



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

NEWS RELEASE

FOR RELEASE

June 28, 2019

Contact: Marlys Gaston
515/281-5834

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

The City's receipts totaled \$6,459,325 for the year ended June 30, 2018, a 6.2% increase over the prior year. The receipts included \$1,070,820 of property tax, \$371,403 of tax increment financing, \$539,067 of local option sales tax, \$1,300,359 of charges for service, \$749,080 of operating grants, contributions and restricted interest, \$240,505 of capital grants, contributions and restricted interest, \$2,012,431 of bond proceeds, \$21,696 of unrestricted interest on investments, \$51,703 of other general receipts and \$102,261 of component unit transfers.

Disbursements for the year ended June 30, 2018 totaled \$6,834,721, a 5.0% decrease from the prior year, and included \$1,758,314 for capital projects, \$1,189,544 for public safety and \$1,182,647 for public works. Also, disbursements for business type activities totaled \$704,812.

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 EVANSDALE

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

JUNE 30, 2018

City of Evansdale



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March 6, 2019

Officials of the City of Evansdale, Iowa
Evansdale, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Evansdale, Iowa, for the year ended June 30, 2018. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Evansdale, Iowa throughout the audit. If I or this office can be of any further assistance, please contact me or Marlys Gaston of my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and written in a cursive-like font.

Rob Sand
Auditor of State

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City of Evansdale

Officials

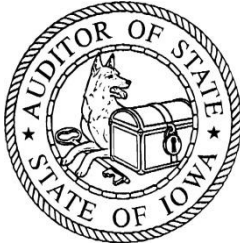
(Before January 2018)

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

(After January 2018)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Doug Faas	Mayor	Jan 2020
Gene Walker	Mayor Pro Tem	Jan 2022
Kenny Loftus	Council Member	Jan 2020
Steven Seible	Council Member	Jan 2020
Lynn Bender	Council Member	Jan 2022
Dick Dewater	Council Member	Jan 2022
DeAnne Kobliska	City Clerk	Jan 2020
Julie Eastman	Deputy Clerk	Indefinite
Laura Folkerts	Attorney	Jan 2020

City of Evansdale



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Evansdale, Iowa, as of and for the year ended June 30, 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 unmodified and qualified audit opinions.

Opinions

Basis for Qualified Opinion on the Governmental Activities and the Aggregate Remaining Fund Information

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

Qualified Opinion

In our opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinion on the Governmental Activities and the Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, the financial position of the governmental activities and the aggregate remaining fund information of the City of Evansdale as of June 30, 2018, and the changes in its cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities, the discretely presented component unit and each major fund of the City of Evansdale 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 Evansdale 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 Evansdale's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2017 (which are not presented herein) and expressed a qualified opinion on the governmental activities and the aggregate remaining fund information due to the omission of the Evansdale Volunteer Fire Department Association from the City's financial statements and unmodified opinions on the financial statements of the business type activities, the discretely presented component unit and each major fund which were prepared on the basis of cash receipts and disbursements. The financial statements for the six years ended June 30, 2014 (which are not presented herein) were audited by another auditor who expressed modified opinions on those financial statements for the two years ended June 30, 2014 and

June 30, 2013 and unmodified opinions for the four years ended June 30, 2012. The financial statements during those six years were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of not including the financial data of the City of Evansdale Volunteer Fire Department Association as described in the “Basis for Qualified Opinion on the Governmental Activities and the Aggregate Remaining Fund Information” paragraph on the preceding page, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management’s Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City’s Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 9 through 14 and 38 through 45, 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 March 6, 2019 on our consideration of the City of Evansdale’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Evansdale’s internal control over financial reporting and compliance.


Marlys K. Gaston, CPA
Deputy Auditor of State

March 6, 2019

City of Evansdale

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Evansdale provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 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 increased 4.7%, or approximately \$245,000, from fiscal year 2017 to fiscal year 2018. Bond proceeds increased approximately \$2,012,000, while capital grants, contributions and restricted interest decreased approximately \$1,488,000 and operating grants, contributions and restricted interest decreased approximately \$78,000.
- Disbursements of the City's governmental activities decreased 4.6%, or approximately \$290,000, from fiscal year 2017 to fiscal year 2018. Capital projects decreased approximately \$1,019,000, while public works increased approximately \$362,000 and general government increased approximately \$122,000.
- The City's total cash basis net position at June 30, 2018 decreased 12.8%, or approximately \$375,000, from the June 30, 2017 balance. Of this amount, the cash basis net position of the governmental activities decreased approximately \$422,000 and the cash basis net position of the business type activities increased approximately \$47,000.

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 as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

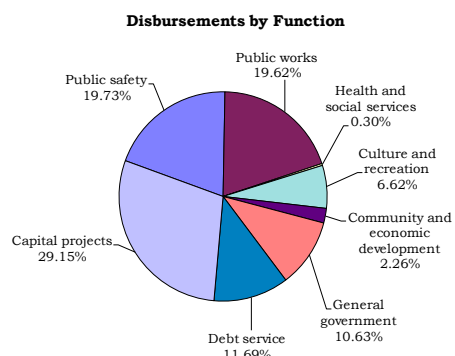
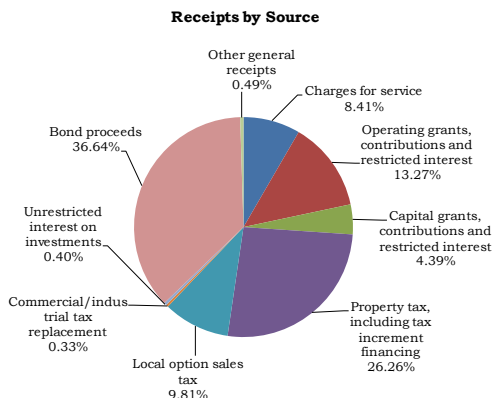
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Sewer, Sanitation/Recycling and Storm Water Funds, considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$2.347 million to approximately \$1.924 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service	\$ 462	442
Operating grants, contributions and restricted interest	729	807
Capital grants, contributions and restricted interest	241	1,729
General receipts:		
Property tax, including tax increment financing	1,442	1,488
Local option sales tax	539	610
Commercial/industrial tax replacement	18	17
Unrestricted interest on investments	22	19
Bond proceeds	2,012	-
Other general receipts	27	135
Total receipts	5,492	5,247
Disbursements:		
Public safety	1,190	1,230
Public works	1,183	821
Health and social services	18	18
Culture and recreation	399	302
Community and economic development	136	27
General government	641	519
Debt service	705	626
Capital projects	1,758	2,777
Total disbursements	6,030	6,320
Change in cash basis net position before transfers	(538)	(1,073)
Transfers, net	115	191
Change in cash basis net position	(423)	(882)
Cash basis net position beginning of year	2,347	3,229
Cash basis net position end of year	\$ 1,924	2,347



