

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

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NEWS RELEASE

FOR RELEASE

March 6, 2019

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on the City of Colfax, Iowa.

The City's receipts totaled \$2,987,933 for the year ended June 30, 2018, a less than one percent increase over the prior year. The receipts included \$730,322 of property tax, \$4,298 of tax increment financing, \$1,550,494 of charges for service, \$378,288 of operating grants, contributions and restricted interest, \$5,260 of capital grants, contributions and restricted interest, \$169,660 of local option sales tax, \$44,851 of hotel/motel tax, \$16,879 of commercial/industrial tax replacement, \$13,760 of unrestricted interest on investments, \$26,621 from the sale of capital assets and \$47,500 of other general receipts.

Disbursements for the year ended June 30, 2018 totaled \$3,163,228 a 28.3% increase over the prior year, and included \$791,200 for public safety, \$389,497 for capital projects and \$307,895 for public works. Also, disbursements for business type activities totaled \$1,078,118.

The significant increase in disbursements is due primarily to disbursements for street maintenance projects during the year.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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CITY OF COLFAX
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2018

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City of Colfax

Officials

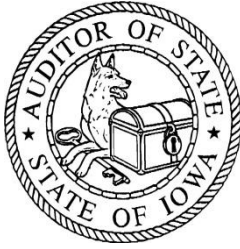
(Before January 2018)

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

(After January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Mast	Mayor	Jan 2020
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Curtis Small	Council Member	Jan 2020
Wes Snyder	Council Member	Jan 2020
Karla Jones	Council Member	Jan 2022
Brad Magg	Council Member	Jan 2022
Nancy Earles	City Clerk	Indefinite
Larry Opfer	City Treasurer	Indefinite
Billy Mallory	Attorney	Indefinite

City of Colfax



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Colfax, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Colfax as of June 30, 2018, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Emphasis of a Matter

As discussed in Note 5 to the financial statements, City of Colfax adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Colfax's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the five years ended June 30, 2013 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 15 and 38 through 44, 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 February 27, 2019 on our consideration of the City of Colfax's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Colfax's internal control over financial reporting and compliance.



ROB SAND
Auditor of State

February 27, 2019

City of Colfax

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Colfax provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2018 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 2.1%, or approximately \$40,000, from fiscal year 2017 to fiscal year 2018. Charges for services increased approximately \$136,000 and property tax, including tax increment financing, increased approximately \$39,000, while capital grants, contributions and restricted interest decreased approximately \$19,000 and note proceeds decreased \$275,000.
- Disbursements of the City's governmental activities increased 38.5%, or approximately \$580,000, in fiscal year 2018 over fiscal year 2017. Capital projects increased approximately \$389,000 and public safety increased approximately \$229,000.
- The City's total cash basis net position decreased 6.0%, or approximately \$175,000, from June 30, 2017 to June 30, 2018. Of this amount, the cash basis net position of the governmental activities decreased approximately \$131,000 and the cash basis net position of the business type activities decreased approximately \$44,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Employee Benefits and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

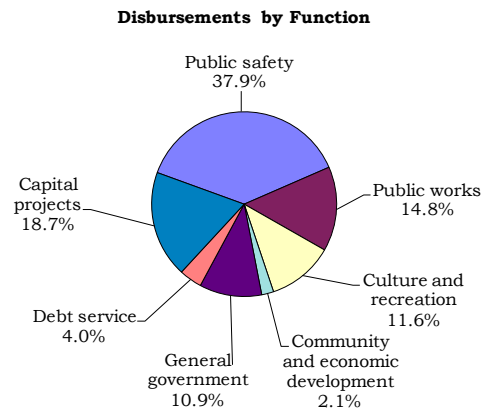
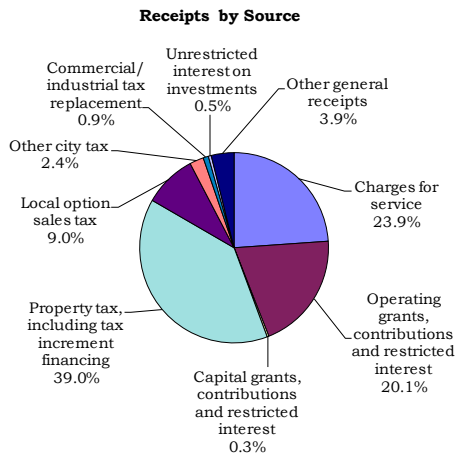
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Landfill Funds, considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$1,076,000 to approximately \$945,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service	\$ 451	315
Operating grants, contributions and restricted interest	378	322
Capital grants, contributions and restricted interest	5	24
General receipts:		
Property tax, including tax increment financing	735	696
Local option sales tax	170	200
Other city tax	45	49
Commercial/industrial tax replacement	17	17
Unrestricted interest on investments	9	7
Note proceeds	-	275
Other general receipts	74	19
Total receipts	<u>1,884</u>	<u>1,924</u>
Disbursements:		
Public safety	791	562
Public works	308	312
Culture and recreation	242	247
Community and economic development	44	41
General government	227	265
Debt service	84	78
Capital projects	389	-
Total disbursements	<u>2,085</u>	<u>1,505</u>
Change in cash basis net position before transfers	(201)	419
Transfers, net	70	40
Change in cash basis net position	(131)	459
Cash basis net position beginning of year	<u>1,076</u>	<u>617</u>
Cash basis net position end of year	<u>\$ 945</u>	<u>1,076</u>



The City's total receipts for governmental activities decreased 2.1%, or approximately \$40,000, from the prior year. The total cost of all programs and services increased approximately \$580,000, or 38.5%. Charges for services increased approximately \$136,000 due, in part, to the City receiving approximately \$43,000 more in ambulance charges and approximately \$36,000 more in inspection fees for the police department during fiscal year 2018. This was offset by a decrease of \$275,000 of general obligation notes issued during fiscal year 2017 to finance street repairs. The increase in disbursements was primarily the result of an increase in street repairs financed by the general obligation note proceeds received last year and purchases of equipment such as defibrillators and an attack truck for the ambulance and fire departments.

