause – The Friends of the Library has a limited number of individuals and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Friends of the Library's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by individuals in the normal course of performing their assigned functions.

Recommendation - The Friends of the Library should segregate accounting duties to the extent possible.

Response – The Friends of the Library will review its operating procedures.

Conclusion – Response accepted.

(E) Friends of the Evansdale Park/Recreation

Criteria – A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same individual. This segregation of duties helps prevent losses from error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – All accounting functions are handled by one or two individuals without adequate compensating controls. Additionally, all disbursements were not supported by invoices or other supporting documentation.

Cause – The Friends of the Evansdale Parks/Recreation has a limited number of individuals and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Friends of Evansdale Parks/Recreation's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by individuals in the normal course of performing their assigned functions.

City of Evansdale

Schedule of Findings

Year ended June 30, 2016

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

Response - The Friends of the Evansdale Parks/Recreation will review its operating procedures.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Evansdale

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 health and social services and community and economic development functions prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – We are aware of the error in data entry to the budget and will amend before expenses are encumbered.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Separately Maintained Records – The Evansdale Friends of the Library and Friends of the Evansdale Parks/Recreation each maintain a bank account for activity separate from the City Clerk’s accounting records. The transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget, monthly financial reports or Annual Financial Report. The transactions and resulting balances are included in these financial statements.

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, annual budget and Annual Financial Report and should be reported to the City Council on a monthly basis.

City of Evansdale

Schedule of Findings

Year ended June 30, 2016

Response – A spreadsheet will be prepared to track any receipts/disbursements. We will encourage both the Friends of the Library and Parks/Recreation to include their receipts/disbursements in the annual budget as well as track their receipts/disbursements monthly.

Conclusion – Response accepted.

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

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

Response – The City will continue to pursue fact finding related to this matter.

Conclusion – Response accepted.

- (10) Financial Condition – The Special Revenue, CDBG Rehab Program Fund had a deficit balance of \$1,522 at June 30, 2016.

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

Response – The deficit was due to project costs incurred prior to the availability of funds. The deficit will be eliminated upon receipt of state grants.

Conclusion – Response accepted.

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

City of Evansdale

Staff

This audit was performed by:

Tammy A. Hollingsworth, CIA, Manager
Jenny M. Podrebarac, Senior Auditor II
Eileen D. Loomis, Staff Auditor
Jacob N. Bennett, Assistant Auditor
Preston R. Grygiel, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State