



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

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**NEWS RELEASE**

FOR RELEASE

December 19, 2017

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

The City's receipts totaled \$10,458,787 for the year ended June 30, 2017, a 61.7% increase over the prior year. The receipts included \$1,776,218 in property tax, \$641,589 from tax increment financing, \$2,815,432 from charges for service, \$674,897 from operating grants, contributions and restricted interest, \$539,776 from local option sales and services tax, \$3,998,292 from note proceeds, \$12,575 from unrestricted interest on investments and \$8 from other general receipts.

Disbursements for the year ended June 30, 2017 totaled \$7,937,800, a 39.8% increase over the prior year, and included \$3,051,954 for debt service, \$1,059,772 for public safety and \$904,348 for culture and recreation. Also, disbursements for business type activities totaled \$1,937,831.

The significant increase in receipts is due to proceeds received from the issuance of general obligation refunding notes. The significant increase in disbursements is due to the use of those note proceeds to refund the City's Series 2011A notes. The increase in disbursements is also due to more capital projects relating to business type activities in fiscal year 2017 than in fiscal year 2016.

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/1720-0228-B00F>.

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**CITY OF ADEL**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2017**

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**City of Adel**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James F. Peters	Mayor	Jan 2018
Jon McAvoy	Mayor Pro tem	Jan 2018
Rebecca Hillmer	Council Member	Jan 2018
Michael Haynes	Council Member	Jan 2020
Shirley McAdon	Council Member	Jan 2020
Bob Ockerman	Council Member	Jan 2020
Anthony Brown	Administrator	Indefinite
Jackie Steele	City Clerk	Indefinite
Kathy Barger	Treasurer	Resigned Oct 2016
Brittany Sandquist	Finance Director	Indefinite
John Reich	Attorney	Indefinite

**City of Adel**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel as of June 30, 2017, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

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

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Adel's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the three years ended June 30, 2010 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


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

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 8 through 14 and 40 through 46, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2017 on our consideration of the City of Adel's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Adel's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

November 20, 2017

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Adel provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2017 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 80.5%, or approximately \$3,800,000, from fiscal year 2016 to fiscal year 2017. In fiscal year 2017, \$3,998,292 of note proceeds were received. There were no similar proceeds in fiscal year 2016.
- Disbursements of the City's governmental activities increased 43.2%, or approximately \$1,810,000, from fiscal year 2016 to fiscal year 2017. Debt service function disbursements increased approximately \$2,070,000 due to the City paying off its series 2011A general obligation capital loan notes.
- The City's total cash basis net position increased approximately \$2,521,000 from June 30, 2016 to June 30, 2017. Of this amount, the cash basis net position of the governmental activities increased approximately \$2,695,000 and the cash basis net position of the business type activities decreased approximately \$174,000. The increase for the governmental activities is due to the receipt of note proceeds in fiscal year 2017.

### USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

## **BASIS OF ACCOUNTING**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has three kinds of funds:

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

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

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

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

- 3) Fiduciary funds account for resources held for others. The Fiduciary Funds consists of an Agency, Oakdale Pride Fund and Library Friends/Foundation Fund.

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

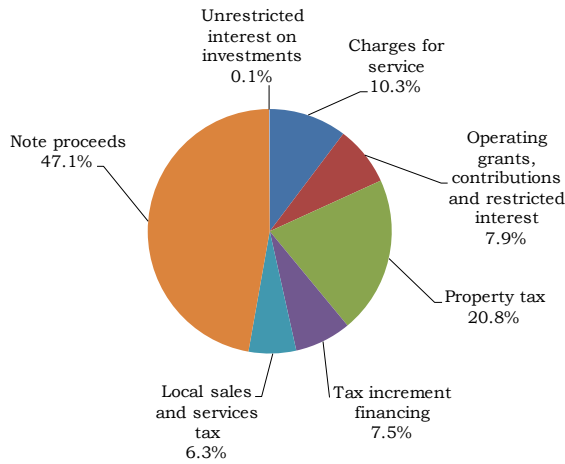
Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

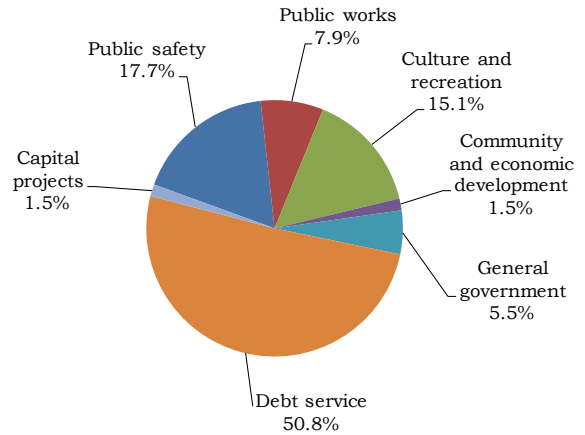
Net position may serve over time as a useful indicator of financial position. The City’s cash balance for governmental activities increased from a year ago, increasing from a balance of approximately \$997,000 to approximately \$3,692,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service	\$ 878	813
Operating grants, contributions and restricted interest	675	1,005
General receipts:		
Property tax	1,776	1,782
Tax increment financing	642	642
Local sales and services tax	540	474
Unrestricted interest on investments	11	4
Note proceeds	3,998	-
Total receipts	8,520	4,720
Disbursements:		
Public safety	1,060	982
Public works	473	522
Culture and recreation	904	738
Community and economic development	91	79
General government	328	197
Debt service	3,052	982
Capital projects	92	690
Total disbursements	6,000	4,190
Change in cash basis net position before transfers	2,520	530
Transfers, net	175	20
Change in cash basis net position	2,695	550
Cash basis net position beginning of year	997	447
Cash basis net position end of year	\$ 3,692	997

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities increased 80.5%, or approximately \$3,800,000. The total cost of all programs and services increased approximately \$1,810,000, or 43.2%, with no new programs added this year. The significant increase in receipts was primarily the result of note proceeds received from the issuance of general obligation capital loan notes. The significant increase in disbursements was due primarily to the City paying off its general obligation capital loan notes, series 2011A.