The City's total receipts for governmental activities increased 4.7%, or approximately \$245,000. The total cost of all programs and services decreased approximately \$290,000 or 4.6%. The decrease in disbursements was primarily the result of a decrease in capital projects disbursements.

The cost of all governmental activities this year was approximately \$6.030 million compared to approximately \$6.320 million last year. However, as shown in the Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$4.598 million because some of the cost was paid by those directly benefiting from the programs (approximately \$462,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$970,000). 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, decreased in fiscal year 2018 from approximately \$2,978,000 to approximately \$1,432,000.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 552	450
Sanitation/recycling	268	261
Storm water	18	18
Operating grants, contributions and restricted interest	20	28
General receipts:		
Other general receipts	7	9
Total receipts	865	766
Disbursements:		
Sewer	407	591
Sanitation/recycling	270	263
Storm water	28	18
Total disbursements	705	872
Change in cash basis net position before transfers	160	(106)
Transfers, net	(113)	(124)
Change in cash basis net position	47	(230)
Cash basis net position beginning of year	581	811
Cash basis net position end of year	\$ 628	581

Total business type activities receipts for the fiscal year were approximately \$865,000 compared to approximately \$766,000 last year. The significant increase in receipts was due to increased sewer charges. Total disbursements for the fiscal year decreased 19.2% to approximately \$705,000. The significant decrease in disbursements was due to sewer related capital outlay expenses in fiscal year 2017 which were not incurred in fiscal year 2018. The cash balance increased approximately \$47,000 over the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Evansdale completed the year, its governmental funds reported a combined fund balance of \$1,924,492, a decrease of more than \$422,000 from last year's total of \$2,346,847. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$95,553 from the prior year to \$498,832. Receipts decreased approximately \$143,000 from the previous fiscal year, while disbursements increased from \$1,693,331 to \$1,859,090 in fiscal year 2018. General government disbursements increased due to the purchase and demolition of a building and culture and recreation disbursements increased due to construction of Angel's Island bridge during fiscal year 2018.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$292,292 to \$80,775. Disbursements increased from \$635,363 to \$898,473 due to multiple road and trail projects let near the end of fiscal year 2017.
- The Special Revenue, Employee Benefits Fund cash balance increased \$17,280 to \$199,651. Receipts decreased \$80,295, primarily due to the employee benefits tax levy being reduced from the prior year and disbursements increased \$11,559 from the prior year.
- The Special Revenue, Local Option Sales Tax Fund cash balance remained at zero. Local option sales tax receipts decreased \$70,899, or 11.6% from the prior year.
- The Debt Service Fund cash balance decreased \$10,970 to \$60,908. Property tax and transfers in totaled \$694,488 while bond principal and interest payments totaled \$705,458 in fiscal year 2018.
- The Capital Projects Fund cash balance decreased \$62,154 to \$603,160 during the fiscal year. The cash balance decreased from the prior year due to ongoing projects, including reconstruction of River Forest Road.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance increased \$31,669 to \$370,144. Operating receipts increased \$99,623 over the prior year due to a \$5 per month increase per household, while operating disbursements increased \$103,124. Capital outlay expenditures decreased \$287,434 due to no ongoing sewer projects.
- The Enterprise, Sanitation/Recycling Fund cash balance increased \$23,910 to \$215,935. Operating receipts increased \$6,635 over the prior year while operating disbursements increased \$6,945.
- The Enterprise, Storm Water Fund cash balance decreased \$8,620 to \$42,033.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The amendments were approved October 3, 2017 and May 1, 2018 and resulted in an increase in receipts and other financing sources of \$2,109,430 and an increase in disbursements of \$2,612,118. Receipts and other financing sources increased due to anticipated intergovernmental receipts and bond proceeds, while disbursements primarily increased due to ongoing capital projects.

The City's receipts were \$34,454 less than budgeted due to less local option sales tax collections anticipated.

With the budget amendment, total disbursements were \$967,055 less than the amended budget. Actual disbursements for the public works, capital projects and general government functions were \$328,874, \$262,437 and \$122,124, respectively, less than the amended budget.

During the year ended June 30, 2018, the City exceeded the amounts budgeted in the community and economic development and capital projects functions prior to the budget amendments. The City exceeded the amount budgeted for the debt service function after the budget amendments.

DEBT ADMINISTRATION

At June 30, 2018, the City had \$5,269,900 of general obligation bonds outstanding, compared to \$3,850,000 last year. Debt increased as a result of the issuance of two essential corporate purpose bonds 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 of \$5,269,900 is significantly below its constitutional debt limit of approximately \$11.7 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Evansdale's elected and appointed officials and citizens considered many factors when setting the fiscal year 2019 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the County now stands at 2.9% versus 4.0% 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 2019. Amounts available for appropriation in the operating budget are approximately \$5.3 million, a decrease of 4.1% from the final fiscal year 2018 budget. A decrease in proceeds from road construction grants is expected to lead this decrease. Budgeted disbursements are expected to decrease approximately \$2,618,000 from the final fiscal year 2018 budget.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$783,000 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 DeAnne Kobliska, City Clerk, 123 N. Evans Road, Evansdale, Iowa 50707.