The City's fiscal year 2018 overall property tax rate decreased .02% from fiscal year 2017 while property valuations increased approximately 5.0%. This increased the City's property tax receipts, including tax increment financing, approximately \$39,000 in fiscal year 2018. Based on the increase in the total assessed valuation, property tax receipts are budgeted to increase approximately \$105,000 next year.

The cost of all governmental activities this year was approximately \$2.085 million compared to approximately \$1.505 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 18 and 19, the amount taxpayers ultimately financed for these activities was approximately \$1.250 million because some of the cost was paid by those directly benefitting from the programs (approximately \$451,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$383,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2018 from approximately \$661,000 to approximately \$834,000, primarily due to an increase in utility franchise fees and other charges for services.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	<u>Year ended June 30,</u>	
	2018	2017
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 402	375
Sewer	542	533
Landfill	155	155
General receipts:		
Unrestricted interest on investments	5	1
Total receipts	<u>1,104</u>	<u>1,064</u>
Disbursements:		
Water	478	395
Sewer	454	424
Landfill	146	142
Total disbursements	<u>1,078</u>	<u>961</u>
Change in cash basis net position before transfers	26	103
Transfers, net	<u>(70)</u>	<u>(40)</u>
Change in cash basis net position	(44)	63
Cash basis net position beginning of year	<u>1,845</u>	<u>1,782</u>
Cash basis net position end of year	<u>\$ 1,801</u>	<u>1,845</u>

Total business type activities receipts for the fiscal year were approximately \$1.104 million compared to approximately \$1.064 million last year, an increase of approximately \$40,000. The cash balance decreased approximately \$44,000 from the prior year. Total disbursements for the fiscal year increased 12.2% to approximately \$1.078 million, due primarily to an increase in water main breaks requiring additional work in fiscal year 2018.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Colfax completed the year, its governmental funds reported a combined fund balance of \$944,578, a decrease of approximately \$131,000 from last year's total of \$1,075,567. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$199,413 over the prior year to \$387,370. The increase in the cash balance was due primarily to an increase in receipts. The City received approximately \$104,000 in utility franchise fees. Charges for services increased, due in part, to an increase in ambulance charges and inspection fees. Additionally, the City transferred \$70,000 from the Enterprise, Sewer Fund to reimburse the General Fund for shared costs. Disbursements increased approximately \$234,000 over the prior year, due primarily to the purchase of equipment for the ambulance and the purchase of a quick attack truck.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$15,436 to \$127,071. The decrease is due, in part, to the transfer of \$10,000 to the equipment replacement account, part of the General Fund.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$17,319 to \$16,656. Receipts and disbursements remained consistent. This fund is used to pay for employee benefits.
- The Special Revenue, Local Option Sales Tax (LOST) Fund cash balance decreased \$71,510 to \$117,861. Receipts decreased approximately \$29,000. Disbursements increased approximately \$86,000 due to the purchase of a new building in fiscal year 2018. Transfers out increased in fiscal year 2018 due to a \$47,739 transfer to the CDBG Fund for building renovations. This fund is used to account for local option sales tax collections. Per the City's LOST ballot, 50% is to be used for community betterment and 50% is to be transferred to the General Fund for property tax relief.
- The Capital Projects Fund cash balance decreased \$265,286 to \$9,714. The decrease is due to disbursements for street repair projects within the City.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$72,207 to \$825,205, due primarily to water main and line repairs on Elm Street.
- The Enterprise, Sewer Fund cash balance increased \$18,197 to \$746,306. Receipts remained consistent, increasing only \$9,344, while disbursements increased approximately \$17,000. The increase was due in part to the purchase of capital equipment and street repairs due to sewer projects. During fiscal year 2018, the Enterprise, Sewer Fund transferred \$70,000 to the General Fund.
- The Enterprise, Landfill Fund cash balance increased \$9,704 to \$229,609. Receipts and disbursements remained consistent with fiscal year 2017.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 14, 2018 and resulted in an increase in budgeted disbursements for the police, fire, and ambulance departments as well as increases for animal control, health insurance expenses and capital projects. Budgeted disbursements were also increased for the Water Fund due to water main repairs.

The City's receipts were \$67,475 more than budgeted. This was primarily due to the City receiving more in utility franchise fees than in fiscal year 2017.

Total disbursements were approximately \$499,000 less than the amended budget. Actual disbursements for public safety, capital projects and general government functions were \$139,202, \$125,473 and \$86,393, respectively, less than the amended budget. The culture and recreation, community and economic development, and business type activities functions were also less than the amended budget. The difference in the public safety function is due to vehicle and equipment purchases made that were less than budgeted. Additionally, building inspections expenses were less than budgeted due to the building inspector leaving during fiscal year 2018. The difference in capital projects is due to renovations at 15 E Howard and Quarry Springs Park not proceeding as budgeted. The general government function was less than budgeted due to budgeted disbursements for legal fees and insurance being less than expected.

Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the public works function. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public safety and public works functions.