The City's property tax rates for fiscal year 2017 represent a decrease from fiscal year 2016. Overall, taxable valuation increased 2.57% and property tax rates decreased 1.44%. The City's property tax receipts decreased approximately \$6,000 in fiscal year 2017. For fiscal year 2018, there is an increase in assessed property values and, with a change in the rollback from fiscal year 2017 to fiscal year 2018, the taxable value increased 5.59% and property tax rates per \$1,000 of taxable valuation decreased 0.31%. These changes result in budgeted property tax increasing approximately \$85,000.

The cost of all governmental activities this year was approximately \$6 million compared to approximately \$4.2 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$4.4 million because some of the cost was paid by those directly benefited from the programs (approximately \$878,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$675,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased approximately \$265,000 in fiscal year 2017.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 852	744
Sewer	687	632
Garbage/recycling	287	267
Storm water	112	105
General receipts:		
Unrestricted interest on investments	1	-
Total receipts	<u>1,939</u>	<u>1,748</u>
Disbursements:		
Water	901	669
Sewer	612	497
Garbage/recycling	151	263
Storm water	274	59
Total disbursements	<u>1,938</u>	<u>1,488</u>
Change in cash basis net position before transfers	1	260
Transfers, net	<u>(175)</u>	<u>(20)</u>
Change in cash basis net position	(174)	240
Cash basis net position beginning of year	<u>2,252</u>	<u>2,012</u>
Cash basis net position end of year	<u>\$ 2,078</u>	<u>2,252</u>

Total business type activities receipts for the fiscal year were approximately \$1.939 million compared to approximately \$1.748 million last year. This increase was due primarily to an increase in the number of customers during the fiscal year. The cash balance decreased approximately \$174,000 from the prior year, which is primarily due to the new water utility improvement project.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Adel completed the year, its governmental funds reported a combined fund balance of \$3,680,823, an increase of \$2,693,014 from last year's total of \$987,809. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$486,227 from the prior year to \$1,161,550, due primarily to an increase in transfers in from the Special Revenue, Local Sales and Services Tax Fund and the Enterprise, Water and Sewer Funds. Transfers in increased approximately \$341,000 during fiscal year 2017.
- The Special Revenue, Road Use Tax Fund cash balance increased \$62,302 to \$245,689. This increase was due primarily to fewer disbursements in fiscal year 2017 than in 2016.

- The Special Revenue, Urban Renewal Tax Increment Fund was established to account for a major urban renewal project within the City's business district. At the end of the fiscal year, the cash balance was \$51,368, an increase of \$1,389 from the previous year. The increase was due primarily to disbursements and transfers out being less than tax increment financing collections. The City budgets and requests only the approximate amount of receipts needed during the year.
- The Special Revenue, Local Sales and Services Tax Fund cash balance increased from \$220,409 to \$304,811. This was the sixth complete year of local option sales tax collections. The State provides forecasts of monthly payments based upon estimated sales tax collections and completes an annual reconciliation. The forecasted payments increased with actual receipts increasing from \$474,195 to \$539,776 in fiscal year 2017. In addition, transfers out increased due to the fund covering a portion of the capital and operating expenses in the General Fund for the pool, park, & recreation departments.
- The Debt Service Fund cash balance increased \$24,276 to \$20,047. This increase was the result of the City transferring funds from the Special Revenue, Urban Renewal Tax Increment and Local Sales and Services Tax Funds and the Capital Projects Fund to cover disbursements out of the Debt Service fund.
- The Capital Projects Fund cash balance increased \$2,012,033 to \$1,840,356. This increase is due to the receipt of general obligation note proceeds during the year with no major project costs or purchases occurring during fiscal year 2017.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance decreased \$103,352 to \$878,360, due primarily to an increase in disbursements for the new water utility improvement project and water treatment plant.
- The Enterprise, Sewer Fund cash balance decreased \$25,224 to \$929,828, due primarily to an increase in disbursements for the new wastewater treatment plant and east annex sanitary utility extension project.
- The Enterprise, Garbage/Recycling Fund cash balance decreased \$7,360 to \$95,005.
- The Enterprise, Storm Water Fund cash balance decreased \$38,794 to \$150,844, due primarily to costs related to a storm water utility improvement project.

#### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 9, 2017 and resulted in an increase in budgeted operating disbursements of approximately \$861,000 to various functions, with the main increase to the business type activities function for water, sewer and wastewater projects in fiscal year 2017.

The City's receipts were \$253,653 more than the amended budget. This was primarily due to the City receiving more in local option sales tax and sewer and water charges for service than anticipated, even with the amendment.

Total disbursements were \$1,745,722 more than the amended budget. This was primarily due to the City paying off its series 2011A general obligation capital loan notes during fiscal year 2017.

Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the public safety, general government, debt service and capital projects functions. In addition, disbursements in the general government, capital projects and business type activities functions exceeded the amounts budgeted prior to the budget amendment.

### **DEBT ADMINISTRATION**

At June 30, 2017, the City had approximately \$11,250,000 of notes outstanding, compared to approximately \$10,231,000 last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2017	2016
General obligation notes	\$ 9,610	8,490
Revenue notes	1,640	1,741
Total	\$ 11,250	10,231

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of approximately \$9.6 million is below its constitutional debt limit of approximately \$11.4 million.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Adel's elected and appointed officials and citizens considered many factors when setting the fiscal year 2018 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the County as of July 2017 stands at 2.2% versus 3.1% at July 2016. This compares with the State's unemployment rate of 3.1% and the national rate of 4.3% as of July 2017.

These indicators were taken into account when adopting the budget for fiscal year 2018. Amounts available for appropriation in the operating budget are approximately \$5.9 million, a decrease of approximately \$215,000 from the fiscal year 2017 final budget. Property tax is expected to increase approximately \$85,000, tax increment financing is expected to increase approximately \$7,000, licenses and permits are expected to decrease approximately \$120,000 and intergovernmental receipts are expected to decrease approximately \$562,000. Budgeted disbursements are expected to decrease approximately \$504,000 from the final fiscal year 2017 budget. This is primarily due to lower budgeted disbursements in the proprietary funds. The City has added no major new programs or initiatives to the fiscal year 2018 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$298,000 by the close of fiscal year 2018.