Basic Financial Statements

City of Evansdale

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	\$ 1,189,544	255,409	59,859	-
Public works	1,182,647	4,188	622,012	-
Health and social services	18,248	-	-	-
Culture and recreation	398,495	180,330	45,408	-
Community and economic development	136,055	-	-	116,149
General government	641,148	22,232	1,657	-
Debt service	705,458	-	-	-
Capital projects	1,758,314	-	-	124,356
Total governmental activities	6,029,909	462,159	728,936	240,505
Business type activities:				
Sewer	406,892	551,669	-	-
Sanitation/recycling	269,862	268,199	19,038	-
Storm water	28,058	18,332	1,106	-
Total business type activities	704,812	838,200	20,144	-
Total primary government	\$ 6,734,721	1,300,359	749,080	240,505
Component Unit:				
Evansdale Water Works	\$ 503,210	534,684	-	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Bond proceeds, including \$2,431 bond premium				
Miscellaneous				
Sale of capital assets				
Primary government transfers				
Component unit transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Streets				
Debt service				
Capital projects				
Other purposes				
Customer deposits				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Evansdale Water Works
(874,276)	-	(874,276)	
(556,447)	-	(556,447)	
(18,248)	-	(18,248)	
(172,757)	-	(172,757)	
(19,906)	-	(19,906)	
(617,259)	-	(617,259)	
(705,458)	-	(705,458)	
<u>(1,633,958)</u>	<u>-</u>	<u>(1,633,958)</u>	
(4,598,309)	-	(4,598,309)	
-	144,777	144,777	
-	17,375	17,375	
-	(8,620)	(8,620)	
-	153,532	153,532	
<u>(4,598,309)</u>	<u>153,532</u>	<u>(4,444,777)</u>	
			<u>31,474</u>
1,070,720	-	1,070,720	-
100	-	100	-
371,403	-	371,403	-
539,067	-	539,067	-
17,702	-	17,702	-
21,696	-	21,696	4,832
2,012,431	-	2,012,431	-
26,115	6,535	32,650	38,787
1,351	-	1,351	-
113,108	(113,108)	-	-
2,261	-	2,261	(2,261)
<u>4,175,954</u>	<u>(106,573)</u>	<u>4,069,381</u>	<u>41,358</u>
(422,355)	46,959	(375,396)	72,832
<u>2,346,847</u>	<u>581,153</u>	<u>2,928,000</u>	<u>416,339</u>
<u>\$ 1,924,492</u>	<u>628,112</u>	<u>2,552,604</u>	<u>489,171</u>
\$ 80,775	-	80,775	-
129,559	-	129,559	-
603,160	-	603,160	-
612,166	-	612,166	-
-	-	-	100,700
<u>498,832</u>	<u>628,112</u>	<u>1,126,944</u>	<u>388,471</u>
<u>\$ 1,924,492</u>	<u>628,112</u>	<u>2,552,604</u>	<u>489,171</u>

City of Evansdale

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

As of and for the year ended June 30, 2018

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ 857,492	-	143,829	-
Tax increment financing	-	-	-	-
Other city tax	69,399	-	-	539,067
Licenses and permits	51,727	-	-	-
Use of money and property	34,651	-	-	-
Intergovernmental	96,569	606,181	1,697	-
Charges for service	367,072	-	-	-
Special assessments	50	-	-	-
Miscellaneous	77,911	-	1,473	-
Total receipts	1,554,871	606,181	146,999	539,067
Disbursements:				
Operating:				
Public safety	919,211	-	270,333	-
Public works	-	898,473	-	-
Health and social services	18,248	-	-	-
Culture and recreation	387,829	-	10,666	-
Community and economic development	4,783	-	-	-
General government	529,019	-	64,648	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	1,859,090	898,473	345,647	-
Excess (deficiency) of receipts over (under) disbursements	(304,219)	(292,292)	(198,648)	539,067
Other financing sources (uses):				
Sale of capital assets	1,351	-	-	-
Proceeds from debt	507,501	-	-	-
Transfers in	107,814	-	215,928	-
Transfers out	(408,000)	-	-	(539,067)
Component unit transfers in	-	-	-	-
Component unit transfers out	-	-	-	-
Total other financing sources (uses)	208,666	-	215,928	(539,067)
Change in cash balances	(95,553)	(292,292)	17,280	-
Cash balances beginning of year	594,385	373,067	182,371	-
Cash balances end of year	\$ 498,832	80,775	199,651	-
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	80,775	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	199,651	-
Assigned for various purposes	52,542	-	-	-
Unassigned	446,290	-	-	-
Total cash basis fund balances	\$ 498,832	80,775	199,651	-

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
100	-	-	1,001,421
-	-	371,403	371,403
-	-	-	608,466
-	-	-	51,727
-	-	1,350	36,001
-	131,338	116,149	951,934
-	-	-	367,072
-	1,566	-	1,616
-	9,379	-	88,763
100	142,283	488,902	3,478,403
-	-	-	1,189,544
-	284,174	-	1,182,647
-	-	-	18,248
-	-	-	398,495
-	-	131,272	136,055
-	-	47,481	641,148
705,458	-	-	705,458
-	1,758,314	-	1,758,314
705,458	2,042,488	178,753	6,029,909
(705,358)	(1,900,205)	310,149	(2,551,506)
-	-	-	1,351
-	1,504,930	-	2,012,431
592,127	519,533	215,792	1,651,194
-	(86,412)	(504,607)	(1,538,086)
102,261	-	-	102,261
-	(100,000)	-	(100,000)
694,388	1,838,051	(288,815)	2,129,151
(10,970)	(62,154)	21,334	(422,355)
71,878	665,314	459,832	2,346,847
60,908	603,160	481,166	1,924,492
-	-	-	80,775
60,908	-	68,651	129,559
-	603,160	-	603,160
-	-	412,515	612,166
-	-	-	52,542
-	-	-	446,290
60,908	603,160	481,166	1,924,492

