

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

February 1, 2018

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

The City's receipts totaled \$5,408,790 for the year ended June 30, 2017. The receipts included \$904,019 of property tax, \$47,376 of tax increment financing, \$1,071,674 of charges for service, \$263,522 of operating grants, contributions and restricted interest, \$31,700 of capital grants, contributions and restricted interest, \$15,995 of unrestricted interest on investments, \$2,992,795 of bond proceeds and \$81,709 from other general receipts.

Disbursements for the year ended June 30, 2017 totaled \$3,572,250, and included \$527,645 for public works, \$387,043 for culture and recreation, and \$227,916 for public safety. Also, disbursements for business type activities totaled \$2,087,826.

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/1721-0230-BLOF>.

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

JUNE 30, 2017

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City of Dallas Center

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michael Kidd	Mayor	Jan 2018
Ryan Kluss	Mayor Pro Tem/Council Member	Jan 2020
David Bagby	Council Member	Jan 2018
Curtis Pion	Council Member	Jan 2018
Danny Beyer	Council Member	Jan 2020
Ryan Pearson	Council Member	Jan 2020
Cindy Riesselman	City Clerk/Treasurer	Indefinite
Ralph R. Brown	Attorney	Indefinite

City of Dallas Center



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dallas Center, 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.

Basis for Modified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distributions by fund of the total fund balances at July 1, 2016.

Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2016, as discussed in the preceding paragraph, 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, each major fund and the aggregate remaining fund information of the City of Dallas Center 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 discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.


Other Matters

Other Information

The other information, 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 28 through 34, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 24, 2018 on our consideration of the City of Dallas Center'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 the effectiveness of the City's 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 Dallas Center's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

January 24, 2018

Basic Financial Statements

City of Dallas Center

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	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 227,916	31,324	25,396	-
Public works	527,645	236,436	202,254	-
Health and social services	2,894	-	-	-
Culture and recreation	387,043	33,891	26,516	31,700
Community and economic development	37,653	-	-	-
General government	189,656	17,374	9,356	-
Debt service	111,617	-	-	-
Total governmental activities	1,484,424	319,025	263,522	31,700
Business type activities:				
Water	299,618	386,107	-	-
Sewer	179,600	314,041	-	-
Storm district	1,608,608	52,501	-	-
Total business type activities	2,087,826	752,649	-	-
Total	\$ 3,572,250	1,071,674	263,522	31,700
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Grants and contributions not restricted to specific purposes				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
General obligation bond proceeds, net of \$22,787 of premium and \$29,992 of underwriters discount				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Bequest				
Expendable:				
Streets				
Debt service				
Employee benefits				
Urban renewal purposes				
Other purposes				
Capital projects				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
(171,196)	-	(171,196)
(88,955)	-	(88,955)
(2,894)	-	(2,894)
(294,936)	-	(294,936)
(37,653)	-	(37,653)
(162,926)	-	(162,926)
(111,617)	-	(111,617)
(870,177)	-	(870,177)
-	86,489	86,489
-	134,441	134,441
-	(1,556,107)	(1,556,107)
-	(1,335,177)	(1,335,177)
(870,177)	(1,335,177)	(2,205,354)
802,259	-	802,259
101,760	-	101,760
47,376	-	47,376
2,450	-	2,450
29,374	-	29,374
8,370	7,625	15,995
-	2,992,795	2,992,795
2,841	47,044	49,885
11,000	(11,000)	-
1,005,430	3,036,464	4,041,894
135,253	1,701,287	1,836,540
1,813,203	929,315	2,742,518
\$ 1,948,456	2,630,602	4,579,058
\$ 22,000	-	22,000
291,054	-	291,054
98,583	165,495	264,078
20,820	-	20,820
36,165	-	36,165
213,000	-	213,000
-	1,499,806	1,499,806
1,266,834	965,301	2,232,135
\$ 1,948,456	2,630,602	4,579,058