DEBT ADMINISTRATION

At June 30, 2018, the City had \$1,750,000 of bonds and notes outstanding, compared to \$1,958,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2018	2017
General obligation notes	\$ 305	315
General obligation bonds	838	886
Revenue bonds	607	757
Total	\$ 1,750	1,958

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

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt, including TIF debt of \$66,363, totals \$1,209,363 which is significantly below its constitutional debt limit of approximately \$3,924,000. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Colfax's elected and appointed officials and citizens considered many factors when setting the fiscal year 2019 budget, tax rates and fees charged for various City activities. One of those factors is the economy. At the end of the fiscal year, unemployment in Jasper County was 2.5% versus 3.2% a year ago. This compares with the State's unemployment rate of 2.5% and the national rate of 4.0%.

These indicators were taken into account when adopting the budget for fiscal year 2018. Amounts available for appropriation in the operating budget are approximately \$2.857 million, a decrease of less than 1% from the final fiscal year 2018 budget. Budgeted disbursements are expected to decrease approximately \$1.111 million. The City has added no major new programs or initiatives to the fiscal year 2019 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$310,000 by the close of fiscal year 2019.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nancy Earles, City Clerk, 19 E. Howard, Colfax, Iowa 50054.

City of Colfax

Basic Financial Statements

City of Colfax

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2018

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 791,200	259,046	56,813	-
Public works	307,895	-	267,046	-
Culture and recreation	241,955	44,885	27,195	-
Community and economic development	44,080	-	27,234	5,260
General government	226,799	147,406	-	-
Debt service	83,684	-	-	-
Capital projects	389,497	-	-	-
Total governmental activities	2,085,110	451,337	378,288	5,260
Business type activities:				
Water	477,649	402,015	-	-
Sewer	454,596	542,167	-	-
Landfill	145,873	154,975	-	-
Total business type activities	1,078,118	1,099,157	-	-
Total Primary Government	\$ 3,163,228	1,550,494	378,288	5,260
Component Unit:				
Colfax Park and Recreation Auxiliary Board	\$ 58,937	-	-	35,059
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Sale of capital assets				
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:				
Cemetery perpetual care				
Expendable:				
Streets				
Employee benefits				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				
See notes to financial statements.				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position				
Primary Government			Component Unit	
Governmental Activities	Business Type Activities	Total	Colfax Park and Recreation Auxiliary Board	
(475,341)	-	(475,341)		
(40,849)	-	(40,849)		
(169,875)	-	(169,875)		
(11,586)	-	(11,586)		
(79,393)	-	(79,393)		
(83,684)	-	(83,684)		
(389,497)	-	(389,497)		
(1,250,225)	-	(1,250,225)		
-	(75,634)	(75,634)		
-	87,571	87,571		
-	9,102	9,102		
-	21,039	21,039		
(1,250,225)	21,039	(1,229,186)		
			(23,878)	
622,492	-	622,492	-	
107,830	-	107,830	-	
4,298	-	4,298	-	
169,660	-	169,660	-	
44,851	-	44,851	-	
16,879	-	16,879	-	
9,105	4,655	13,760	-	
26,621	-	26,621	-	
47,500	-	47,500	-	
70,000	(70,000)	-	-	
1,119,236	(65,345)	1,053,891	-	
(130,989)	(44,306)	(175,295)	(23,878)	
1,075,567	1,845,426	2,920,993	104,557	
\$ 944,578	1,801,120	2,745,698	80,679	
\$ 71,469	-	71,469	-	
137,071	-	137,071	-	
16,656	-	16,656	-	
94,288	14,001	108,289	-	
9,714	-	9,714	-	
324,257	-	324,257	-	
291,123	1,787,119	2,078,242	80,679	
\$ 944,578	1,801,120	2,745,698	80,679	

City of Colfax

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

As of and for the year ended June 30, 2018

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ 451,641	-	170,851	-
Tax increment financing	-	-	-	-
Other city tax	44,851	-	-	169,660
Licenses and permits	130,346	-	-	-
Use of money and property	11,675	-	-	906
Intergovernmental	61,049	267,046	3,980	-
Charges for service	290,096	-	-	-
Special assessments	3,253	-	-	-
Miscellaneous	116,354	-	-	-
Total receipts	1,109,265	267,046	174,831	170,566
Disbursements:				
Operating:				
Public safety	679,968	-	107,045	-
Public works	-	272,482	18,350	-
Culture and recreation	213,118	-	26,174	-
Community and economic development	24,599	-	-	15,972
General government	186,218	-	40,581	-
Debt service	-	-	-	-
Capital projects	-	-	-	93,535
Total disbursements	1,103,903	272,482	192,150	109,507
Excess (deficiency) of receipts over (under) disbursements	5,362	(5,436)	(17,319)	61,059
Other financing sources (uses):				
Sale of capital assets	26,621	-	-	-
Transfers in	167,430	-	-	-
Transfers out	-	(10,000)	-	(132,569)
Total other financing sources (uses)	194,051	(10,000)	-	(132,569)
Change in cash balances	199,413	(15,436)	(17,319)	(71,510)
Cash balances beginning of year	187,957	142,507	33,975	189,371
Cash balances end of year	\$ 387,370	127,071	16,656	117,861
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Streets	10,000	127,071	-	-
Employee benefits	-	-	16,656	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	86,247	-	-	117,861
Assigned for:				
Parks	4,443	-	-	-
Equipment	15,346	-	-	-
Unassigned	271,334	-	-	-
Total cash basis fund balances	\$ 387,370	127,071	16,656	117,861