Exhibit C

City of Evansdale

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

As of and for the year ended June 30, 2018

	Enterprise			Total
	Sewer	Sanitation/ Recycling	Storm Water	
Operating receipts:				
Charges for service	\$ 551,669	268,199	18,332	838,200
Miscellaneous	-	6,535	-	6,535
Total operating receipts	551,669	274,734	18,332	844,735
Operating disbursements:				
Business type activities	393,015	269,862	28,058	690,935
Excess (deficiency) of operating receipts over (under) operating disbursements	158,654	4,872	(9,726)	153,800
Non-operating receipts (disbursements):				
Intergovernmental	-	19,038	1,106	20,144
Capital outlay	(13,877)	-	-	(13,877)
Total non-operating receipts (disbursements)	(13,877)	19,038	1,106	6,267
Excess (deficiency) of receipts over (under) disbursements	144,777	23,910	(8,620)	160,067
Transfers out	(113,108)	-	-	(113,108)
Change in cash balances	31,669	23,910	(8,620)	46,959
Cash balances beginning of year	338,475	192,025	50,653	581,153
Cash balances end of year	\$ 370,144	215,935	42,033	628,112
Cash Basis Fund Balances				
Unrestricted	\$ 370,144	215,935	42,033	628,112

See notes to financial statements.

City of Evansdale

Notes to Financial Statements

June 30, 2018

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Discretely Presented Component Unit

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

Excluded Blended Component Unit

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

Jointly Governed Organizations

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

B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental 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:

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

During the year ended June 20, 2018, disbursements in the community and economic development and capital projects functions exceeded the budget prior to the budget amendment. The City also exceeded the amount budgeted in the debt service function after the budget amendments.

(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 no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Bonds Payable

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2019	\$ 800,000	113,208
2020	830,000	99,443
2021	745,000	83,460
2022	650,000	69,315
2023	525,000	55,278
2024-2028	1,719,900	121,588
Total	\$ 5,269,900	542,290

On September 16, 2010, the City issued \$710,000 of general obligation corporate purpose bonds to provide funds for an economic development grant, constructing street improvements and acquiring vehicles for the municipal streets and public works departments. The bonds bear interest ranging from 1.00% to 2.90% per annum and mature on June 1, 2020. During fiscal year 2018, the City paid principal of \$85,000 and interest of \$7,073 on the bonds. The outstanding principal balance at June 30, 2018 was \$175,000.

On January 3, 2012 the City issued \$310,000 of general obligation corporate purpose bonds to provide funds for constructing water system improvements, acquiring water meter reading equipment, acquiring a utility vehicle and acquiring an ambulance and equipment for the fire department. The bonds bear interest ranging from 1.00% to 2.20% per annum and mature on June 1, 2021. During fiscal year 2018, the City paid principal of \$35,000 and interest of \$3,090 on the bonds. The outstanding principal balance at June 30, 2018 was \$115,000.

On July 2, 2013, the City issued \$1,730,000 of general obligation refunding bonds to currently refund the outstanding balance of the City's 2002 general obligation sewer improvement notes. The bonds bear interest at 1.00% to 2.15% per annum and mature on June 1, 2022. During fiscal year 2018, the City paid principal of \$195,000 and interest of \$15,842 on the bonds. The outstanding principal balance at June 30, 2018 was \$745,000.

On May 5, 2015, the City issued \$2,200,000 of general obligation corporate purpose and refunding bonds to provide funds for constructing street, water system, water tower, sanitary sewer system, sidewalk and storm water drainage extensions and improvements, to provide funds for constructing bike trail improvements and to currently refund the outstanding balance of the City's 2007 general obligation economic development bonds. The bonds bear interest at 2.00% to 3.00% per annum and mature on June 1, 2028. During fiscal year 2018, the City paid principal of \$170,000 and interest of \$47,263 on the bonds. The outstanding principal balance at June 30, 2018 was \$1,755,000.

On June 28, 2016, the City issued \$575,000 of general obligation corporate purpose bonds to provide funds for the purchase of a jet truck and a street sweeper for use by the public works department and for constructing improvements and extensions to the Water Works' utility system. The bonds bear interest at 0.90% to 1.55% per annum and mature on June 1, 2023. During fiscal year 2018, the City paid principal of \$95,000 and interest of \$7,107 on the bonds. The outstanding principal balance at June 30, 2018 was \$480,000.

On August 29, 2017, the City issued \$1,500,000 of general obligation corporate purpose bonds to provide funds to pay the costs of constructing street and sanitary sewer system improvements, water system improvements and storm water draining improvements. The bonds bear interest at 1.20% to 2.50% per annum and mature on June 1, 2029. During fiscal year 2018, the City paid principal of \$10,100 and interest of \$23,041 on the bonds. The outstanding principal balance at June 30, 2018 was \$1,489,900.

On August 29, 2017 the City issued \$510,000 of taxable general obligation corporate purpose bonds to provide funds for undertaking the acquisition, demolition and restoration of abandoned, dilapidated and dangerous buildings and properties. The bonds bear interest at 1.90% to 2.80% per annum and mature on June 1, 2025. During fiscal year 2018, the City paid interest of \$8,942 on the bonds. The outstanding principal balance at June 30, 2018 was \$510,000.

(4) Pension Plans

Iowa Public Employees Retirement System

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 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 of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2018 totaled \$52,369.