### **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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



## **Basic Financial Statements**

City of Adel

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2017

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
<b>Primary Government:</b>			
Governmental activities:			
Public safety	\$ 1,059,772	512,852	52,752
Public works	472,961	-	479,296
Culture and recreation	904,348	314,290	78,888
Community and economic development	91,359	-	-
General government	327,888	8,628	59,528
Debt service	3,051,954	-	-
Capital projects	91,687	42,260	4,433
Total governmental activities	5,999,969	878,030	674,897
Business type activities:			
Water	901,169	851,898	-
Sewer	611,723	686,877	-
Garbage/recycling	150,756	286,824	-
Storm water	274,183	111,803	-
Total business type activities	1,937,831	1,937,402	-
<b>Total Primary Government</b>	<b>\$ 7,937,800</b>	<b>2,815,432</b>	<b>674,897</b>
<b>Component Units:</b>			
South Dallas County Landfill Agency	\$ 1,250,903	1,930,363	-
Friends of Adel Library Foundation	29,322	-	18,450
<b>Total component units</b>	<b>\$ 1,280,225</b>	<b>1,930,363</b>	<b>18,450</b>
<b>General Receipts and Transfers:</b>			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local sales and services tax			
Unrestricted interest on investments			
General obligation note proceeds, including premium of \$63,292			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			
<b>Cash Basis Net Position</b>			
Restricted:			
Urban renewal purposes			
Streets			
Local option sales tax			
Nile Kinnick Museum Addition			
Debt service			
Capital projects			
Closure and postclosure care			
Library Foundation			
Other purposes			
Unrestricted			
<b>Total cash basis net position</b>			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Units	
Governmental Activities	Business Type Activities	Total	South Dallas County Landfill Agency	Friends of Adel Library Foundation
(494,168)	-	(494,168)		
6,335	-	6,335		
(511,170)	-	(511,170)		
(91,359)	-	(91,359)		
(259,732)	-	(259,732)		
(3,051,954)	-	(3,051,954)		
(44,994)	-	(44,994)		
(4,447,042)	-	(4,447,042)		
-	(49,271)	(49,271)		
-	75,154	75,154		
-	136,068	136,068		
-	(162,380)	(162,380)		
-	(429)	(429)		
(4,447,042)	(429)	(4,447,471)		
			679,460	-
			-	(10,872)
			679,460	(10,872)
1,447,757	-	1,447,757	-	-
328,461	-	328,461	-	-
641,589	-	641,589	-	-
539,776	-	539,776	-	-
11,250	1,325	12,575	281,459	-
3,998,292	-	3,998,292	-	-
8	-	8	6,716	-
174,750	(174,750)	-	-	-
7,141,883	(173,425)	6,968,458	288,175	-
2,694,841	(173,854)	2,520,987	967,635	(10,872)
996,689	2,252,473	3,249,162	6,485,579	74,523
\$ 3,691,530	2,078,619	5,770,149	7,453,214	63,651
\$ 51,368	-	51,368	-	-
245,689	-	245,689	-	-
304,811	-	304,811	-	-
7,275	-	7,275	-	-
20,047	195,126	215,173	-	-
1,840,356	439,517	2,279,873	-	-
-	-	-	2,105,388	-
-	-	-	-	63,651
57,002	98,398	155,400	13,473	-
1,164,982	1,345,578	2,510,560	5,334,353	-
\$ 3,691,530	2,078,619	5,770,149	7,453,214	63,651

City of Adel

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

As of and for the year ended June 30, 2017

	Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Local Sales and Services Tax
Receipts:				
Property tax	\$ 937,147	-	-	-
Tax increment financing	-	-	641,589	-
Other city tax	111,150	-	-	539,776
Licenses and permits	438,980	-	-	-
Use of money and property	71,563	-	-	-
Intergovernmental	157,040	478,447	-	-
Charges for service	293,010	-	-	-
Special assessments	25,326	-	-	-
Miscellaneous	57,092	-	-	-
Total receipts	2,091,308	478,447	641,589	539,776
Disbursements:				
Operating:				
Public safety	801,205	-	-	-
Public works	47,428	425,770	-	-
Culture and recreation	784,245	-	-	-
Community and economic development	83,677	-	-	-
General government	312,961	-	-	-
Debt service	-	-	-	-
Capital projects	50,460	-	-	5,594
Total disbursements	2,079,976	425,770	-	5,594
Excess (deficiency) of receipts over (under) disbursements	11,332	52,677	641,589	534,182
Other financing sources (uses):				
General obligation note proceeds, including premium of \$63,292	-	-	-	-
Transfers in	586,715	25,000	-	-
Transfers out	(111,820)	(15,375)	(640,200)	(449,780)
Total other financing sources (uses)	474,895	9,625	(640,200)	(449,780)
Change in cash balances	486,227	62,302	1,389	84,402
Cash balances beginning of year	675,323	183,387	49,979	220,409
Cash balances end of year	\$ 1,161,550	245,689	51,368	304,811
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Urban renewal purposes	\$ -	-	51,368	-
Streets	-	245,689	-	-
Local option sales tax	-	-	-	304,811
Debt service	-	-	-	-
Capital projects	-	-	-	-
Nile Kinnick Museum addition	7,275	-	-	-
Other purposes	-	-	-	-
Unassigned	1,154,275	-	-	-
Total cash basis fund balances	\$ 1,161,550	245,689	51,368	304,811