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	107,830	730,322
-	4,298	4,298
-	-	214,511
-	-	130,346
-	597	13,178
-	7,614	339,689
-	-	290,096
-	-	3,253
-	15,453	131,807
-	135,792	1,857,500
-	4,187	791,200
17,063	-	307,895
-	2,663	241,955
-	3,509	44,080
-	-	226,799
-	83,684	83,684
248,223	47,739	389,497
265,286	141,782	2,085,110
(265,286)	(5,990)	(227,610)
-	-	26,621
-	47,739	215,169
-	(2,600)	(145,169)
-	45,139	96,621
(265,286)	39,149	(130,989)
275,000	246,757	1,075,567
9,714	285,906	944,578
-	71,469	71,469
-	-	137,071
-	-	16,656
-	94,288	94,288
9,714	-	9,714
-	120,149	324,257
-	-	4,443
-	-	15,346
-	-	271,334
9,714	285,906	944,578

City of Colfax

City of Colfax

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

As of and for the year ended June 30, 2018

	Enterprise			
	Water	Sewer	Landfill	Total
Operating receipts:				
Charges for service	\$ 401,940	542,167	154,809	1,098,916
Miscellaneous	75	-	166	241
Total operating receipts	402,015	542,167	154,975	1,099,157
Operating disbursements:				
Business type activities	413,867	282,802	145,873	842,542
Excess (deficiency) of operating receipts over (under) operating disbursements	(11,852)	259,365	9,102	256,615
Non-operating receipts (disbursements):				
Interest on investments	3,427	626	602	4,655
Debt service	(39,745)	(127,220)	-	(166,965)
Capital outlay	(24,037)	(44,574)	-	(68,611)
Net non-operating receipts (disbursements)	(60,355)	(171,168)	602	(230,921)
Excess (deficiency) of receipts over (under) disbursements	(72,207)	88,197	9,704	25,694
Transfers out	-	(70,000)	-	(70,000)
Change in cash balances	(72,207)	18,197	9,704	(44,306)
Cash balances beginning of year	897,412	728,109	219,905	1,845,426
Cash balances end of year	\$ 825,205	746,306	229,609	1,801,120
Cash Basis Fund Balances				
Restricted for debt service	\$ 3,277	10,724	-	14,001
Unrestricted	821,928	735,582	229,609	1,787,119
Total cash basis fund balances	\$ 825,205	746,306	229,609	1,801,120

See notes to financial statements.

City of Colfax

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

The City of Colfax is a political subdivision of the State of Iowa located in Jasper County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and landfill utilities for its citizens.

A. Reporting Entity

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

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

Discretely Presented Component Unit

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

Blended Component Unit

The City of Colfax Fire Association (Fire Association) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504 of the Code of Iowa for the purpose of assisting the Colfax Fire Department and Colfax Ambulance in the execution and performance of responsibilities to the citizens of Colfax. The Association receives, administers and distribute funds for the benefit of the Colfax Fire Department and Colfax Ambulance. In accordance with the criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be blended. Based on these criteria the Fire Association is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. The Association is reported as part of the City and blended into the nonmajor governmental funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Jasper County Assessor's Conference Board, Selective Enforcement Response Team and Safety Coalition of Central Iowa Cities, City and County Planning Board and Central Iowa Committee, Jasper County Joint 911 Service Board and Jasper County Emergency Management Commission.

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

The City reports the following major proprietary funds:

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

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

The Enterprise, Landfill Fund accounts for the operation of the City's solid waste disposal system.

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the public works function. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public safety and public works functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2018 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 investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$968,560 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes		General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 60,000	7,938	48,000	14,665	154,000	12,010	262,000	34,613
2020	65,000	6,312	49,000	13,825	159,000	8,865	273,000	29,002
2021	65,000	4,565	50,000	12,967	164,000	5,620	279,000	23,152
2022	55,000	2,817	51,000	12,093	130,000	2,275	236,000	17,185
2023	60,000	1,470	52,000	11,200	-	-	112,000	12,670
2024-2028	-	-	280,000	41,825	-	-	280,000	41,825
2029-2033	-	-	308,000	16,398	-	-	308,000	16,398
Total	\$ 305,000	23,102	838,000	122,973	607,000	28,770	1,750,000	174,845

General Obligation Sewer Improvement Bonds

On October 25, 2013, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources (DNR) for the issuance of up to \$1,109,000 of general obligation sewer improvement bonds with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384 and 76 of the Code of Iowa to pay costs of constructing certain wastewater treatment facilities. During the year ended June 30, 2018, the City paid principal of \$48,000 and interest of \$15,505 on the bonds. At June 30, 2018 the outstanding principal balance is \$838,000.

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$510,000 of water revenue bonds issued in February 2012. Proceeds from the bonds provided financing for the construction of improvements and extensions to the water system. The bonds are payable solely from water customer net receipts and are payable through 2021. Annual principal and interest payments on the bonds were greater than net receipts during the year. The total principal and interest remaining to be paid on the bonds is \$117,720. For the current year, principal and interest paid and total customer net receipts were \$39,380 and (\$11,852), respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,984,000 of sewer revenue bonds issued in March 2003. Proceeds from the bonds provided financing for the construction of improvements and extensions to the sewer system. The bonds are payable solely from sewer customer net receipts and are payable through 2022. Annual principal and interest payments on the bonds are expected to require 48% of net receipts. The total principal and interest remaining to be paid on the bonds is \$518,050. For the current year, principal and interest paid and total customer net receipts were \$125,693 and \$259,365, respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.

- (c) Water and sewer user rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the annual installments of principal and interest on the bonds falling due in the same year.

The City has not complied with the provisions of the water and sewer revenue bond resolutions requiring sufficient monthly transfers to be made to the revenue bond sinking accounts for the purpose of making the principal and interest payments when due.

The City has not complied with the provisions of the water revenue bond resolutions requiring water user rates be established at a level which produces and maintains net receipts at a level not less than 110% of annual installments of principal and interest.