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 \$435,425 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 0.006534%, which was a decrease of 0.001062% 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 \$66,915, \$182,009 and \$102,460, 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.

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 an 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	\$ 760,463	435,425	162,377

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

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

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

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

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

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

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4 or 5 year DROP period. When electing to participate in DROP, the member signs a contract stating the member will retire at the end of the selected DROP period. During the DROP period, the member's retirement benefit is frozen and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to

52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

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

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

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

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

Contributions – Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2018.

Employer contribution rates are based upon an actuarially determined normal contribution rate and are set by State statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by State statute to be the actuarial liabilities of the plan less current plan assets, with the total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and State appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 27.68% for the year ended June 30, 2018.

The City's contributions to MFPRSI for the year ended June 30, 2018 totaled \$90,632.

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

There were no state appropriations to MFPRSI for the year ended June 30, 2018.

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 \$706,562 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 MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2017, the City’s proportion was 0.120476%, which was a decrease of 0.002512% 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 \$107,491, \$258,059 and \$150,406 respectively.

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:

Rate of inflation	3.00%.
Salary increases	4.50 to 15.00%, including inflation.
Investment rate of return	7.50%, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2002 to June 30, 2012.

Postretirement mortality rates were based on the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with five years projection of future mortality improvement with Scale BB.

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

Asset Class	Long-Term Expected Real Rate of Return
Large cap	5.5%
Small cap	5.8
International large cap	7.3
Emerging markets	9.0
Emerging markets debt	6.3
Private non-core real estate	8.0
Master limited partnerships	9.0
Private equity	9.0
Core plus fixed income	3.3
Private core real estate	6.0
Tactical asset allocation	6.4

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed contributions will be made at 9.40% of covered payroll and the City’s contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the MFPRSI’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on MFPRSI’s investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 1,161,192	706,562	328,426

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

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan, which includes employees of the Evansdale Water Works and 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 a fully-insured plan through Wellmark. The most recent active member monthly premiums for the City and the plan members range from \$537 for single coverage to \$1,648 for family coverage. For the year ended June 30, 2018, the City contributed \$151,259 and plan members eligible for benefits contributed \$15,400 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, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2018, the City has 16 active and no inactive employees or beneficiaries currently receiving benefit payments.

(6) Compensated Absences

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

Type of Benefit	Amount
Vacation	\$ 44,000
Compensatory time	18,000
Sick leave	86,000
Total	<u>\$ 148,000</u>

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

(7) Interfund Loans

During the year ended June 30, 2016, the Special Revenue Fund, Home Acres Tax Increment Financing District account within the Special Revenue, Tax Increment Financing Fund advanced/loaned \$30,676 to the New Housing Tax Increment Financing District account, also within the Special Revenue, Tax Increment Financing Fund, for the purpose of making interest payments on District debt during fiscal years 2016 through 2019. As of June 30, 2018, no repayments had been made.

During the year ended June 30, 2016, the Home Acres Tax Increment Financing District account within the Special Revenue, Tax Increment Financing Fund advanced/loaned \$8,924 to the Special Revenue Fund, Northwest Tax Increment Financing District account, also within the Special Revenue, Tax Increment Financing Fund, for the purpose of making principal and interest payments on District debt during fiscal year 2019. As of June 30, 2018, no repayments had been made.

During the year ended June 30, 2018, the General Fund advanced/loaned \$158,000 to the Special Revenue Fund, CDBG Rehab Program for the purpose of making payments to contractors for capital projects.

(8) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 107,814
Special Revenue: Employee Benefits	Special Revenue: Police Retirement	100,000
Employee Benefits	Local Option Sales Tax	115,928
		<u>215,928</u>
Special Revenue: Tort Liability	Special Revenue: Local Option Sales Tax	45,792
Special Revenue: CDBG Rehab Program	General	158,000
	Special Revenue: Tax Increment Financing	12,000
		<u>170,000</u>
Capital Projects	General	250,000
	Special Revenue: Local Option Sales Tax	269,533
		<u>519,533</u>
Debt Service	Special Revenue: Tax Increment Financing	392,607
	Capital Projects	86,412
	Enterprise: Sewer	113,108
		<u>592,127</u>
Total		<u>\$ 1,651,194</u>

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

(9) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 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 \$62,857.

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

(10) Industrial Development Revenue Bonds

The City has issued a total of \$12,910,051 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$12,057,997 is outstanding at June 30, 2018. The bonds and related interest are payable solely from the revenues generated by these entities, and the bond principal and interest do not constitute liabilities of the City.

(11) Rebate Agreement

The City has entered into a rebate agreement with Ted's Home Hardware for improvements to the hardware store. In accordance with the economic development plan, improvements to existing commercial structures are eligible for property tax abatement if the increase in assessed value of the property exceeds \$25,000 and the assessed valuation of the improved property exceeds 20%. The extent of the improvements will determine the abatement percentage and the number of years the abatement percentage will be applicable, as determined by the City Council. The City agreed to rebate incremental property tax paid by the developer in exchange for improvements made to the commercial structure of the hardware store. During the year ended June 30, 2018, the City rebated \$1,090 of incremental property tax to the developer.

(12) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax 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 to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2018, the City abated \$1,090 of property tax under the urban renewal and economic development agreements.