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
328,461	-	399,460	1,665,068
-	-	-	641,589
-	-	-	650,926
-	-	-	438,980
-	-	-	71,563
-	-	-	635,487
-	-	-	293,010
-	16,933	-	42,259
-	-	25,964	83,056
328,461	16,933	425,424	4,521,938
-	-	259,718	1,060,923
-	-	-	473,198
-	-	120,275	904,520
-	-	7,682	91,359
-	-	15,364	328,325
3,051,954	-	-	3,051,954
-	35,633	-	91,687
3,051,954	35,633	403,039	6,001,966
(2,723,493)	(18,700)	22,385	(1,480,028)
2,064,924	1,933,368	-	3,998,292
682,845	111,820	-	1,406,380
-	(14,455)	-	(1,231,630)
2,747,769	2,030,733	-	4,173,042
24,276	2,012,033	22,385	2,693,014
(4,229)	(171,677)	34,617	987,809
20,047	1,840,356	57,002	3,680,823
-	-	-	51,368
-	-	-	245,689
-	-	-	304,811
20,047	-	-	20,047
-	1,840,356	-	1,840,356
-	-	-	7,275
-	-	57,002	57,002
-	-	-	1,154,275
20,047	1,840,356	57,002	3,680,823

**City of Adel**

City of Adel

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

As of and for the year ended June 30, 2017

**Total governmental funds cash balances (page 19)** \$ 3,680,823

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

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

10,707

**Cash basis net position of governmental activities (page 17)** \$ 3,691,530

**Change in cash balances (page 19)** \$ 2,693,014

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

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

1,827

**Change in cash basis net assets of governmental activities (page 17)** \$ 2,694,841

See notes to financial statements.

City of Adel

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

As of and for the year ended June 30, 2017

	Enterprise					Internal Service
	Water	Sewer	Garbage/ Recycling	Storm Water	Total	
Operating receipts:						
Charges for service	\$ 851,898	686,877	286,823	111,803	1,937,401	7,125
Operating disbursements:						
Governmental activities:						
Public safety	-	-	-	-	-	1,885
Public works	-	-	-	-	-	388
General government	-	-	-	-	-	716
Business type activities	632,378	480,548	274,183	112,516	1,499,625	1,433
Total operating disbursements	632,378	480,548	274,183	112,516	1,499,625	4,422
Excess (deficiency) of operating receipts over (under) operating disbursements	219,520	206,329	12,640	(713)	437,776	2,703
Non-operating receipts (disbursements):						
Capital projects	(175,389)	(75,121)	-	(38,240)	(288,750)	-
Debt service	(93,831)	(56,500)	-	-	(150,331)	-
Interest on Investments	848	318	-	159	1,325	-
Net non-operating receipts (disbursements)	(268,372)	(131,303)	-	(38,081)	(437,756)	-
Excess (deficiency) of receipts over (under) disbursements	(48,852)	75,026	12,640	(38,794)	20	2,703
Transfers out	(54,500)	(100,250)	(20,000)	-	(174,750)	-
Change in cash balances	(103,352)	(25,224)	(7,360)	(38,794)	(174,730)	2,703
Cash balances beginning of year	981,712	955,052	102,365	189,638	2,228,767	32,586
Cash balances end of year	\$ 878,360	929,828	95,005	150,844	2,054,037	35,289
<b>Cash Basis Fund Balances</b>						
Restricted for:						
Debt service	\$ 96,231	98,895	-	-	195,126	-
Water improvements	137,353	-	-	-	137,353	-
Storm water improvements	-	289,502	-	12,662	302,164	-
Water deposits	98,398	-	-	-	98,398	-
Unrestricted	546,378	541,431	95,005	138,182	1,320,996	35,289
Total cash basis fund balances	\$ 878,360	929,828	95,005	150,844	2,054,037	35,289

See notes to financial statements.



City of Adel

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

As of and for the year ended June 30, 2017

**Total enterprise funds cash balances (page 22)** \$ 2,054,037

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

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

24,582

**Cash basis net position of business type activities (page 17)** \$ 2,078,619

**Change in cash balances (page 22)** \$ (174,730)

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

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

876

**Change in cash basis net position of business type activities (page 17)** \$ (173,854)

See notes to financial statements.

**City of Adel**

City of Adel

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

As of and for the year ended June 30, 2017

	Agency		
	Library		Total
	Oakdale Pride	Friends/Foundation	
Additions:			
Donations	\$ 20,661	10,000	30,661
Deductions:			
Maintenance and repairs	4,757	5,007	9,764
Change in cash balance	15,904	4,993	20,897
Cash balance beginning of year	-	-	-
Cash balance end of year	\$ 15,904	4,993	20,897

City of Adel

Notes to Financial Statements

June 30, 2017

**(1) Summary of Significant Accounting Policies**

The City of Adel is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1877 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, culture and recreation, community and economic development and general government services. The City also provides water, sewer, garbage/recycling and storm water utilities to its citizens.

A. Reporting Entity

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

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

Discretely Presented Component Units

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

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

The Friends of Adel Library Foundation is an entity which is legally separate from the City. The Foundation collects donations which are used to purchase items to support the City Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Friends of Adel Library Foundation meets the definition of a component unit which should be discretely presented.

### Blended Component Unit

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

### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission, Dallas County Joint E-911 Service Board, Central Iowa Regional Transportation and Planning Alliance (CIRTPA), Adel Enterprises, Adel Partners, Metropolitan Advisory Council and the Greater Dallas County Development Alliance.

## B. Basis of Presentation

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

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

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 category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

The City also reports the following additional proprietary funds:

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

Additionally, the City reports fiduciary funds to account for assets held by the City as an agent for certain organizations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the public safety, general government, debt service and capital projects functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2017, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$364,408 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Component Unit

The South Dallas County Landfill Agency (Landfill Agency) categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs. The recurring fair value of the U.S. Treasury Securities Stripped of Interest (Securities) at June 30, 2017 was \$6,082,742 and was determined using the last reported sales price at current exchange rates. (Level 1 inputs) The carrying amount of the Securities at June 30, 2017 was \$5,220,909 and the maturity dates ranged from November 15, 2017 to November 15, 2026.