(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 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 2018, 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, 2018 totaled \$56,702.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the City reported a liability of \$339,879 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the City's proportion was 0.005102%, which was a decrease of 0.000409% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$66,722, \$90,596 and \$11,547, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 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, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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 (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 682,459	339,879	52,176

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) Other Postemployment Benefits (OPEB)

Plan Description - The City participates in a multi-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members are \$1,383 for family coverage. For the year ended June 30, 2018, the City contributed \$170,743 and plan members eligible for benefits contributed \$19,174 to the plan. At June 30, 2018, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement. At June 30, 2018, the following employees were covered by the benefit terms:

Active employees 11

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and compensatory time payable to employees at June 30, 2018, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 32,000
Sick leave	23,000
Compensatory time	<u>4,000</u>
Total	<u>\$ 59,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2018.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 84,830
	Quarry Springs	2,600
	Road Use Tax	10,000
	Enterprise:	
	Sewer	<u>70,000</u>
		167,430
Special Revenue:	Special Revenue:	
CDBG	Local Option Sales Tax	<u>47,739</u>
Total		<u>\$ 215,169</u>

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

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$2,499 during the year ended June 30, 2018.

(9) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 775 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2018 were \$54,808.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

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

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

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

(10) Tax Increment Financing

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

In January 2013, the City and Jeff Light (the developer) entered into a development agreement to construct a Subway restaurant. The City will pay up to \$75,000 of incremental property tax to the developer beginning on the date the incremental property tax becomes available. The City has certified the agreement to the County Auditor. The obligation is not a general obligation of the City, but the debt is subject to the constitutional debt limitation of the City. As of June 30, 2018, the City has paid \$8,637 to the developer.

(11) Tax Abatements

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

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or 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, 2018, the City abated \$1,285 of property tax under the urban renewal and economic development agreements.

(12) Landfill Closure and Postclosure Care

The City has entered into an agreement with several other municipalities, as allowed under Chapter 28E of the Code of Iowa, to provide for economical and environmentally responsible disposal of solid waste and establish permanent environmental responsibility for the Newton Sanitary Landfill (Landfill). State and federal laws and regulations require the Landfill to place a final cover on the site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. To date, 35% of the Landfill has been filled and the estimated total liability for such is \$6,013,280, based on 2018 cost estimates. Actual costs may be higher due to inflation, technology changes and changes in regulations.

The Code of Iowa requires the Landfill to maintain separate closure and postclosure care accounts to accumulate resources for the payment of these costs. As of June 30, 2018, \$1,984,077 has been accumulated. Since the estimated closure and postclosure costs have not been fully funded, the Landfill is required to demonstrate financial assurance for the unfunded costs. The Landfill has adopted the local government financial test assurance mechanism and has met the requirement issued by the Iowa Department of Natural Resources. The unfunded liability will be funded over the estimated remaining life of the Landfill. In the event it is not adequately funded, the 28E agreement makes the City of Colfax responsible for 4.86% of the unfunded liability, or approximately \$196,000, based on the June 30, 2018 information. The City's proportionate share is updated annually in accordance with the agreement.

(13) Economic Development Loan

In 2004, the City loaned \$150,000 to a local manufacturing company with funds received from the Iowa Department of Economic Development, now the Iowa Economic Development Authority (IEDA). The loan was forgivable to the extent of \$75,000 and the Company fulfilled the requirement for loan forgiveness. Repayments totaling \$21,250 were received through 2007 on the \$75,000 balance. Any repayments were to be used by the City for similar projects. In 2009, a new company acquired the assets of the original company and received a \$25,000 loan and a \$25,000 forgivable loan from IEDA. In addition, the City loaned \$20,000 which was to be repaid, beginning March 1, 2011, with annual payments of \$2,000. To date, no payments have been received. The City does not anticipate the loan will be collected.

(14) City Hall Lease

The City has entered into a month-to-month lease to house the City Clerk, Utility Clerk and Police Department. Monthly lease payments are \$850.

Other Information

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

Other Information

Year ended June 30, 2018

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 730,322	-	-
Tax increment financing	4,298	-	-
Other city tax	214,511	-	-
Licenses and permits	130,346	-	-
Use of money and property	13,178	4,655	-
Intergovernmental	339,689	-	-
Charges for service	290,096	1,098,916	-
Special assessments	3,253	-	-
Miscellaneous	131,807	241	14,873
Total receipts	1,857,500	1,103,812	14,873
Disbursements:			
Public safety	791,200	-	4,187
Public works	307,895	-	-
Culture and recreation	241,955	-	-
Community and economic development	44,080	-	-
General government	226,799	-	-
Debt service	83,684	-	-
Capital projects	389,497	-	-
Business type activities	-	1,078,118	-
Total disbursements	2,085,110	1,078,118	4,187
Excess (deficiency) of receipts over (under) disbursements	(227,610)	25,694	10,686
Other financing sources, net	96,621	(70,000)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(130,989)	(44,306)	10,686
Balances beginning of year	1,075,567	1,845,426	-
Balances end of year	\$ 944,578	1,801,120	10,686

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
730,322	714,429	714,429	15,893
4,298	3,000	3,000	1,298
214,511	308,679	321,679	(107,168)
130,346	19,875	19,875	110,471
17,833	34,934	38,934	(21,101)
339,689	310,917	323,177	16,512
1,389,012	1,235,320	1,362,320	26,692
3,253	-	-	3,253
117,175	43,550	95,550	21,625
2,946,439	2,670,704	2,878,964	67,475
787,013	596,015	926,215	139,202
307,895	264,837	296,337	(11,558)
241,955	218,051	274,651	32,696
44,080	110,000	121,000	76,920
226,799	254,792	313,192	86,393
83,684	107,520	107,520	23,836
389,497	-	514,970	125,473
1,078,118	980,098	1,104,598	26,480
3,159,041	2,531,313	3,658,483	499,442
(212,602)	139,391	(779,519)	566,917
26,621	-	-	26,621
(185,981)	139,391	(779,519)	593,538
2,920,993	2,521,036	2,521,036	399,957
2,735,012	2,660,427	1,741,517	993,495

City of Colfax

Notes to Other Information – Budgetary Reporting

June 30, 2018

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,127,170. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the public works function. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public safety and public works functions.