Other Information

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

Other Information

Year ended June 30, 2018

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 1,001,421	-	1,001,421
Tax increment financing	371,403	-	371,403
Other city tax	608,466	-	608,466
Licenses and permits	51,727	-	51,727
Use of money and property	36,001	-	36,001
Intergovernmental	951,934	20,144	972,078
Charges for service	367,072	838,200	1,205,272
Special assessments	1,616	-	1,616
Miscellaneous	88,763	6,535	95,298
Total receipts	<u>3,478,403</u>	<u>864,879</u>	<u>4,343,282</u>
Disbursements:			
Public safety	1,189,544	-	1,189,544
Public works	1,182,647	-	1,182,647
Health and social services	18,248	-	18,248
Culture and recreation	398,495	-	398,495
Community and economic development	136,055	-	136,055
General government	641,148	-	641,148
Debt service	705,458	-	705,458
Capital projects	1,758,314	-	1,758,314
Business type activities	-	704,812	704,812
Total disbursements	<u>6,029,909</u>	<u>704,812</u>	<u>6,734,721</u>
(Deficiency) of receipts (under) disbursements	(2,551,506)	160,067	(2,391,439)
Other financing sources, net	<u>2,129,151</u>	<u>(113,108)</u>	<u>2,016,043</u>
(Deficiency) of receipts and other financing sources (under) disbursements and other financing uses	(422,355)	46,959	(375,396)
Balances beginning of year	<u>2,346,847</u>	<u>581,153</u>	<u>2,928,000</u>
Balances end of year	<u>\$ 1,924,492</u>	<u>628,112</u>	<u>2,552,604</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
980,786	992,724	8,697
371,277	371,277	126
641,943	641,943	(33,477)
60,075	60,075	(8,348)
30,098	30,098	5,903
793,883	939,376	32,702
1,273,596	1,273,596	(68,324)
1,000	1,000	616
28,079	67,647	27,651
4,180,737	4,377,736	(34,454)
1,248,265	1,296,903	107,359
1,331,521	1,511,521	328,874
18,371	18,371	123
363,033	483,833	85,338
103,603	164,694	28,639
407,799	763,272	122,124
662,877	705,360	(98)
311,394	2,020,752	262,438
642,795	737,070	32,258
5,089,658	7,701,776	967,055
(908,921)	(3,324,040)	(1,001,509)
-	1,912,431	103,612
(908,921)	(1,411,609)	1,036,213
3,868,185	3,868,185	(940,185)
2,959,264	2,456,576	96,028

City of Evansdale

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 discretely presented component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$2,612,118. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2018, disbursements in the community and economic development and capital projects functions exceeded the budget prior to the budget amendments. The City also exceeded the amount budgeted after the budget amendments in the debt service function.

City of Evansdale

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

For the Last Four Years*
(In Thousands)

Other Information

Iowa Public Employees' Retirement System

	2018	2017	2016**	2015
City's proportion of the net pension liability	0.006534%	0.007596%	0.006674%	0.008365%
City's proportionate share of the net pension liability	\$ 435	478	330	332
City's covered payroll	\$ 562	544	658	652
City's proportionate share of the net pension liability as a percentage of its covered payroll	77.40%	87.87%	50.15%	50.92%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

Municipal Fire and Police Retirement System of Iowa

	2018	2017	2016	2015
City's proportion of the net pension liability	0.120476%	0.122988%	0.105935%	0.103266%
City's proportionate share of the net pension liability	\$ 707	769	498	374
City's covered payroll	\$ 341	333	278	263
City's proportionate share of the net pension liability as a percentage of its covered payroll	207.33%	230.93%	179.14%	142.21%
Plan fiduciary net position as a percentage of the total pension liability	80.60%	78.20%	83.04%	86.27%

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

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

See accompanying independent auditor's report.

City of Evansdale
Schedule of City Contributions

For the Last Ten Years
(In Thousands)

Other Information

Iowa Public Employees' Retirement System

	2018	2017	2016**	2015
Statutorily required contribution	\$ 52,369	50,873	49,105	59,761
Contributions in relation to the statutorily required contribution	(52,369)	(50,873)	(49,105)	(59,761)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 578,154	561,708	544,231	658,484
Contributions as a percentage of covered payroll	9.06%	9.06%	9.02%	9.08%

Municipal Fire and Police Retirement System of Iowa

	2018	2017	2016	2015
Statutorily required contribution	\$ 90,632	88,443	92,554	84,482
Contributions in relation to the statutorily required contribution	(90,632)	(88,443)	(92,554)	(84,482)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 352,928	341,213	333,288	277,810
Contributions as a percentage of covered payroll	25.68%	25.92%	27.77%	30.41%

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

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
59,199	56,199	52,992	41,863	40,461	36,271
(59,199)	(56,199)	(52,992)	(41,863)	(40,461)	(36,271)
-	-	-	-	-	-
652,292	634,630	639,837	577,939	585,773	552,120
9.08%	8.86%	8.28%	7.24%	6.91%	6.57%

2014	2013	2012	2011	2010	2009
79,430	66,964	69,862	60,077	56,340	53,260
(79,430)	(66,964)	(69,862)	(60,077)	(56,340)	(53,260)
-	-	-	-	-	-
263,713	256,371	282,157	301,894	331,412	284,053
30.12%	26.12%	24.76%	19.90%	17.00%	18.75%

City of Evansdale

Notes to Other Information – Pension Liability

Year ended June 30, 2018

Iowa Public Employees' Retirement System

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

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, 2015. 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.

Municipal Fire and Police Retirement System of Iowa

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

The 2017 valuation added five years projection of future mortality improvement with Scale BB.

The 2016 valuation changed postretirement mortality rates to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvement.

