



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

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

**NEWS RELEASE**

FOR RELEASE

June 29, 2018

---

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$102,547 for the year ended June 30, 2017. The receipts included \$28,652 of property tax, \$20,979 of charges for service, \$17,868 of operating grants, contributions and restricted interest, \$6,707 of local option sales tax, \$22,060 of unrestricted interest on investments, \$1,281 of commercial/industrial tax replacement, \$4,200 from sale of real property and \$800 from community center rent.

Disbursements for the year ended June 30, 2017 totaled \$82,878, and included \$25,394 for general government, \$21,503 for public safety and \$16,998 for public works. Also, disbursements for business type activities totaled \$13,357.

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/1722-0231-B00F>.

###



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

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor’s Report	5-6
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A      8-9
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B      10
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C      11
Notes to Financial Statements	12-19
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds	23
Notes to Other Information – Budgetary Reporting	24
Schedule of the City’s Proportionate Share of the Net Pension Liability	25
Schedule of City Contributions	26-27
Notes to Other Information – Pension Liability	28
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	29-30
Schedule of Findings	31-39
Staff	40

**City of Dawson**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Breanna Gonzalez	Mayor	Jan 2018
Clarence Morman	Mayor Pro tem	Jan 2018
Billy Carpenter	Council Member	Jan 2018
Glenda Hiddleston	Council Member	Jan 2018
Robin Wolfe	Council Member	Jan 2018
Jen Zaner	Council Member	Jan 2018
Sherry James	City Clerk/Treasurer	Indefinite
DuWayne Dalen	Attorney	Indefinite

**City of Dawson**



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

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

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 and each major fund of the City of Dawson, 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 are 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 and each major fund of the City of Dawson 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*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dawson's basic financial statements. 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 23 through 28, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2018 on our consideration of the City of Dawson'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 Dawson's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

June 22, 2018

## **Basic Financial Statements**

City of Dawson

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2017

	Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 21,503	-	-
Public works	16,998	-	14,265
Culture and recreation	3,005	-	800
Community and economic development	2,621	-	-
General government	25,394	3,514	2,803
Total governmental activities	69,521	3,514	17,868
Business type activities:			
Water	13,357	17,465	-
Total	\$ 82,878	20,979	17,868

**General Receipts:**

Property and other city tax levied for general purposes  
 Local option sales tax  
 Community center rent  
 Commercial/industrial tax replacement  
 Unrestricted interest on investments  
 Sale of real property

Total general receipts

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

**Cash Basis Net Position**

Restricted:

    Streets

    Other purposes

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
(21,503)	-	(21,503)
(2,733)	-	(2,733)
(2,205)	-	(2,205)
(2,621)	-	(2,621)
(19,077)	-	(19,077)
(48,139)	-	(48,139)
-	4,108	4,108
(48,139)	4,108	(44,031)
28,652	-	28,652
6,707	-	6,707
800	-	800
1,281	-	1,281
22,045	15	22,060
4,200	-	4,200
63,685	15	63,700
15,546	4,123	19,669
926,174	8,227	934,401
\$ 941,720	12,350	954,070
\$ 17,274	-	17,274
850,576	-	850,576
73,870	12,350	86,220
\$ 941,720	12,350	954,070

**Exhibit B**

## City of Dawson

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

As of and for the year ended June 30, 2017

	Special Revenue			Total
	General	Road Use Tax	Local Option Sales Tax	
Receipts:				
Property tax	\$ 27,766	-	-	27,766
Other city tax	886	-	6,707	7,593
Licenses and permits	12	-	-	12
Use of money and property	826	22	21,997	22,845
Intergovernmental	1,281	14,265	-	15,546
Miscellaneous	7,105	-	-	7,105
Total receipts	37,876	14,287	28,704	80,867
Disbursements:				
Operating:				
Public safety	21,503	-	-	21,503
Public works	2,567	14,431	-	16,998
Culture and recreation	3,005	-	-	3,005
Community and economic development	2,621	-	-	2,621
General government	25,394	-	-	25,394
Total disbursements	55,090	14,431	-	69,521
Excess (deficiency) of receipts over (under) disbursements	(17,214)	(144)	28,704	11,346
Other financing sources (uses):				
Sale of real property	4,200	-	-	4,200
Change in cash balances	(13,014)	(144)	28,704	15,546
Cash balances beginning of year	100,463	17,418	808,293	926,174
Cash balances end of year	\$ 87,449	17,274	836,997	941,720
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Streets	\$ -	17,274	-	17,274
Other purposes	13,579	-	836,997	850,576
Unassigned	73,870	-	-	73,870
Total cash basis fund balances	\$ 87,449	17,274	836,997	941,720

See notes to financial statements.