**(3) Notes Payable**

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

Year Ending June 30,	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 740,000	249,421	85,000	46,994	825,000	296,415
2019	725,000	240,668	85,000	45,594	810,000	286,262
2020	750,000	221,593	90,000	44,194	840,000	265,787
2021	880,000	201,580	90,000	42,394	970,000	243,974
2022	685,000	178,220	90,000	40,594	775,000	218,814
2023-2027	2,985,000	628,817	500,000	164,245	3,485,000	793,062
2028-2032	2,845,000	262,415	575,000	81,914	3,420,000	344,329
2033	-	-	125,000	4,375	125,000	4,375
Total	\$ 9,610,000	1,982,714	1,640,000	470,304	11,250,000	2,453,018

General Obligation Refunding Notes

In June 2017, the City issued \$3,935,000 of general obligation refunding notes. The notes were used for capital project disbursements and to refund \$2,060,000 of the City's general obligation refunding capital loan notes, series 2011A, dated September 27, 2011. The general obligation refunding capital loan notes were called for redemption as of June 28, 2017 and have all been retired as of June 30, 2017.

The City refunded the general obligation capital loan notes to reduce its total debt service by approximately \$167,900. The City obtained an economic gain (difference between the present value of the debt service payments on the old and new debt) of approximately \$144,000.



### Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,400,000 of water revenue notes issued in June 2013. Proceeds from the notes provided financing for water capital project construction. The notes are payable solely from water customer net receipts and are payable through 2033. Annual principal and interest payments on the notes are expected to require less than 43% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,494,598. For the current year, principal and interest paid and total customer net receipts were \$93,331 and \$219,520, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$879,000 of sewer revenue notes issued in June 1997 and May 2013. Proceeds from the notes provided financing for the construction of improvements to the sewer plant. The notes are payable solely from sewer customer net receipts and are payable through 2033. Annual principal and interest payments on the notes are expected to require less than 27% of net receipts. The total principal and interest remaining to be paid on the notes is \$615,706. For the current year, principal and interest paid and total customer net receipts were \$55,993 and \$206,329, respectively.

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

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

### Sewer Revenue Capital Loan Anticipation Project Note

On December 8, 2015, the City issued an interest free sewer revenue loan and disbursement agreement interim project anticipation note to the Iowa Finance Authority for up to \$300,000 to pay the costs of acquisition, construction, repairing and equipping all or part of the municipal sewer system. The note was issued pursuant to the provisions of Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and a corresponding issuance of sewer revenue bonds in an amount sufficient to repay the note. At June 30, 2017, the City had not yet drawn any funds against the anticipation project note.

On June 28, 2017, the City issued a sewer revenue loan and disbursement agreement interim project anticipation note for up to \$1,420,000 to pay the costs of improvements and extensions of the municipal sewer system. The note was issued pursuant to the provisions of Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and a corresponding issuance of sewer revenue bonds in an amount sufficient to repay the note. At June 30, 2017, the City had not yet drawn any funds against the project anticipation note.

#### **(4) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://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 at age 55. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for 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 2017, 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%. Protective occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City’s contributions to IPERS for the year ended June 30, 2017 were \$117,586.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability for \$685,332 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 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, 2017, the City’s proportion was 0.010890%, which was an increase of 0.002102% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$113,424, \$191,625 and \$145,689, respectively.

There were no non-employee contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 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, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
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 to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 1,315,485	685,332	153,742

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](http://www.ipers.org).

**(5) Other Postemployment Benefits (OPEB)**

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 22 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$433 to \$465 for single coverage and \$1,330 to \$1,429 for family coverage for medical/prescription drug benefits and \$33 for single coverage and \$67 to \$186 for family coverage for dental benefits. For the year ended June 30, 2017, the City contributed \$210,414 and plan members eligible for benefits contributed \$46,504 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2017, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 83,000
Compensatory time	<u>12,000</u>
Total	<u>\$ 95,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2017.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 292,205
	Road Use Tax	15,375
	Urban Renewal Tax Increment	104,385
	Enterprise:	
	Water	54,500
	Sewer	100,250
	Garbage/Recycling	20,000
		<u>586,715</u>
Special Revenue: Road Use Tax	Special Revenue: Urban Renewal Tax Increment	<u>25,000</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	510,815
	Local Sales and Services Tax	157,575
	Capital Projects	14,455
		<u>682,845</u>
Capital Projects	General	<u>111,820</u>
Total		<u>\$ 1,406,380</u>

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

**(8) Interfund Loans**

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

During the year ended June 30, 2017, the Special Revenue, Urban Renewal Tax Increment Fund repaid \$25,000 to the Special Revenue, Road Use Tax Fund. The amount due to the Special Revenue, Road Use Tax Fund at June 30, 2017 is \$50,000.

On December 9, 2014, the City agreed to advance \$292,512 from the Enterprise, Sewer Fund to the General Fund, which then advanced the same amount to the Special Revenue, Urban Renewal Tax Increment Fund, for costs associated with the City's urban renewal projects. These loans will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Fund to the General Fund, which will then transfer to the Enterprise, Sewer Fund, as funds become available in the Special Revenue, Urban Renewal Tax Increment Fund. At June 30, 2017, the amount due to the General Fund and ultimately, the Enterprise, Sewer Fund is \$292,512.

On November 8, 2016, the City agreed to advance \$113,428 from the General Fund to the Special Revenue, Urban Renewal Tax Increment Fund for the purpose of paying for improvements consistent with the promotion of economic development and blight remediation. This loan will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Fund to the General Fund, as funds become available in the Special Revenue, Urban Renewal Tax Increment Fund. At June 30, 2017, the amount due to the General Fund is \$113,428.

**(9) Risk Management**

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

**(10) Rebate Agreements**

The City has entered into two rebate agreements to assist in certain urban renewal projects. The City agreed to rebate incremental property tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of up to five years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. During the year ended June 30, 2017, the City rebated \$6,000 of incremental property tax to the participating companies.

**(11) Deficit Balance**

The Internal Service, Flex Benefits Fund had a deficit balance of \$6,552 at June 30, 2017. The City has a plan to reduce the deficit in fiscal year 2018.

**(12) Construction Commitments**

The City has entered into a construction contract totaling \$2,207,383 for the Brick Streets project which will be paid as work on the project progresses. This project will be funded with note proceeds.

**(13) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

### City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2017, the City abated \$2,535 of property tax under the urban renewal and economic development projects.