The 2015 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

The 2014 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

City of Evansdale

Supplementary Information

City of Evansdale

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

As of and for the year ended June 30, 2018

				Special
	Tax Increment Financing	Dental Insurance	Tort Liability	
Receipts:				
Tax increment financing	\$ 371,403	-	-	
Use of money and property	1,350	-	-	
Intergovernmental	-	-	-	
Total receipts	372,753	-	-	
Disbursements:				
Operating:				
Community and economic development	1,090	-	-	
General government	-	-	47,481	
Total disbursements	1,090	-	47,481	
Excess (deficiency) of receipts over (under) disbursements	371,663	-	(47,481)	
Other financing sources (uses):				
Transfers in	-	-	45,792	
Transfers out	(404,607)	-	-	
Total transfers in (out)	(404,607)	-	45,792	
Change in cash balances	(32,944)	-	(1,689)	
Cash balances beginning of year	101,595	81	3,564	
Cash balances end of year	\$ 68,651	81	1,875	
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 68,651	-	-	
Other purposes	-	81	1,875	
Total cash basis fund balances	\$ 68,651	81	1,875	

See accompanying independent auditor's report

<u>Revenue</u>				
<u>Property</u>				
<u>Tax</u>				
<u>Relief</u>	<u>Police</u>	<u>CDBG Rehab</u>		
<u>Surplus</u>	<u>Retirement</u>	<u>Program</u>		<u>Total</u>
-	-	-		371,403
-	-	-		1,350
-	-	116,149		116,149
-	-	116,149		488,902
-	-	130,182		131,272
-	-	-		47,481
-	-	130,182		178,753
-	-	(14,033)		310,149
-	-	170,000		215,792
-	(100,000)	-		(504,607)
-	(100,000)	170,000		(288,815)
-	(100,000)	155,967		21,334
56,114	300,000	(1,522)		459,832
56,114	200,000	154,445		481,166
-	-	-		68,651
56,114	200,000	154,445		412,515
56,114	200,000	154,445		481,166

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Essential corporate purpose	Sep 16, 2010	1.00-2.90%	\$ 710,000
Essential corporate purpose	Jan 3, 2012	1.00-2.20	310,000
Essential corporate purpose	Jul 2, 2013	1.00-2.15	1,730,000
Essential corporate purpose	May 5, 2015	2.00-3.00	2,200,000
Essential corporate purpose	Jun 28, 2016	0.90-1.55	575,000
Essential corporate purpose	Aug 29, 2017	1.20-2.50	1,500,000
Essential corporate purpose	Aug 29, 2017	1.90-2.80	510,000
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
260,000	-	85,000	175,000	7,073
150,000	-	35,000	115,000	3,090
940,000	-	195,000	745,000	15,842
1,925,000	-	170,000	1,755,000	47,263
575,000	-	95,000	480,000	7,107
-	1,500,000	10,100	1,489,900	23,041
-	510,000	-	510,000	8,942
\$ 3,850,000	2,010,000	590,100	5,269,900	112,358

City of Evansdale

Bond Maturities

June 30, 2018

Year Ending June 30,	General Obligation						
	Essential Corporate Purpose		Essential Corporate Purpose		Essential Corporate Purpose		
	Issued Sept 16, 2010		Issued Jan 3, 2012		Issued Jul 2, 2013		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2019	2.75%	\$ 85,000	2.20%	\$ 35,000	1.50%	\$ 195,000	
2020	2.90	90,000	2.20	40,000	1.70	210,000	
2021		-	2.20	40,000	1.95	200,000	
2022		-		-	2.15	140,000	
2023		-		-		-	
2024		-		-		-	
2025		-		-		-	
2026		-		-		-	
2027		-		-		-	
2028		-		-		-	
2029		-		-		-	
Total		<u>\$ 175,000</u>		<u>\$ 115,000</u>		<u>\$ 745,000</u>	

See accompanying independent auditor's report.

Bonds									
Essential Corporate Purpose		Essential Corporate Purpose		Essential Corporate Purpose		Essential Corporate Purpose			
Issued May 5, 2015		Issued Jun 28, 2016		Issued Aug 29, 2017		Issued Aug 29, 2017			
Interest		Interest		Interest		Interest			
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Total	
2.00%	\$ 200,000	1.05%	\$ 95,000	1.20%	\$ 125,000	1.90%	\$ 65,000	800,000	
2.00	200,000	1.15	95,000	2.00	125,000	1.90	70,000	830,000	
2.00	210,000	1.30	95,000	2.00	130,000	1.90	70,000	745,000	
2.50	210,000	1.45	95,000	2.00	130,000	2.40	75,000	650,000	
2.50	215,000	1.55	100,000	2.00	135,000	2.40	75,000	525,000	
2.75	225,000		-	2.00	135,000	2.80	75,000	435,000	
3.00	225,000		-	2.00	140,000	2.80	80,000	445,000	
3.00	200,000		-	2.05	140,000		-	340,000	
3.00	35,000		-	2.20	145,000		-	180,000	
3.00	35,000		-	2.35	140,000		-	175,000	
	-		-	2.50	144,900		-	144,900	
	<u>\$ 1,755,000</u>		<u>\$ 480,000</u>		<u>\$ 1,489,900</u>		<u>\$ 510,000</u>	<u>5,269,900</u>	

City of Evansdale

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

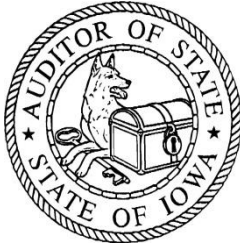
For the Last Ten Years

	2018	2017	2016	2015
Receipts:				
Property tax	\$ 1,001,421	906,943	882,178	867,615
Tax increment financing	371,403	507,973	236,021	228,966
Other city tax	608,466	682,918	612,938	612,976
Licenses and permits	51,727	62,357	52,000	65,507
Use of money and property	36,001	32,894	37,789	29,015
Intergovernmental	951,934	2,523,755	745,551	574,125
Charges for service	367,072	341,178	267,039	280,943
Special assessments	1,616	245	261	2,602
Miscellaneous	88,763	138,409	131,091	101,484
Total	\$ 3,478,403	5,196,672	2,964,868	2,763,233
Disbursements:				
Operating:				
Public safety	\$ 1,189,544	1,229,513	1,107,970	1,046,834
Public works	1,182,647	821,050	814,385	652,722
Health and social services	18,248	18,049	17,183	17,133
Culture and recreation	398,495	301,618	228,203	239,664
Community and economic development	136,055	27,653	26,022	31,598
General government	641,148	518,991	317,752	337,484
Debt service	705,458	625,872	468,188	682,115
Capital projects	1,758,314	2,777,114	876,337	8,512
Total	\$ 6,029,909	6,319,860	3,856,040	3,016,062