City of Dawson

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

As of and for the year ended June 30, 2017

	<u>Enterprise Water</u>
Operating receipts:	
Charges for service	\$ 17,465
Operating disbursements:	
Business type activities	<u>13,357</u>
Excess of operating receipts over operating disbursements	4,108
Non-operating receipts:	
Interest on investments	<u>15</u>
Change in cash balances	4,123
Cash balances beginning of year	<u>8,227</u>
Cash balances end of year	<u>\$ 12,350</u>
<b>Cash Basis Fund Balances</b>	
Unrestricted	<u>\$ 12,350</u>

See notes to financial statements.

City of Dawson

Notes to Financial Statements

June 30, 2017

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

The City of Dawson is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1908 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 utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Dawson 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:

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.

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 Local Option Sales Tax Fund is used to account for local option sales tax collections.

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the public safety and community and economic development.

**(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 the following investments:

Investment	Carrying Amount	Fair Value	Maturity
Fixed:			
U.S. government agency:			
Federal Farm Credit Banks	\$ 18,213	19,318	Dec 2041
Federal Farm Credit Banks	19,272	19,648	Nov 2040
Federal Farm Credit Banks	23,421	27,582	Jun 2037
Federal Farm Credit Banks	18,416	18,755	Dec 2031
Tennessee Valley Authority	<u>15,554</u>	<u>17,722</u>	Dec 2042
	<u>94,876</u>	<u>103,025</u>	
U.S. Treasury bonds	<u>31,266</u>	<u>31,805</u>	Nov 2041
Mortgage backed security:			
GNMA Pool #5081	6,154	6,154	Jun 2041
GNMA Pool #5259	<u>14,189</u>	<u>14,189</u>	Dec 2041
	<u>20,343</u>	<u>20,343</u>	
Preferred stock:			
Tennessee Valley Authority PARRS	129,969	123,962	Jun 2028
Tennessee Valley Authority Series A Pfd.	<u>130,994</u>	<u>123,325</u>	May 2029
	<u>260,963</u>	<u>247,287</u>	

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. 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 Federal Farm Credit Banks, U.S. Treasury Bonds, GNMA and Tennessee Valley Authority securities were determined using last reported sales price at current exchange rates. (Level 1 inputs)

Interest rate risk – The City’s investment policy requires investment maturities to be staggered in a way that avoids undue concentration of assets in a specific maturity sector. Maturities are to be selected which provide stability of income and reasonable liquidity.

Credit risk – The Federal Farm Credit Banks and Tennessee Valley Authority investments at June 30, 2017 are rated AA+ by Moody’s Investors Service.

Concentration of credit risk – The City places no limit on the amount which may be invested in any one issuer. More than 5% of the City’s investments are in the Federal Farm Credit Banks and Tennessee Valley Authority. The City’s investments in the Federal Farm Credit Banks and the Tennessee Valley Authority are 10.18% and 31.61% of the City’s total investments, respectively.

### (3) 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.

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%.

The City’s contributions to IPERS for the year ended June 30, 2017 totaled \$1,003.

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 \$5,074 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 0.000081%, which was a decrease of 0.000035% 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 \$602, \$1,473 and \$689, 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	\$ 8,208	5,074	2,428

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).

**(4) 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.

**City of Dawson**

**Other Information**

**City of Dawson**

City of Dawson  
 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	Budgeted Amounts Original/Final	Final to Total Variance
Receipts:					
Property tax	\$ 27,766	-	27,766	28,731	(965)
Other city tax	7,593	-	7,593	4,878	2,715
Licenses and permits	12	-	12	-	12
Use of money and property	22,845	15	22,860	-	22,860
Intergovernmental	15,546	-	15,546	13,000	2,546
Charges for service	-	17,465	17,465	15,000	2,465
Miscellaneous	7,105	-	7,105	10,000	(2,895)
Total receipts	80,867	17,480	98,347	71,609	26,738
Disbursements:					
Public safety	21,503	-	21,503	15,250	(6,253)
Public works	16,998	-	16,998	18,500	1,502
Health and social services	-	-	-	2,500	2,500
Culture and recreation	3,005	-	3,005	4,223	1,218
Community and economic development	2,621	-	2,621	400	(2,221)
General government	25,394	-	25,394	30,900	5,506
Business type activities	-	13,357	13,357	18,000	4,643
Total disbursements	69,521	13,357	82,878	89,773	6,895
Excess of receipts over disbursements	11,346	4,123	15,469	(18,164)	33,633
Other financing sources, net	4,200	-	4,200	-	4,200
Excess of receipts and other financing sources over disbursements and other financing uses	15,546	4,123	19,669	(18,164)	37,833
Balances beginning of year	926,174	8,227	934,401	740,217	194,184
Balances end of year	\$ 941,720	12,350	954,070	722,053	232,017

See accompanying independent auditor's report.