City of Colfax

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

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

Other Information

	2018	2017	2016	2015
City's proportion of the net pension liability	0.005102%	0.005511%	0.005108%	0.004203%
City's proportionate share of the net pension liability	\$ 340	347	252	167
City's covered payroll	\$ 591	601	602	564
City's proportionate share of the net pension liability as a percentage of its covered payroll	57.53%	57.74%	41.86%	29.61%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

City of Colfax

Schedule of City Contributions

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

Other Information

	2018	2017	2016	2015
Statutorily required contribution	\$ 57	55	56	56
Contributions in relation to the statutorily required contribution	(57)	(55)	(56)	(56)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 609	591	601	602
Contributions as a percentage of covered payroll	9.36%	9.31%	9.32%	9.30%

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

See accompanying independent auditor's report.

2014	2013	2012	2011
52	50	46	44
(52)	(50)	(46)	(44)
-	-	-	-
564	552	524	548
9.22%	9.06%	8.78%	8.03%

City of Colfax

Notes to Other Information – Pension Liability

Year ended June 30, 2018

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.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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 Colfax

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

As of and for the year ended June 30, 2018

	CDBG	Urban Renewal Tax Increment	Special Tenant Memorial
Receipts:			
Property tax	\$ -	-	-
Tax increment financing	-	4,298	-
Use of money and property	-	-	597
Intergovernmental	-	-	-
Miscellaneous	-	-	-
Total receipts	-	4,298	597
Disbursements:			
Operating:			
Public safety	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	3,509	-
Debt service	-	-	-
Capital projects	47,739	-	-
Total disbursements	47,739	3,509	-
Excess (deficiency) of receipts over (under) disbursements	(47,739)	789	597
Other financing sources (uses):			
Transfers in	47,739	-	-
Transfers out	-	-	-
Total other financing sources (uses)	47,739	-	-
Change in cash balances	-	789	597
Cash balances beginning of year	49,619	4,664	59,247
Cash balances end of year	\$ 49,619	5,453	59,844
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Debt service	-	5,453	-
Other purposes	49,619	-	59,844
Total cash basis fund balances	\$ 49,619	5,453	59,844

See accompanying independent auditor's report.

Revenue		Permanent			
Quarry Springs	Fire Association	Debt Service	Cemetery Perpetual Care		Total
-	-	107,830	-	-	107,830
-	-	-	-	-	4,298
-	-	-	-	-	597
5,260	-	2,354	-	-	7,614
-	14,873	-	580	-	15,453
5,260	14,873	110,184	580	-	135,792
-	4,187	-	-	-	4,187
2,663	-	-	-	-	2,663
-	-	-	-	-	3,509
-	-	83,684	-	-	83,684
-	-	-	-	-	47,739
2,663	4,187	83,684	-	-	141,782
2,597	10,686	26,500	580	-	(5,990)
-	-	-	-	-	47,739
(2,600)	-	-	-	-	(2,600)
(2,600)	-	-	-	-	45,139
(3)	10,686	26,500	580	-	39,149
3	-	62,335	70,889	-	246,757
-	10,686	88,835	71,469	-	285,906
-	-	-	71,469	-	71,469
-	-	88,835	-	-	94,288
-	10,686	-	-	-	120,149
-	10,686	88,835	71,469	-	285,906

City of Colfax
 Schedule of Indebtedness
 Year ended June 30, 2018

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Street improvements	Sep 1, 2010	4.00%	\$ 100,000
Street improvements	Jun 27, 2017	2.45	275,000
Total			
General obligation bonds:			
Sewer improvement	Oct 25, 2013	1.75%	* \$ 1,109,000
Revenue bonds:			
Water revenue	Feb 24, 2012	3.00%	* \$ 510,000
Sewer revenue	Mar 25, 2003	1.75	* 1,984,000
Total			

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

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
40,000	-	10,000	30,000	1,620
275,000	-	-	275,000	6,344
<u>\$ 315,000</u>	<u>-</u>	<u>10,000</u>	<u>305,000</u>	<u>7,964</u>
886,000	-	48,000	838,000	15,505
146,000	-	35,000	111,000	4,380
611,000	-	115,000	496,000	10,693
<u>\$ 757,000</u>	<u>-</u>	<u>150,000</u>	<u>607,000</u>	<u>15,073</u>