#### **(14) Subsequent Event**

In August 2017, the City entered into a loan agreement to issue storm water revenue notes of \$1,800,000 to finance the construction of improvements to the municipal storm water utility system.

#### **(15) New Accounting Pronouncement**

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about the City's tax abatements.

#### **(16) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This Statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.



## **Other Information**

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

Other Information

Year ended June 30, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,665,068	-	-
Tax increment financing	641,589	-	-
Local sales and services tax	650,926	-	-
Licenses and permits	438,980	-	-
Use of money and property	71,563	1,325	-
Intergovernmental	635,487	-	-
Charges for service	293,010	1,944,526	7,125
Special assessments	42,259	-	-
Miscellaneous	83,056	-	6,543
Total receipts	<u>4,521,938</u>	<u>1,945,851</u>	<u>13,668</u>
Disbursements:			
Public safety	1,060,923	1,885	4,250
Public works	473,198	388	388
Culture and recreation	904,520	-	-
Community and economic development	91,359	-	-
General government	328,325	716	716
Debt service	3,051,954	-	-
Capital projects	91,687	-	-
Business type activities	-	1,940,139	1,433
Total disbursements	<u>6,001,966</u>	<u>1,943,128</u>	<u>6,787</u>
Excess (deficiency) of receipts over (under) disbursements	(1,480,028)	2,723	6,881
Other financing sources (uses), net	<u>4,173,042</u>	<u>(174,750)</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,693,014	(172,027)	6,881
Balances beginning of year	<u>987,809</u>	<u>2,261,353</u>	<u>35,746</u>
Balances end of year	<u>\$ 3,680,823</u>	<u>2,089,326</u>	<u>42,627</u>

See accompanying independent auditor's report.

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Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,665,068	1,671,576	1,671,576	(6,508)
641,589	640,200	640,200	1,389
650,926	492,947	549,947	100,979
438,980	222,050	381,050	57,930
72,888	52,220	52,220	20,668
635,487	634,812	670,812	(35,325)
2,230,411	1,902,210	2,126,310	104,101
42,259	14,802	14,802	27,457
76,513	48,200	93,551	(17,038)
6,454,121	5,679,017	6,200,468	253,653
1,058,558	1,012,347	1,022,879	(35,679)
473,198	486,080	521,624	48,426
904,520	862,267	1,044,765	140,245
91,359	224,686	290,425	199,066
328,325	191,925	208,308	(120,017)
3,051,954	986,530	986,530	(2,065,424)
91,687	5,000	50,715	(40,972)
1,938,706	1,562,679	2,067,339	128,633
7,938,307	5,331,514	6,192,585	(1,745,722)
(1,484,186)	347,503	7,883	(1,492,069)
3,998,292	-	-	3,998,292
2,514,106	347,503	7,883	2,506,223
3,213,416	2,174,851	2,174,851	1,038,565
5,727,522	2,522,354	2,182,734	3,544,788

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City of Adel

Notes to Other Information – Budgetary Reporting

June 30, 2017

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the component units and the Internal Service and Agency Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$861,071. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the public safety, general government, debt service and capital projects functions. In addition, disbursements in the general government, capital projects and business type activities functions exceeded the amounts budgeted prior to the budget amendment.

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City of Adel

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

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

Other Information

	2017	2016	2015
City's proportion of the net pension liability	0.010890%	0.008788%	0.007337%
City's proportionate share of the net pension liability	\$ 685	434	291
City's covered-employee payroll	\$ 1,100	1,100	1,070
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	62.27%	39.45%	27.20%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

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City of Adel

Schedule of City Contributions

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

Other Information

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 118	106	103	100
Contributions in relation to the statutorily required contribution	<u>(118)</u>	<u>(106)</u>	<u>(103)</u>	<u>(100)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 1,269	1,100	1,100	1,070
Contributions as a percentage of covered-employee payroll	9.30%	9.64%	9.36%	9.35%

See accompanying independent auditor's report.

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2013	2012	2011	2010	2009	2008
89	86	86	76	69	58
(89)	(86)	(86)	(76)	(69)	(58)
-	-	-	-	-	-
935	965	1,028	1,002	1,173	830
9.52%	8.91%	8.37%	7.58%	5.88%	6.99%

City of Adel

Notes to Other Information – Pension Liability

Year ended June 30, 2017

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 (unfunded actuarial liability) 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.



## **Supplementary Information**

City of Adel

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

As of and for the year ended June 30, 2017

	Library Memorial	Employee Benefits	Special Police DARE
Receipts:			
Property tax	\$ -	399,460	-
Miscellaneous	19,245	-	176
Total receipts	19,245	399,460	176
Disbursements:			
Operating:			
Public safety	-	257,353	-
Culture and recreation	16,566	103,709	-
Community and economic development	-	7,682	-
General government	-	15,364	-
Total disbursements	16,566	384,108	-
Change in cash balances	2,679	15,352	176
Cash balances beginning of year	9,362	21,201	642
Cash balances end of year	\$ 12,041	36,553	818
<b>Cash Basis Fund Balances</b>			
Restricted for other purposes	\$ 12,041	36,553	818

See accompanying independent auditor's report.

Revenue				
Historical Museum	Fire Association	Police Forfeiture		Total
-	-	-		399,460
-	6,543	-		25,964
-	6,543	-		425,424
-	2,365	-		259,718
-	-	-		120,275
-	-	-		7,682
-	-	-		15,364
-	2,365	-		403,039
-	4,178	-		22,385
16	3,160	236		34,617
16	7,338	236		57,002
16	7,338	236		57,002

**City of Adel**

## City of Adel

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

Year ended June 30, 2017

	Building Replacement	Flex Benefits	Total
Operating receipts:			
Charges for service	\$ -	7,125	7,125
Operating disbursements:			
Governmental activities:			
Public safety	-	1,885	1,885
Public works	-	388	388
General government	-	716	716
Business type activities:			
Water	-	702	702
Sewer	-	731	731
Total operating disbursements	-	4,422	4,422
Change in cash balances	-	2,703	2,703
Cash balances beginning of year	41,841	(9,255)	32,586
Cash balances end of year	\$ 41,841	(6,552)	35,289
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 41,841	(6,552)	35,289

See accompanying independent auditor's report.