City of Dallas Center

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	Employee Benefits
Receipts:			
Property tax	\$ 632,892	-	160,726
Tax increment financing	-	-	-
Other city tax	6,872	-	1,769
Licenses and permits	32,862	-	-
Use of money and property	18,125	-	241
Intergovernmental	69,473	201,521	5,345
Charges for service	272,461	-	-
Miscellaneous	19,799	733	-
Total receipts	1,052,484	202,254	168,081
Disbursements:			
Operating:			
Public safety	183,512	-	43,017
Public works	320,888	167,100	39,657
Health and social services	2,894	-	-
Culture and recreation	235,636	-	37,143
Community and economic development	19,435	-	-
General government	161,285	-	28,371
Debt service	-	-	-
Total disbursements	923,650	167,100	148,188
Excess (deficiency) of receipts over (under) disbursements	128,834	35,154	19,893
Other financing sources (uses):			
Transfers in	12,000	-	-
Transfers out	(1,000)	-	-
Total other financing sources (uses)	11,000	-	-
Change in cash balances	139,834	35,154	19,893
Cash balances beginning of year	1,127,000	255,900	78,690
Cash balances end of year	\$ 1,266,834	291,054	98,583
Cash Basis Fund Balances			
Nonspendable - bequest	\$ -	-	-
Restricted for:			
Streets	-	291,054	-
Employee benefits	-	-	98,583
Debt service	-	-	-
Urban renewal	-	-	-
Other purposes	-	-	-
Assigned for:			
Fire truck	201,463	-	-
Library purposes	17,454	-	-
Street cuts	9,211	-	-
Public safety purposes	753	-	-
Equipment	163,456	-	-
Unassigned	874,497	-	-
Total cash basis fund balances	\$ 1,266,834	291,054	98,583

See notes to financial statements.

Debt Service	Nonmajor	Total
100,681	-	894,299
-	47,376	47,376
1,079	-	9,720
-	-	32,862
137	1,507	20,010
3,261	31,700	311,300
-	-	272,461
-	117	20,649
<u>105,158</u>	<u>80,700</u>	<u>1,608,677</u>
-	1,387	227,916
-	-	527,645
-	-	2,894
-	114,264	387,043
-	18,218	37,653
-	-	189,656
111,617	-	111,617
<u>111,617</u>	<u>133,869</u>	<u>1,484,424</u>
<u>(6,459)</u>	<u>(53,169)</u>	<u>124,253</u>
9,991	18,178	40,169
-	(28,169)	(29,169)
<u>9,991</u>	<u>(9,991)</u>	<u>11,000</u>
3,532	(63,160)	135,253
17,288	334,325	1,813,203
<u>20,820</u>	<u>271,165</u>	<u>1,948,456</u>
-	22,000	22,000
-	-	291,054
-	-	98,583
20,820	-	20,820
-	36,165	36,165
-	213,000	213,000
-	-	201,463
-	-	17,454
-	-	9,211
-	-	753
-	-	163,456
-	-	874,497
<u>20,820</u>	<u>271,165</u>	<u>1,948,456</u>

City of Dallas Center

City of Dallas Center

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

As of and for the year ended June 30, 2017

	Enterprise			Total
	Water	Sewer	Storm District	
Operating receipts:				
Charges for service	\$ 386,107	314,041	52,501	752,649
Operating disbursements:				
Business type activities	237,720	114,540	228,844	581,104
Excess (deficiency) of operating receipts over (under) operating disbursements	148,387	199,501	(176,343)	171,545
Non-operating receipts (disbursements):				
Interest on investments	1,187	2,837	3,601	7,625
Miscellaneous	21,980	25,064	-	47,044
General obligation bond proceeds, net of \$22,787 of premium and \$29,992 of underwriters discount	-	-	2,992,795	2,992,795
Debt service	(61,898)	(65,060)	-	(126,958)
Capital projects	-	-	(1,379,764)	(1,379,764)
Net non-operating receipts (disbursements)	(38,731)	(37,159)	1,616,632	1,540,742
Excess of receipts over disbursements	109,656	162,342	1,440,289	1,712,287
Other financing sources (uses):				
Transfers in	1,000	-	-	1,000
Transfers out	(6,000)	(6,000)	-	(12,000)
Total other financing sources (uses)	(5,000)	(6,000)	-	(11,000)
Change in cash balances	104,656	156,342	1,440,289	1,701,287
Cash balances beginning of year	341,179	528,619	59,517	929,315
Cash balances end of year	\$ 445,835	684,961	1,499,806	2,630,602
Cash Basis Fund Balances				
Restricted for debt service	\$ 70,271	95,224	-	165,495
Restricted for capital projects	-	-	1,499,806	1,499,806
Unrestricted	375,564	589,737	-	965,301
Total cash basis fund balances	\$ 445,835	684,961	1,499,806	2,630,602

See notes to financial statements.

City of Dallas Center

City of Dallas Center

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

The City of Dallas Center is a political subdivision of the State of Iowa located in Dallas Center. It was first incorporated in 1880 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Dallas Center 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

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 and Dallas County Joint E-911 Service Board.