City of Dawson

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 and the Enterprise Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. The City did not amend its budget during the year ended June 30, 2017.

During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the public safety and community and economic development functions.

---

City of Dawson

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

Iowa Public Employees' Retirement System  
For the Current Year\*

Other Information

	<u>2017</u>
City's proportion of the net pension liability	0.000081%
City's proportionate share of the net pension liability	\$ 5,074
City's covered-employee payroll	\$ 5,786
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	87.69%
IPERS' net position as a percentage of the total pension liability	81.82%

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

See accompanying independent auditor's report.

City of Dawson  
 Schedule of City Contributions  
 Iowa Public Employees' Retirement System  
 For the Last Nine Years

Other Information

	2017	2016	2015	2014
Statutorily required contribution	\$ 1,003	517	707	1,000
Contributions in relation to the statutorily required contribution	(1,003)	(517)	(707)	(1,000)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered-employee payroll	\$ 11,228	5,786	7,920	11,201
Contributions as a percentage of covered-employee payroll	8.93%	8.94%	8.93%	8.93%

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

See accompanying independent auditor's report.

---

2013	2012	2011	2010	2009
427	310	531	274	323
(427)	(310)	(531)	(274)	(323)
-	-	-	-	-
4,921	3,840	7,640	4,120	5,090
8.68%	8.07%	6.95%	6.65%	6.35%

City of Dawson

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.



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

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities and each major fund of the City of Dawson, 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 June 22, 2018. The financial statements were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed modified opinions on the governmental activities, the business type activities and each major fund information since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance of July 1, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Dawson'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 Dawson's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dawson'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 material weaknesses and significant deficiencies.

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

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

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 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 Dawson's Responses to the Findings

The City of Dawson's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Dawson'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 Dawson during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

June 22, 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 – One individual has control over the following areas for which no compensating controls exist:

- (1) Accounting system – performing all accounting functions, including making journal entries and having custody of assets.
- (2) Cash – handling, reconciling and recording.
- (3) Investments – recordkeeping, investing and reconciling earnings.
- (4) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Disbursements – invoice processing, check preparation and reconciling.
- (6) Payroll – rates are entered into the system by someone independent and are not reviewed and approved by someone independent.
- (7) Journal entries – no review and approval by an independent person.

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

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. The City should utilize current personnel and officials to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be documented by the signature or initials of the reviewer and the date of the review.

Response – The City will increase involvement of the Mayor and City Council for review of all bank statements, utility billings and payments and accounting functions. These will be reviewed and initialed at each monthly Council meeting.

Conclusion – Response accepted.

City of Dawson

Schedule of Findings

Year ended June 30, 2017

(B) Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are in integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – The City does not maintain its accounting system in a format to facilitate fund accounting required for governmental accounting and financial reporting. In addition, the City has not implemented the Uniform Chart of Accounts (COA) for Iowa City Governments recommended by the City Finance Committee.

Cause – City policies do not require and procedures have not been established to require use of the Uniform charge of accounts for coding, or for accounting records to be reviewed by an independent person.

Effect – Lack of policies and procedures resulted in City employees not detecting errors in the normal course of performing their assigned functions. As a result, we identified material amounts of receipts and disbursements coded incorrectly or recorded in incorrect accounts in the City's general ledger and on the City's AFR. In addition, the City excluded certain investment activity from the City's 2017 AFR. Adjustments were subsequently made by the City to properly report the amounts.

Recommendation – The City should implement procedures to ensure receipts and disbursements are properly recorded in the City's financial statements and in the City's Annual Financial Report.

Response – The City Clerk will use the Uniform Chart of Accounts for fund accounting. The City Clerk will improve on reporting of receipts and disbursements in the AFR.

Conclusion – Response accepted.

(C) Monthly Financial Reports

Criteria – An effective internal control system provides for internal controls related to accurate and complete financial reporting, including monitoring actual to budgeted disbursements.