City of Colfax

City of Colfax
Bond and Note Maturities
June 30, 2018

Year Ending June 30,	General Obligation Notes					General Obligation Bonds		
	Street Improvements		Street Improvements		Total	Sewer Improvement		
	Issued Sept 1, 2010		Issued June 27, 2017			Issued Oct 25, 2013		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Amount	
2019	4.00%	\$ 10,000	2.45%	\$ 50,000	60,000	1.75%	\$ 48,000	
2020	4.00	10,000	2.45	55,000	65,000	1.75	49,000	
2021	4.00	10,000	2.45	55,000	65,000	1.75	50,000	
2022		-	2.45	55,000	55,000	1.75	51,000	
2023		-		60,000	60,000	1.75	52,000	
2024		-		-	-	1.75	54,000	
2025		-		-	-	1.75	55,000	
2026		-		-	-	1.75	56,000	
2027		-		-	-	1.75	57,000	
2028		-		-	-	1.75	58,000	
2029		-		-	-	1.75	59,000	
2030		-		-	-	1.75	60,000	
2031		-		-	-	1.75	62,000	
2032		-		-	-	1.75	63,000	
2033		-		-	-	1.75	64,000	
Total		<u>\$ 30,000</u>		<u>\$ 275,000</u>	<u>305,000</u>		<u>\$ 838,000</u>	

Year Ending June 30,	Revenue Bonds					Total
	Water		Sewer			
	Issued Feb 24, 2012		Issued March 25, 2003			
	Interest Rates	Amount	Interest Rates	Amount		
2019	3.00%	\$ 36,000	1.75%	\$ 118,000	154,000	
2020	3.00	37,000	1.75	122,000	159,000	
2021	3.00	38,000	1.75	126,000	164,000	
2022		-	1.75	130,000	130,000	
		<u>\$ 111,000</u>		<u>\$ 496,000</u>	<u>607,000</u>	

See accompanying independent auditor's report.

City of Colfax

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

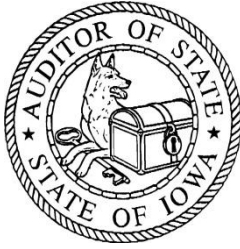
For the Last Ten Years

	2018	2017	2016	2015
Receipts:				
Property tax	\$ 730,322	696,332	667,021	662,646
Tax increment financing	4,298	-	11,636	180
Other city tax	214,511	248,637	217,560	212,907
Licenses and permits	130,346	73,135	35,688	32,606
Use of money and property	13,178	13,341	5,292	4,294
Intergovernmental	339,689	319,042	350,849	368,544
Charges for service	290,096	209,121	203,163	186,231
Special assessments	3,253	10,070	17,534	21,337
Miscellaneous	131,807	78,778	67,838	91,656
Total	<u>\$ 1,857,500</u>	<u>1,648,456</u>	<u>1,576,581</u>	<u>1,580,401</u>
Disbursements:				
Operating:				
Public safety	\$ 791,200	561,777	554,440	681,559
Public works	307,895	312,612	206,406	197,336
Health and social services	241,955	-	-	-
Culture and recreation	44,080	247,488	201,003	192,279
Community and economic development	226,799	40,659	49,472	154,033
General government	83,684	264,890	285,848	284,342
Debt service	389,497	77,677	23,958	24,869
Total	<u>\$ 2,085,110</u>	<u>1,505,103</u>	<u>1,321,127</u>	<u>1,534,418</u>

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
637,336	660,068	715,037	679,221	633,148	661,194
22	-	-	-	26,699	23,036
206,494	206,891	224,624	249,343	238,398	236,577
26,783	17,489	24,784	10,350	12,898	9,198
4,515	4,097	4,350	6,933	12,514	19,999
878,898	598,222	300,116	238,912	237,890	256,998
155,675	135,926	156,178	120,678	130,646	119,656
14,191	-	-	-	10,731	46,797
38,734	92,336	78,319	105,097	64,615	81,213
<u>1,962,648</u>	<u>1,715,029</u>	<u>1,503,408</u>	<u>1,410,534</u>	<u>1,367,539</u>	<u>1,454,668</u>
447,887	497,721	435,717	450,330	612,848	486,489
199,743	209,222	184,579	302,819	213,773	335,071
-	-	-	4,217	5,900	-
193,412	186,941	238,896	172,112	229,619	256,398
313,077	352,847	107,916	130,449	31,126	43,916
345,996	285,338	240,012	235,094	175,296	180,088
28,571	40,290	185,010	198,018	194,521	201,880
<u>1,528,686</u>	<u>1,572,359</u>	<u>1,392,130</u>	<u>1,493,039</u>	<u>1,463,083</u>	<u>1,503,842</u>

City of Colfax



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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Colfax, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 27, 2019. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that 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 a significant deficiency.

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Colfax's Responses to the Findings

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

Purpose of this Report

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

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



ROB SAND
Auditor of State

February 27, 2019

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 of two employees has control over each of the following areas:

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

Additionally, an initial listing of receipts is not prepared by the mail opener.

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 control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. An initial listing of receipts should be prepared by the mail opener.

Response – The City will continue to strive for segregation of duties. Staff will itemize a listing of mail/drop box receipts at least one day a week.

City of Colfax

Schedule of Findings

Year ended June 30, 2018

Conclusion – Response acknowledged. In addition, the listing of receipts should be traced to deposit by an independent person and the review should be documented by the initials and date of the review.

(B) Segregation of Duties – Component Units

Criteria – One important aspect of internal control is the segregation of duties among employees to prevent an individual from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another.

Condition – For the component units of the City (i.e. the Colfax Park and Recreation Auxiliary Board and the Colfax Fire Fighter’s Association), the responsibilities for deposit preparation, cash disbursement and bank reconciliation functions are not properly segregated. These duties are handled by one individual for each component unit. In addition, there is not an independent review of these duties by the Colfax Fire Fighter’s Association.

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

Effect – Inadequate segregation of duties could adversely affect each component unit’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 individuals. However, the Colfax Park and Recreation Auxiliary Board and Colfax Fire Fighter’s Association should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including Board members.

Response – The Mayor currently reviews the Colfax Park and Recreation Auxiliary Board’s bank statements and signs off. The City will discuss with the Colfax Park and Recreation Auxiliary Board and the Colfax Fire Fighter’s Association to continue to look for ways to segregate duties.