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Employee Benefits Fund is used to account for the employee benefits property tax levy for the payment of employee benefits.

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

The City reports the following major proprietary funds:

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

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

The Enterprise, Storm District Fund accounts for the operation and maintenance of the City's surface water disposal system.

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

(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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and water and sewer revenue capital loan notes are as follows:

Year Ending June 30,	General		Revenue		Total	
	Obligation Bonds		Capital Loan Notes			
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 162,000	148,590	104,000	21,335	266,000	169,925
2019	197,000	111,878	87,000	18,340	284,000	130,218
2020	203,000	108,250	90,000	16,268	293,000	124,518
2021	210,000	104,245	46,000	14,130	256,000	118,375
2022	200,000	99,625	48,000	12,750	248,000	112,375
2023-2027	1,065,000	425,847	261,000	41,340	1,326,000	467,187
2028-2032	1,140,000	259,065	116,000	5,190	1,256,000	264,255
2033-2036	905,000	74,925	-	-	905,000	74,925
Total	\$ 4,082,000	1,332,425	752,000	129,353	4,834,000	1,461,778

Water Revenue Capital Loan Notes

On August 27, 2008, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$900,000 of water revenue capital loan notes with interest at 3.0% per annum. The agreement also requires the City to annually pay a 0.25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing water main improvements. The notes are payable solely from water customer net receipts and are payable through 2029. During the current year, annual principal and interest payments on the water revenue notes required 41% of net receipts. The total principal and interest remaining to be paid is \$725,750. Principal and interest paid and total customer net receipts were \$60,290 and \$148,387, respectively.

Sewer Revenue Capital Loan Notes

On May 21, 2001, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$607,000 of sewer revenue capital loan notes with interest at 1.75% per annum. The agreement also requires the City to annually pay a 0.05% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing water main improvements. The notes are payable solely from water customer net receipts and are payable through 2020.

On October 1, 2003, the City entered into an agreement for the issuance of \$260,000 of sewer revenue capital loan notes with interest ranging from 4.10% to 6.00% per annum. Proceeds from the notes were used to finance improvements and extensions to the City's sewer system. The notes are payable solely from sewer customer net receipts and are payable through 2018.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$607,000 and \$260,000 of sewer revenue capital loan notes issued May 21, 2001 and October 1, 2003, respectively. Annual principal and interest payments on the notes are expected to require less than 33% of net receipts. The total principal and interest remaining to be paid on the notes is \$155,603. For the current year, principal and interest paid on the notes was \$64,975 and total customer net receipts were \$199,501.

The resolutions providing for the issuance of the water and sewer revenue capital loan 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 of 25% of the amount required to be deposited in the water and sewer revenue note sinking accounts shall be made to separate water and sewer note reserve accounts until \$62,200 and \$66,810, respectively, is accumulated in the note reserve accounts. At June 30, 2017, the balances in the water and sewer note reserve accounts were \$70,271 and \$95,224, respectively.
- (d) All funds remaining after payment of all maintenance and operating expenses and the transfers to the restricted accounts noted above can be used to retire any subordinate obligations and then can be used for any lawful purpose.

(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.

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

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

Protection occupation members may retire at normal retirement age, which is generally age 55. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

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

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

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 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%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%

The City's contributions to IPERS for the year ended June 30, 2017 totaled \$35,675.

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 of \$270,954 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, 2016, the City's proportion was 0.004305%, which was an increase of 0.000148% over 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 \$38,199, \$57,745 and \$5,129, respectively.

There were no non-employer 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 an actuarial experience studies with dates corresponding to those listed above.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Core plus fixed income	28%	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	100%	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 485,597	270,954	89,853

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.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, personal and compensatory time 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, personal and compensatory time payable to employees at June 30, 2017, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 12,000
Personal	5,000
Comp Time	1,000
Total	<u>\$ 18,000</u>

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

(6) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Enterprise: Water	\$ 6,000
	Sewer	<u>6,000</u>
		12,000
Debt Service	Special Revenue: Tax Increment Financing	9,991
Special Revenue: Recreation Trail	Special Revenue: Burnett Project	18,178
Enterprise: Water	General	<u>1,000</u>
Total		<u>\$ 41,169</u>

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

(7) 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.