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
779,245	832,750	707,966	658,967	722,822	654,598
252,905	316,678	432,122	527,155	357,693	330,353
654,613	593,966	648,463	596,158	574,534	604,838
54,907	55,603	45,854	50,114	53,730	42,231
27,648	31,604	32,988	26,345	43,373	30,414
676,683	599,223	923,676	1,470,318	1,203,268	912,046
265,205	283,424	283,594	261,967	236,937	239,148
2,673	9,111	1,922	-	-	-
85,383	96,225	241,253	405,803	284,497	291,731
<u>2,799,262</u>	<u>2,818,584</u>	<u>3,317,838</u>	<u>3,996,827</u>	<u>3,476,854</u>	<u>3,105,359</u>
1,047,850	1,006,111	1,008,844	1,162,243	974,691	927,839
898,838	655,573	594,387	1,602,296	605,309	478,549
16,787	15,705	-	20,256	19,519	19,053
229,918	272,425	318,416	235,863	185,530	432,144
2,500	4,632	217,338	773,567	555,335	103,335
347,148	304,788	325,253	430,371	453,568	909,356
2,489,309	844,973	608,018	539,111	537,626	1,355,659
-	-	-	-	-	-
<u>5,032,350</u>	<u>3,104,207</u>	<u>3,072,256</u>	<u>4,763,707</u>	<u>3,331,578</u>	<u>4,225,935</u>

City of Evansdale



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Evansdale, 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 March 6, 2019. Our report expressed a qualified opinion on the aggregate remaining fund information due to the omission of the Evansdale Volunteer Fire Department Association. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, the discretely presented component unit and each major fund of the City of Evansdale which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 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.

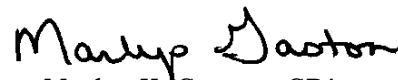
The City of Evansdale's Responses to the Findings

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

Purpose of this Report

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

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



Marlys K. Gaston, CPA
Deputy Auditor of State

March 6, 2019

City of Evansdale

Schedule of Findings

Year ended June 30, 2018

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Evansdale Friends of the Library

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 individual. This segregation of duties helps prevent losses from error or dishonesty and maximizes the accuracy of the City’s financial statements.

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

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

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

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

Response – The City will continue to encourage the Board to form a sub-committee to achieve segregation of duties.

Conclusion – Response accepted.

(B) Friends of the Evansdale Park/Recreation

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 individual. This segregation of duties helps prevent losses from error or dishonesty and maximizes the accuracy of the City’s financial statements.

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

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

City of Evansdale

Schedule of Findings

Year ended June 30, 2018

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

Recommendation – The Friends of the Evansdale Parks/Recreation should segregate accounting duties to the extent possible.

Response – The Friends of the Evansdale Parks/Recreation closed their accounts effective fiscal year 2019.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Evansdale

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 amounts budgeted in the community and economic development and capital projects functions prior to the budget amendments. Disbursements at June 30, 2018 exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – We will strive for compliance by amending the budget before disbursements exceed the amount budgeted.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Separately Maintained Records – 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.”

The Evansdale Friends of the Library and Friends of the Evansdale Parks/Recreation maintain bank accounts for activity separate from the City Clerk’s accounting records. While these Departments are 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.

City of Evansdale

Schedule of Findings

Year ended June 30, 2018

In addition, the transactions and resulting balances of these accounts were not reported to the City Council and disbursements from the accounts were not reviewed and approved by the City Council. Also, a summary of each account's 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 Evansdale Friends of the Library and Friends of the Evansdale Parks/Recreation separate accounts should be integrated with the City's accounting records in the City Clerk's office. The financial activity should be included in the City Clerk's accounting records, monthly financial reports and the Annual Financial Reports. The activity in these accounts 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 – We will encourage the Evansdale Friends of the Library to report revenues and expenses to the City annually. The Friends of the Evansdale Parks/Recreation closed their accounts effective fiscal year 2019.

Conclusion – Response acknowledged. The Evansdale Friends of the Library should report its' financial activity and balances to the City Council on a monthly basis.

- (9) Annual Urban Renewal Report – The Annual Urban Renewal Report 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 was overstated by \$577,575.

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

Response – An error was made when reporting the interest balance for Home Acres. The City will verify accuracy of TIF balances on each TIF Fund before submitting report.

Conclusion – Response accepted.

- (10) Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

During the year ended June 30, 2018, the City transferred \$12,000 from the Special Revenue, Tax Increment Financing Fund (TIF Fund) to the Special Revenue, CDBG Rehab Program Fund (CDBG Rehab Fund); however, the City was unable to provide supporting documentation of the formal approval of the TIF debt (i.e., internal loan) by the City Council and the City did not properly certify these costs to the County Auditor as a TIF obligation.

City of Evansdale

Schedule of Findings

Year ended June 30, 2018

Recommendation – The City should reimburse the TIF Fund for amounts transferred from the TIF Fund to the CDBG Rehab Fund in the past and current year. If the disbursements from the CDBG Rehab Fund are for a qualified TIF project, the City should approve an advance/internal loan from the CDBG Rehab Fund to the TIF Fund. The advance/internal loan should be certified to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the CDBG Fund to repay the advance.

Response - The City will formally approve an advance from the CDBG Rehab Fund to the TIF Fund. The costs will also be certified to the County Auditor as a TIF obligation and the TIF receipts will be used to repay the CDBG Rehab Fund.

Conclusion – Response accepted.

City of Evansdale

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Tammy A. Hollingsworth, CIA, Manager
Kelly L. Hilton, Senior Auditor
Jason J. Miller, Staff Auditor
Drew H. Carter, Assistant Auditor
Steven D. Rater, Assistant Auditor