Condition – The Clerk's monthly financial reports to the City Council included cash balances and monthly receipts and disbursements, but did not include a summary of beginning balance, receipts, disbursement or ending balance by fund. Also, it does not include a comparison of actual to budgeted disbursements by function.

Cause – City policies and procedures have not been established to prepare detailed financial reports to provide the City Council with accurate and complete information, including a comparison of actual to budgeted disbursements.

City of Dawson

Schedule of Findings

Year ended June 30, 2017

Effect – The City Council is not provided with accurate and complete information, including a comparison of actual to budgeted disbursements, which is needed to make informed decisions.

Recommendation – To provide better financial information, the monthly reports should include the beginning balance, receipts, disbursements and ending balance for each fund. Also, the monthly reports should include actual year-to-date disbursements by function compared with budgeted disbursements by function.

Response – The City Clerk will prepare financial statements to provide to the City Council with detailed financial accounting each month as listed above.

(D) Monthly Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances.

Condition – Although monthly bank reconciliations are prepared, the reconciliations do not include all City bank accounts and investment activity.

Cause – Procedures have not been designed and implemented to ensure all accounts are reconciled and the amounts recorded in the books and bank accounts are complete and accurate to ensure proper accounting for all funds.

Effect – The lack of a complete bank to book reconciliation can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The City should establish procedures to ensure monthly bank reconciliations include all City bank accounts and investment activity. Variances, if any, should be reviewed and resolved timely. In addition, the reconciliations should be reviewed by an independent person and should be documented by the signature or initials of the independent reviewer and the date of review.

Response – The City has recently signed an agreement with Great Western Wealth Management to manage the City's investments. The City Clerk now understands the reconciliations of the investment report and will report monthly to the City Council.

Conclusion – Response accepted.

(E) Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, utility collections were not reconciled to deposits.

City of Dawson

Schedule of Findings

Year ended June 30, 2017

Cause – Policies have not been established and procedures have not been implemented to maintain delinquent account listings, reconcile utility billings, collections and delinquent account balances and to reconcile utility collections to deposits.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a City Council-designated independent person should review the reconciliations and monitor delinquents. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

Response – The City Clerk has improved her utility spreadsheet and will be giving more detailed reports to the City Council on a monthly basis. The final utility spreadsheet will be reviewed and initialed at the City Council meeting.

Conclusion – Response accepted.

(F) Debit Cards

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes included establishing policies addressing proper asset use and proper supporting documentation.

Condition – The City has debit cards for use by the Mayor and City Clerk while on City business. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions. In addition, while there is a process for prior approval of purchases to be made with a debit card, the process does not include documented evidence of approval.

Cause – Officials have been unaware of the repercussions of allowing the use of debit cards.

Effect – Allowing the use of debit cards could result in unauthorized transactions and the opportunity for misappropriations.

Recommendation – The City Council should prohibit the use of debit cards for City purchases.

Response – The City Clerk has completed a credit card application with the bank and the debit cards have been destroyed. The monthly credit card statement will be reviewed as a monthly bill and paid after approval of the City Council.

Conclusion – Response accepted.

City of Dawson

Schedule of Findings

Year ended June 30, 2017

(G) 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 City does not have an accounting policies and procedures manual.

Cause – Officials have been unaware of the need for an accounting policies and procedures manual.

Effect – Lack of an accounting policies and procedures manual could result in a City's 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 City.

Response – The City Clerk will be writing an accounting policies and procedures manual and it will be approved by the City Council.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Dawson

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

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

Response – The City Clerk will prepare a month-to-month report showing budgeted/expended items for the Council’s review.

Conclusion – Response acknowledged. The City should ensure the budget is amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Hy-Vee	Appreciation platter for Sheriff Department	\$ 109
Hwy 141 Garage Sale	Donation for garage sale advertisement	100
Kum & Go, McDonalds and Subway	Gift cards for Halloween party	120

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation.

Response – The City Council will review purchases for “public fairness” and be cautious of such purchases in the future.

Conclusion – Response accepted.

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

City of Dawson

Schedule of Findings

Year ended June 30, 2017

- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Andrew Gonzalez, Husband of Mayor, Breanna Gonzalez, AG Construction	Repairs to city park and coal miner's shack	\$ 725
Belinda Morman, Wife of City Council member, Clarence Morman	Cleaning services	360
Bobby Morman, Brother of Mayor, Breanna Gonzalez; Grandson to City Council member, Clarence Morman	Mowing, per informal bid	585

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Andrew Gonzalez, Belinda Morman and Bobby Morman do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – Three of 40 disbursements tested were not included in the listing of approved claims approved by the City Council. Also, although minutes of City Council meetings were posted, they did not contain a summary of receipts or disbursements by fund as required by Chapter 372.13(6) of the Code of Iowa. In addition, during fiscal year 2017, one closed session meeting was not tape recorded as required by Chapter 21.5(4) of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa and post minutes as required, including a summary of receipts and disbursements by fund. In addition, all closed session meetings should be tape recorded.