(8) Development Agreement

The City has entered into a development agreement with E.I. DuPont de Nemours and Company and its wholly owned subsidiary, Pioneer Hi-Bred International, Inc., hereinafter collectively referred to as “Developer” and Dallas Center Partners 1, LLC, hereinafter referred to as “Partners”. Under the terms of the agreement, the Developer agreed to invest approximately \$5.6 million in improvements and construction of the Pioneer-Dallas Center Building and transfer the property to Partners. The Developer also agreed to maintain at least 133 full-time equivalent jobs at the Pioneer-Dallas Center location until December 31, 2019, the termination date of the agreement.

The City agreed to provide economic development grants in the form of tax rebates to the Developer of 50% of the incremental property tax generated upon completion of the Pioneer-Dallas Center Building, not to exceed \$500,000. The City will make up to five consecutive payments to the Developer beginning June 1, 2015 and ending no later than June 1, 2019. As of June 30, 2017, the City has rebated \$106,392 to the Developer. Because the Developer has not maintained at least 133 full-time equivalent jobs, the City has estimated the remaining rebate payments to the Developer will be approximately \$36,000.

(9) YMCA Revenue Bond

In November 2008, the City issued \$7,000,000 of revenue bonds for the purpose of lending the proceeds to the Young Men’s Christian Association (YMCA) of Greater Des Moines, Iowa. The proceeds were used for constructing, improving and equipping a new YMCA facility in Waukee, Iowa. The bonds are payable solely from YMCA revenues and do not constitute a liability of the City.

(10) 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 of 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 \$7,182 of property tax under the urban renewal and economic development projects.

(11) Subsequent Events

In December 2017, the City approved the issuance of \$10,000,000 of revenue refunding bonds to refund \$7,000,000 of the City of Dallas Center's (YMCA Project) revenue bonds and \$7,000,000 of the Dallas County (YMCA Project) revenue bonds issued for the purpose of lending the proceeds to the YMCA. The bonds are payable solely from YMCA revenues and do not constitute a liability to the City.

In December 2017, the City approved the issuance of \$210,000 of sewer revenue capital loan notes.

(12) 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 which impact the City.

(13) 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.

City of Dallas Center

Other Information

City of Dallas Center
 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	Total
Receipts:			
Property tax	\$ 894,299	-	894,299
Tax increment financing	47,376	-	47,376
Other city tax	9,720	-	9,720
Licenses and permits	32,862	-	32,862
Use of money and property	20,010	7,625	27,635
Intergovernmental	311,300	-	311,300
Charges for service	272,461	752,649	1,025,110
Miscellaneous	20,649	47,044	67,693
Total receipts	1,608,677	807,318	2,415,995
Disbursements:			
Public safety	227,916	-	227,916
Public works	527,645	-	527,645
Health and social services	2,894	-	2,894
Culture and recreation	387,043	-	387,043
Community and economic development	37,653	-	37,653
General government	189,656	-	189,656
Debt service	111,617	-	111,617
Business type activities	-	2,087,826	2,087,826
Total disbursements	1,484,424	2,087,826	3,572,250
Excess (deficiency) of receipts over (under) disbursements	124,253	(1,280,508)	(1,156,255)
Other financing sources, net	11,000	2,981,795	2,992,795
Excess of receipts and other financing sources over disbursements and other financing uses	135,253	1,701,287	1,836,540
Balances beginning of year	1,813,203	929,315	2,742,518
Balances end of year	\$ 1,948,456	2,630,602	4,579,058

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
892,425	892,425	1,874
45,000	45,000	2,376
10,009	10,009	(289)
36,775	36,775	(3,913)
25,900	25,900	1,735
264,718	264,718	46,582
1,023,480	1,023,480	1,630
1,780,650	1,780,650	(1,712,957)
4,078,957	4,078,957	(1,662,962)
303,931	312,231	84,315
583,599	583,599	55,954
4,000	4,000	1,106
444,108	679,108	292,065
90,950	95,950	58,297
193,404	193,404	3,748
111,767	111,767	150
742,318	3,742,318	1,654,492
2,474,077	5,722,377	2,150,127
1,604,880	(1,643,420)	487,165
-	3,093,200	(100,405)
1,604,880	1,449,780	386,760
2,307,730	2,307,730	434,788
3,912,610	3,757,510	821,548

City of Dallas Center

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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Permanent Funds 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 \$3,248,300. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements did not exceed the amounts budgeted by function.

City of Dallas Center

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

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

Other Information

	2017	2016
City's proportion of the net pension liability	0.004305%	0.004157%
City's proportionate share of the net pension liability	\$ 271	205
City's covered-employee payroll	\$ 371	302
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	73.05%	67.88%
IPERS' net position as a percentage of the total pension liability	81.82%	85.19%

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

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

See accompanying independent auditor's report.