City of Adel  
Schedule of Indebtedness  
Year ended June 30, 2017

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Refunding capital loan notes	Sept 27, 2011	1.30-3.75%	\$ 2,325,000
Refunding capital loan notes	Sept 27, 2011	0.50-1.90	1,740,000
Refunding capital loan notes	Sept 27, 2011	0.50-3.15	2,165,000
Capital loan notes	Jul 10, 2012	2.40-3.25	3,500,000
Refunding capital loan notes	Jul 25, 2012	3.00	1,130,000
Capital loan notes	Jul 1, 2014	1.20-2.75	440,000
Refunding capital loan notes	Jun 28, 2017	2.00-3.00	3,935,000
Total			
Revenue notes:			
Sewer	Jun 26, 1997	3.00%	* \$ 309,000
Sewer	May 14, 2013	1.00-3.50	570,000
Water	Jun 11, 2013	0.75-3.50	1,400,000
Total			
Revenue capital loan anticipation project notes:			
Sewer	Dec 8, 2015	0.00%	\$ 300,000
Sewer	Jun 28, 2017	0.00	1,420,000

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

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
2,160,000	-	2,160,000	-	72,224
450,000	-	275,000	175,000	7,725
1,250,000	-	150,000	1,100,000	30,670
3,330,000	-	70,000	3,260,000	87,075
890,000	-	120,000	770,000	26,700
410,000	-	40,000	370,000	9,060
-	3,935,000	-	3,935,000	-
<b>\$ 8,490,000</b>	<b>3,935,000</b>	<b>2,815,000</b>	<b>9,610,000</b>	<b>233,454</b>
16,000	-	16,000	-	480
500,000	-	25,000	475,000	14,513
1,225,000	-	60,000	1,165,000	33,331
<b>\$ 1,741,000</b>	<b>-</b>	<b>101,000</b>	<b>1,640,000</b>	<b>48,324</b>
-	-	-	-	-
-	-	-	-	-
<b>\$ -</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

City of Adel  
Note Maturities  
June 30, 2017

Year Ending June 30,	General					
	Refunding Capital Loan Notes		Refunding Capital Loan Notes		Aquatic Center Capital Loan Notes	
	Issued Sept 27, 2011		Issued Sept 27, 2011		Issued July 10, 2012	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2018	1.90%	\$ 175,000	1.90%	\$ 160,000	1.75%	\$ 75,000
2019		-	2.15	150,000	1.75	80,000
2020		-	2.35	150,000	1.75	85,000
2021		-	2.60	160,000	2.00	195,000
2022		-	2.80	160,000	2.10	200,000
2023		-	3.00	160,000	2.25	205,000
2024		-	3.15	160,000	2.40	215,000
2025		-	-	-	2.50	220,000
2026		-	-	-	2.60	230,000
2027		-	-	-	2.70	240,000
2028		-	-	-	2.80	245,000
2029		-	-	-	2.90	255,000
2030		-	-	-	3.00	265,000
2031		-	-	-	3.10	275,000
2032		-	-	-	3.25	475,000
Total		<u>\$ 175,000</u>		<u>\$ 1,100,000</u>		<u>\$ 3,260,000</u>

Year Ending June 30,	Revenue Notes					Total
	Sewer		Water			
	Issued May 14, 2013		Issued June 11, 2013			
	Interest		Interest			
	Rates	Amount	Rates	Amount		
2018	2.00%	\$ 25,000	1.50%	\$ 60,000	85,000	
2019	2.00	25,000	1.50	60,000	85,000	
2020	2.00	25,000	2.00	65,000	90,000	
2021	2.00	25,000	2.00	65,000	90,000	
2022	3.00	25,000	2.50	65,000	90,000	
2023	3.00	25,000	2.50	65,000	90,000	
2024	3.00	30,000	2.75	70,000	100,000	
2025	3.00	30,000	2.75	70,000	100,000	
2026	3.25	30,000	3.00	75,000	105,000	
2027	3.25	30,000	3.00	75,000	105,000	
2028	3.25	30,000	3.25	75,000	105,000	
2029	3.25	35,000	3.25	80,000	115,000	
2030	3.50	35,000	3.38	80,000	115,000	
2031	3.50	35,000	3.38	85,000	120,000	
2032	3.50	35,000	3.50	85,000	120,000	
2033	3.50	<u>35,000</u>	3.50	<u>90,000</u>	<u>125,000</u>	
Total		<u>\$ 475,000</u>		<u>\$ 1,165,000</u>	<u>1,640,000</u>	

See accompanying independent auditor's report.



Obligation Notes						
Refunding Capital Loan Notes Issued July 25, 2012		Fire Truck Capital Loan Notes Issued July 1, 2014		Refunding Capital Loan Notes Issued Jun 28, 2017		
Interest Rates		Interest Rates		Interest Rates		Total
Amount		Amount		Amount		
\$ 155,000	3.00%	\$ 40,000	1.20%	\$ 135,000	3.00%	740,000
200,000	3.00	40,000	2.00	255,000	3.00	725,000
205,000	3.00	45,000	2.00	265,000	3.00	750,000
210,000	3.00	45,000	2.00	270,000	3.00	880,000
-	-	50,000	2.75	275,000	3.00	685,000
-	-	50,000	2.75	275,000	3.00	690,000
-	-	50,000	2.75	280,000	2.00	705,000
-	-	50,000	2.75	280,000	3.00	550,000
-	-	-	-	285,000	2.30	515,000
-	-	-	-	285,000	2.40	525,000
-	-	-	-	290,000	2.50	535,000
-	-	-	-	290,000	2.60	545,000
-	-	-	-	295,000	2.70	560,000
-	-	-	-	295,000	3.00	570,000
-	-	-	-	160,000	3.00	635,000
<u>\$ 770,000</u>		<u>\$ 370,000</u>		<u>\$ 3,935,000</u>		<u>9,610,000</u>