Response – The City Clerk will double check that expenses are included in the monthly financial summary and board minutes when approved for payment.

Conclusion – Response acknowledged. In addition, minutes should contain a summary of receipts and disbursements by fund and all closed session meetings should be tape recorded.

City of Dawson

Schedule of Findings

Year ended June 30, 2017

- (7) Deposits and Investments – Except as noted below, no instances of non-compliance with the deposit and investment provisions in Chapters 12B and 12C of the Code of Iowa were noted.

At June 30, 2017, the City held preferred stock with a fair value of \$247,287 in the Tennessee Valley Authority (TVA). The City was unable to demonstrate how these investments are allowable investments for public funds, as specified in the City's Investment Policy and Chapter 12B.10(5) of the Code of Iowa. In addition, maturities of investments are not staggered in a way that avoids undue concentration of assets in a specific maturity sector or to provide stability of income and reasonable liquidity as required by the City's Investment Policy.

Recommendation – The City should comply with provisions of Chapter 12B.10 of the Code of Iowa and its written Investment Policy.

Response – The City Council has met with the representative of Great Western Wealth Management and the preferred stock of Tennessee Valley Authority will be re-invested into proper investments.

Conclusion – Response accepted.

- (8) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for its bank account.

Recommendation – The City should obtain and retain images of both the front and back of cancelled checks for its bank accounts as required by Chapter 554D.114 of the Code of Iowa.

Response – The City Council has met with the representative of Raccoon Valley Bank and beginning with the February 2018 bank statements, the front and back images will be included with the statement of each account.

Conclusion – Response accepted.

- (9) Local Option Sales Tax (LOST) Fund – On July 10, 2007, a LOST ballot measure was approved to collect 1% of local sales and services tax for the period January 1, 2008 until December 31, 2017, to be allocated as follows:

- Thirty-three percent for property tax relief,
- Thirty-three percent to be applied for public safety, city parks, Community Betterment projects and City Quality of Life projects,
- Thirty-four percent to be distributed to the Tri-County Regional Authority, to be used for recreational trails, regional quality of life facilities, scientific, arts, cultural and historic preservation organizations, additional regional property tax relief, and other lawful purposes in accordance with the joint agreement creating the Tri-County Regional Authority.

City of Dawson

Schedule of Findings

Year ended June 30, 2017

On November 7, 2017, a new LOST ballot measure was approved to collect 1% of local sales and services tax effective July 1, 2018 for an unlimited period, to be allocated as follows:

- Fifty percent for property tax relief,
- Twenty-five percent for streets and capital expenditures and community development expenditures,
- Twenty-five percent public health and public safety.

Since the date of establishment for the collection of LOST receipts (January 1, 2008) through the date of our report, no LOST funds received have been allocated or spent. At June 30, 2017, the Special Revenue, Local Option Sales Tax Fund had an ending balance of \$836,997. No documentation is maintained by the City to support how the unspent balance is being tracked for the specified purposes above or how the funds, either resulting from the 2007 ballot or the 2017 ballot, will be used for future projects. Also, the Tri-County Regional Authority was never an established entity.

Recommendation – The City should establish procedures to properly account for LOST receipts and identify the intended use of the LOST balances in accordance with the LOST ballot provisions.

Response – The City Council will review future projects when necessary for the use of these funds.

Conclusion – Response accepted.

- (10) Transfers – The City utilizes several bank accounts for tracking City funds. January 2017 transfers between bank accounts to reimburse the General Fund checking account for City road and water utility disbursements were not reviewed or approved by the City Council.

Recommendation – All transfers between bank accounts should be reviewed and approved by the City Council and should be documented in the City Council minutes.

Response – There will be a monthly resolution approved by the City Council to approve transfers of any funds into the General Fund checking account.

Conclusion – Response accepted.

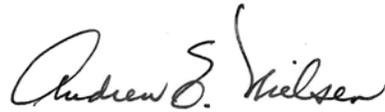
- (11) Petition for Audit – Except as noted above, all items in the petition for audit have been resolved.

City of Dawson

Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager  
Sarah J. Swisher, Senior Auditor  
Taryn M. Plunkett, 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