City of Dallas Center

Schedule of City Contributions

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

Other Information

	2017	2016	2015	2014
Statutorily required contribution	\$ 36	34	27	27
Contributions in relation to the statutorily required contribution	(36)	(34)	(27)	(27)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered-employee payroll	\$ 392	371	302	297
Contributions as a percentage of covered-employee payroll	9.18%	9.16%	8.94%	9.09%

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
25	23	19	18	22	22
(25)	(23)	(19)	(18)	(22)	(22)
-	-	-	-	-	-
289	280	279	273	315	227
8.65%	8.21%	6.81%	6.59%	6.98%	9.69%

City of Dallas Center

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 Dallas Center

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

As of and for the year ended June 30, 2017

	Tax		Special
	Increment	Burnett	Burnett
	Financing	Recreation	Library
Receipts:			
Tax increment financing	\$ 47,376	-	-
Use of money and property	93	322	844
Intergovernmental	-	-	-
Miscellaneous	-	-	-
Total receipts	47,469	322	844
Disbursements:			
Operating:			
Public safety	-	-	-
Cultures and recreation	-	35,000	23,086
Community and economic development	18,218	-	-
Total disbursements	18,218	35,000	23,086
Excess (deficiency) of receipts over (under) disbursements	29,251	(34,678)	(22,242)
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	(9,991)	(18,178)	-
Total other financing sources (uses)	(9,991)	(18,178)	-
Change in cash balances	19,260	(52,856)	(22,242)
Cash balances beginning of year	16,905	121,125	161,644
Cash balances end of year	\$ 36,165	68,269	139,402
Cash Basis Fund Balances			
Nonspendable - bequest	\$ -	-	-
Restricted for:			
Urban renewal purposes	36,165	-	-
Recreational purposes	-	68,269	-
Library purposes	-	-	139,402
Other	-	-	-
Total cash basis fund balances	\$ 36,165	68,269	139,402

See accompanying independent auditor's report.

Revenue		Permanent		Total
Police Forfeiture	Recreational Trails	Books Perm Fund	Youth Perm Fund	
-	-	-	-	47,376
3	4	123	118	1,507
-	31,700	-	-	31,700
-	117	-	-	117
3	31,821	123	118	80,700
1,387	-	-	-	1,387
-	56,178	-	-	114,264
-	-	-	-	18,218
1,387	56,178	-	-	133,869
(1,384)	(24,357)	123	118	(53,169)
-	18,178	-	-	18,178
-	-	-	-	(28,169)
-	18,178	-	-	(9,991)
(1,384)	(6,179)	123	118	(63,160)
1,384	6,179	14,496	12,592	334,325
-	-	14,619	12,710	271,165
-	-	12,000	10,000	22,000
-	-	-	-	36,165
-	-	-	-	68,269
-	-	2,619	-	142,021
-	-	-	2,710	2,710
-	-	14,619	12,710	271,165

City of Dallas Center
Schedule of Indebtedness
Year ended June 30, 2017

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Sewer system	Mar 1, 2001	1.75-4.30%	\$ 250,000
Essential corporate purpose	Jun 1, 2011	1.00-4.15	1,455,000
Stormwater district	Dec 22, 2016	1.20-3.30	3,000,000
Total			
Revenue notes:			
Sewer improvements	May 21, 2001	1.75%	\$ 607,000
Sewer improvements	Oct 1, 2003	4.10-6.00	260,000
Water improvements	Aug 27, 2008	3.00	900,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
68,000	-	16,000	52,000	1,190
1,085,000	-	55,000	1,030,000	38,543
-	3,000,000	-	3,000,000	-
<u>\$ 1,153,000</u>	<u>3,000,000</u>	<u>71,000</u>	<u>4,082,000</u>	<u>39,733</u>
170,000	-	40,000	130,000	2,975
40,000	-	20,000	20,000	2,000
643,000	-	41,000	602,000	19,290
<u>\$ 853,000</u>	<u>-</u>	<u>101,000</u>	<u>752,000</u>	<u>24,265</u>