City of Adel

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

For the Last Ten Years

	2017	2016	2015	2014
Receipts:				
Property tax	\$ 1,665,068	1,670,133	1,617,400	1,688,888
Tax increment financing	641,589	641,828	535,382	488,325
Other city tax	650,926	585,532	534,081	422,345
Licenses and permits	438,980	323,835	226,345	158,078
Use of money and property	71,563	65,676	52,308	57,055
Intergovernmental	635,487	921,402	696,892	651,655
Charges for service	293,010	287,947	216,148	234,828
Special assessments	42,259	99,632	123,670	29,388
Miscellaneous	83,056	123,488	106,969	158,029
Total	<u>\$ 4,521,938</u>	<u>4,719,473</u>	<u>4,109,195</u>	<u>3,888,591</u>
Disbursements:				
Operating:				
Public safety	\$ 1,060,923	982,568	953,757	1,008,083
Public works	473,198	521,863	505,985	352,358
Culture and recreation	904,520	737,885	692,654	655,554
Community and economic development	91,359	78,755	67,539	145,296
General government	328,325	197,023	237,023	288,799
Debt service	3,051,954	981,923	914,828	2,079,458
Capital projects	91,687	689,989	1,406,425	741,327
Total	<u>\$ 6,001,966</u>	<u>4,190,006</u>	<u>4,778,211</u>	<u>5,270,875</u>

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
1,679,872	1,611,593	1,561,144	1,539,578	1,483,628	1,462,337
495,028	465,346	467,273	473,457	445,748	357,449
551,408	237,001	136,256	5,301	6,439	6,191
86,289	72,196	35,522	20,082	30,964	29,059
56,394	49,356	56,996	48,251	49,501	122,458
564,582	496,700	542,442	425,202	459,541	342,075
123,499	124,546	132,885	130,725	153,382	129,482
66,146	178,916	43,819	8,553	28,936	36,679
118,376	84,591	124,221	131,813	152,889	202,769
3,741,594	3,320,245	3,100,558	2,782,962	2,811,028	2,688,499
841,419	805,808	782,863	775,402	780,846	676,871
340,004	325,110	366,024	345,804	371,991	318,469
529,000	514,599	577,657	531,748	523,375	470,579
110,994	94,243	89,977	120,609	145,513	129,666
172,477	235,204	212,663	230,178	252,274	184,558
877,907	816,684	704,716	705,798	700,572	717,810
3,605,883	636,067	2,365,269	604,318	548,770	119,581
6,477,684	3,427,715	5,099,169	3,313,857	3,323,341	2,617,534

**City of Adel**



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

Mary Mosiman, CPA  
Auditor of State

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Des Moines, Iowa 50319-0004

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 20, 2017. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

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

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### The City of Adel's Responses to the Findings

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

#### Purpose of this Report

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

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

  
MARY MOSIMAN, CPA  
Auditor of State

November 20, 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 individual has control over each of the following areas for the City:

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

For the Friends of Adel Library Foundation (Library Foundation), one individual has control over each of the following areas:

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

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

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

Cause – The City, Library Foundation and Fire Association have 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, Library Foundation's and Fire Association'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.

City of Adel

Schedule of Findings

Year ended June 30, 2017

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

Responses –

City and Library Foundation – The City will review its control procedures to obtain the maximum internal control possible with our limited staff. We recognize the importance of this issue.

Fire Association – The Treasurer will incorporate these control items into the procedure manual noted in Comment (B). We will incorporate these items to the best of our ability, keeping in mind we operate very few fundraising events, have historically small cash flows, and operate with a volunteer staff.

Conclusion – Responses accepted.

(B) Accounting Policies and Procedures Manual

Criteria – Accounting policies and procedures manuals provide the following benefits:

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

Condition – The Fire Association does not have a current accounting policies and procedures manual.

Cause – Adoption of an accounting policies and procedures manual has not been prioritized by the Fire Association.

Effect – Lack of an accounting policies and procedures manual could result in a lack of ability to continue operating effectively and efficiently in the event there is accounting staff turnover.

Recommendation – An accounting policies and procedures manual should be developed for the Fire Association.

Response – The Adel Fire Association Treasurer will create a policy and procedure manual by December 31, 2017. The proposed manual will be brought before the Association members for review and comment and will be voted on for adoption.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



City of Adel

Schedule of Findings

Year ended June 30, 2017

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the public safety, general government, debt service and capital projects functions. In addition, disbursements in the general government, capital projects and business type activities functions exceeded the amounts budgeted 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 – The City will revise and update its internal chart of accounts to match the Uniform Chart of Accounts to better monitor its budget.

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) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Notes – No instances of non-compliance with the revenue note requirements for the year ended June 30, 2017 were noted.
- (9) Annual Urban Renewal Report – No instances of non-compliance with the Annual Urban Renewal Report requirements for the year ended June 30, 2017 were noted.

City of Adel

Schedule of Findings

Year ended June 30, 2017

- (10) Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement as provided in the Code section. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide available TIF incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

The City certified tax increment financing (TIF) indebtedness to the County Auditor for transfers to the Special Revenue, Urban Renewal Tax Increment Fund for project and other miscellaneous costs within the City's urban renewal area. While the City intended these payments to represent loans to the Special Revenue, Urban Renewal Tax Increment Fund for the related TIF projects, certain loans were not formally approved by the City Council and, accordingly, do not represent TIF debt which may be certified to the County Auditor. In addition, the amount of debt obligation reported on the Annual Urban Renewal Report was overstated.

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

Response – The City will continue working with PFM to improve this reporting in future years.

Conclusion – Response accepted.

- (11) Financial Condition – The Internal Service, Flex Benefits Fund had a deficit balance of \$6,552 at June 30, 2017.

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

Response – The City will investigate this fund and determine the appropriate action to eliminate the deficit.

Conclusion – Response accepted.

City of Adel

Staff

This audit was performed by:

Jennifer L. Wall, CPA, Manager  
Tiffany M. Ainger, CPA, Senior Auditor II  
Robert Quinn Barrett, Staff Auditor  
Ian N. Judson, Staff Auditor  
Molly N. Kalkwarf, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State