Conclusion – Response accepted.

(C) Fire Department Funds

Criteria – The City Council has a fiduciary responsibility to ensure all funds of the City are properly safeguarded.

Conditions – Invoices or other supporting documentation were not maintained for three of five transactions tested.

Cause – Because the City Clerk did not have control of all City funds, proper supporting documentation was not maintained.

Effect – Improper use of City funds could occur and not be detected.

City of Colfax

Schedule of Findings

Year ended June 30, 2018

Recommendations – Invoices or other supporting documentation should be maintained for all disbursements.

Response – This account has been closed so it will not be a factor in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Colfax

Schedule of Findings

Year ended June 30, 2018

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amount budgeted in the public works function. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public safety and public works 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 – City staff will make every effort to ensure the budget is amended to cover all disbursements and in the required time frame.

Conclusion – Response accepted.

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

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Grinnell Steakhouse*	Food and alcohol	\$ 1,817
Bolton & Hay Inc.*	Popcorn and butter	143
Shugar's*	Unable to determine - disbursement is not supported	471
Shugar's*	Unable to determine - disbursement is not supported	236
Shugar's*	Unable to determine - disbursement is not supported	69
		<u>\$ 2,736</u>

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

According to the opinion, with the exception of alcohol, 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 prohibit the purchase of alcohol and should determine and document the public purpose served by the remaining 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.

City of Colfax

Schedule of Findings

Year ended June 30, 2018

Response – Discussions were held with the Fire Department regarding the purchase of food and alcohol. Discussions were also held regarding the need for receipts from purchases made from Shugars.

Conclusion – Response accepted.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Bryan Poulter, City Council Member City Pool Manager	City Pool Manager, contracted services	\$ 2,499

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with the City Council Member do not appear to represent conflicts of interest since total transactions 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 – No matters were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds – Except as follows, no instances of non-compliance with City’s revenue bond requirements were noted:

The net receipts of the Enterprise, Water Fund were not sufficient to meet the requirements of the revenue bond resolution. The bond provisions require user rates to produce gross receipts sufficient to meet the operational and maintenance expenses of the utility and to produce and maintain net receipts at a level not less than 110% of the amount of principal and interest due on the bond during the fiscal year.

In addition, although monthly transfers were made to the Enterprise, Water Sinking account and the Enterprise, Sewer Sinking account, the transfers were not sufficient to make the bond principal and interest payment as the bonds become due.

Recommendation – The City should review user rates and net receipts in the Enterprise, Water Fund to ensure they are in compliance with bond provisions. In addition, the City should ensure the minimum required transfers are made to the sinking accounts.

City of Colfax

Schedule of Findings

Year ended June 30, 2018

Response – This water revenue bond was paid off in July 2018 so it will not be an issue in the future. The sinking account transfers will be reviewed closer in the future.

Conclusion – Response accepted.

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

However, the amount reported by the City as TIF debt outstanding were understated by \$36,798.

Recommendation – The City should ensure debt amounts reported on the Levy Authority Summary agree with the City's records.

Response – This was corrected on the December 2018 AURR.

Conclusion – Response accepted.

- (10) Colfax Fire Department – During the year ended June 30, 2018, the City of Colfax Fire Department transferred \$890 to the Colfax Fire Fighter's Association.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 states, "No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly."

In addition, a letter of advice from the Iowa Attorney General regarding "Transfer of public funds to private non-profit organization", dated April 22, 2008, states in part, "Past opinions of this office have consistently concluded that a governmental body may not donate public funds to a private entity, even if the entity is established for charitable or educational purposes and performs work which the government could perform directly." The letter also states the proceeds and related income are public funds and must be accounted for, deposited and invested pursuant to Chapter 12B and 12C of the Code of Iowa and the investment policy of the City.

Recommendation – We are not aware of any statutory authority for the City to relinquish its fiduciary responsibility over the public funds to a separate non-profit organization.

The City should consult legal counsel and recover the funds held by the Colfax Fire Fighter's Association.

Response – Staff will contact the City Attorney per the Auditor's recommendation.

Conclusion – Response accepted.

- (11) Separately Maintained Records – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property."

City of Colfax

Schedule of Findings

Year ended June 30, 2018

The City Fire Department maintained a bank account for activity separate from the City Clerk's accounting records. While the Department is part of the City, the transactions and the resulting balances were not included in the City's accounting records and were not included in the City's annual budget, monthly financial reports or Annual Financial Reports.

In addition, the transactions and resulting balances of the account were not reported to the City Council and disbursements from the account were not reviewed and approved by the City Council. Also, a summary of the accounts' receipts, total disbursements and the listings of claims allowed each month were not published in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the Fire Department's separate account should be integrated with the City's accounting records in the City Clerk's office. The financial activity should have been included in the City Clerk's accounting records, monthly financial reports and the Annual Financial Reports. The activity in the account should be subject to City Council review and approval and should be included in the City's budget process. Also, a summary of each account's receipts, total disbursements and listings of claims allowed each month should be published, as required.

Response – This account has been closed.

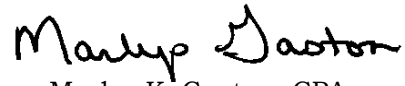
Conclusion – Response accepted.

City of Colfax

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Cole L. Hocker, CPA, Senior Auditor
Taryn M. Plunkett, Assistant Auditor

A handwritten signature in black ink that reads "Marlys K. Gaston". The signature is written in a cursive, flowing style.

Marlys K. Gaston, CPA
Deputy Auditor of State