City of Dallas Center
Bond and Note Maturities
June 30, 2017

General Obligation Bonds										
Year Ending June 30,	Capital Loan Note Series 2001			Capital Loan Note Series 2011			Capital Loan Note Series 2016			Total
	Issued Mar 1, 2001			Issued Jun 1, 2011			Issued Dec 22, 2016			
	Interest Rates	Amount		Interest Rates	Amount		Interest Rates	Amount		
2018	1.75%	\$ 17,000		2.55%	\$ 60,000		1.20%	\$ 85,000	162,000	
2019	1.75	17,000		2.55	65,000		1.20	115,000	197,000	
2020	1.75	18,000		3.00	65,000		1.45	120,000	203,000	
2021		-		3.00	90,000		1.45	120,000	210,000	
2022		-		3.20	55,000		1.75	145,000	200,000	
2023		-		3.45	60,000		1.75	145,000	205,000	
2024		-		3.45	60,000		2.00	150,000	210,000	
2025		-		3.70	65,000		2.00	150,000	215,000	
2026		-		3.70	70,000		2.50	150,000	220,000	
2027		-		4.00	75,000		2.50	140,000	215,000	
2028		-		4.00	80,000		3.00	140,000	220,000	
2029		-		4.10	90,000		3.00	140,000	230,000	
2030		-		4.10	95,000		3.00	140,000	235,000	
2031		-		4.15	100,000		3.00	145,000	245,000	
2032		-			-		3.00	210,000	210,000	
2033		-			-		3.00	215,000	215,000	
2034		-			-		3.30	225,000	225,000	
2035		-			-		3.30	235,000	235,000	
2036		-			-		3.30	230,000	230,000	
Total		<u>\$ 52,000</u>			<u>\$ 1,030,000</u>			<u>\$ 3,000,000</u>	<u>4,082,000</u>	

Revenue Notes								
Year Ending June 30,	Sewer Improvements Issued May 21, 2001		Sewer Improvements Issued Oct 1, 2003		Water Improvements Issued Aug 27, 2008		Total	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2018	1.75%	\$ 42,000	5.00%	\$ 20,000	3.00%	\$ 42,000	104,000	
2019	1.75	43,000		-	3.00	44,000	87,000	
2020	1.75	45,000		-	3.00	45,000	90,000	
2021		-		-	3.00	46,000	46,000	
2022		-		-	3.00	48,000	48,000	
2023		-		-	3.00	49,000	49,000	
2024		-		-	3.00	51,000	51,000	
2025		-		-	3.00	52,000	52,000	
2026		-		-	3.00	54,000	54,000	
2027		-		-	3.00	55,000	55,000	
2028		-		-	3.00	57,000	57,000	
2029		-		-	3.00	59,000	59,000	
Total		<u>\$ 130,000</u>		<u>\$ 20,000</u>		<u>\$ 602,000</u>	<u>752,000</u>	

See accompanying independent auditor's report.

City of Dallas Center



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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, each major fund and the aggregate remaining fund information of the City of Dallas Center, 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 January 24, 2018. Our report expressed modified 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 since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Dallas Center'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 Dallas Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dallas Center's internal control.

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 Dallas Center's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified a deficiency in internal control, described in the accompanying Schedule of Findings as item (A) that we consider to be a material weakness.

Compliance and Other Matters

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

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 Dallas Center's Response to the Finding

The City of Dallas Center's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The City of Dallas Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Dallas Center during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State

January 24, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

Condition – Generally, one or two individuals have control over the following areas for which no compensating controls exist:

- (1) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from recording and accounting for receipts.
- (2) Bank reconciliations are not performed by an individual who is not involved in the cash receipt or disbursement functions.
- (3) The individual responsible for detailed record keeping of investments is also the custodian of the investments.
- (4) Mail is opened by an individual who is also responsible for recording and accounting for receipts.
- (5) Long-term debt records are not maintained by an individual who is not responsible for cash functions.

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

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

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

City of Dallas Center

Schedule of Findings

Year ended June 30, 2017

Response – The City will review its control procedures to obtain the maximum internal control possible. In an effort to implement compensating controls, we do have a member of our City Council review, initial and date our reconciliations monthly, as well as the Mayor’s review of payroll information being initialed and dated each payroll period. We also have a Council Member initial and date all manual general ledger postings. A Council Member will also start reviewing and tracing all deposits to the cash receipts journal posting beginning January 2018.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Dallas Center

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 did not exceed the amounts budgeted by function.
- (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 noncompliance 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 resolutions were noted.
- (9) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1. The cash balances and debt amounts reported on the Levy Authority Summary agree with the City’s records.

City of Dallas Center

Staff

This audit was performed by:

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Andrew E. Nielsen, CPA
Deputy Auditor of State