



**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 2, 2020

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$4,661,426 for the year ended June 30, 2019, a 27.8% decrease from the prior year. Disbursements for the year ended June 30, 2019 totaled \$4,595,015, a 32.8% decrease from the prior year. The significant decrease in receipts and disbursements is due primarily to bond proceeds received in the prior year and spent on various capital improvement projects.

AUDIT FINDINGS:

Sand reported five findings related to the receipt and disbursement of taxpayer funds. They are found on pages 54 through 59 of this report. The findings address issues such as a lack of segregation of duties for Evansdale Friends of the Library separately maintained account, separately maintained records, and non-compliance with the Iowa Constitution with regard to donations to private, non-profit organizations. Sand provided the City with recommendations to address each of the findings.

Two of the findings discussed above are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

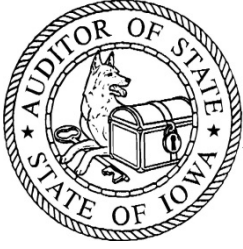
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CITY OF EVANSDALE

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

JUNE 30, 2019

City of Evansdale



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Des Moines, Iowa 50319-0006

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

May 19, 2020

Officials of the City of Evansdale
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, 2019. 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 throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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City of Evansdale

Officials

<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, 2019, 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 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, 2019, 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, 2019, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

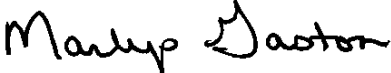
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Evansdale's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2018 (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 five 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 three years ended June 30, 2012. The financial statements during those five 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, 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 34 through 41, 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 May 19, 2020 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

May 19, 2020

City of Evansdale

Basic Financial Statements

City of Evansdale

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government				
Governmental activities:				
Public safety	\$ 1,228,496	293,214	39,547	-
Public works	787,547	1,516	613,761	-
Health and social services	18,556	-	-	-
Culture and recreation	315,416	137,204	52,789	77,750
Community and economic development	9,857	-	-	2,310
General government	419,896	24,081	6,872	-
Debt service	916,908	-	-	-
Capital projects	48,761	-	-	38,642
Total governmental activities	3,745,437	456,015	712,969	118,702
Business type activities:				
Sewer	560,848	556,680	-	-
Sanitation/recycling	265,275	269,843	19,004	-
Storm water	23,455	24,448	-	-
Total business type activities	849,578	850,971	19,004	-
Total primary government	\$ 4,595,015	1,306,986	731,973	118,702
Component Unit:				
Evansdale Water Works	\$ 531,057	526,539	-	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
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			
Governmental Activities	Business Type Activities	Total	Component Unit Evansdale Water Works
(895,735)	-	(895,735)	
(172,270)	-	(172,270)	
(18,556)	-	(18,556)	
(47,673)	-	(47,673)	
(7,547)	-	(7,547)	
(388,943)	-	(388,943)	
(916,908)	-	(916,908)	
(10,119)	-	(10,119)	
<u>(2,457,751)</u>	<u>-</u>	<u>(2,457,751)</u>	
-	(4,168)	(4,168)	
-	23,572	23,572	
-	993	993	
<u>-</u>	<u>20,397</u>	<u>20,397</u>	
<u>(2,457,751)</u>	<u>20,397</u>	<u>(2,437,354)</u>	
			<u>4,518</u>
1,068,461	-	1,068,461	-
589,865	-	589,865	-
591,250	-	591,250	-
21,639	-	21,639	-
26,802	-	26,802	6,079
16,497	7,779	24,276	41,376
80,000	-	80,000	-
111,795	(111,795)	-	-
101,472	-	101,472	(101,472)
<u>2,607,781</u>	<u>(104,016)</u>	<u>2,503,765</u>	<u>(54,017)</u>
150,030	(83,619)	66,411	(58,535)
<u>1,924,492</u>	<u>628,112</u>	<u>2,552,604</u>	<u>489,171</u>
<u>\$ 2,074,522</u>	<u>544,493</u>	<u>2,619,015</u>	<u>430,636</u>
89,916	-	89,916	-
100,545	-	100,545	-
627,481	-	627,481	2,238
340,995	-	340,995	-
-	-	-	102,448
<u>915,585</u>	<u>544,493</u>	<u>1,460,078</u>	<u>325,950</u>
<u>\$ 2,074,522</u>	<u>544,493</u>	<u>2,619,015</u>	<u>430,636</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, 2019

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ 799,582	-	197,813	-
Tax increment financing	-	-	-	-
Other city tax	71,066	-	-	591,250
Licenses and permits	57,290	-	-	-
Use of money and property	38,887	-	-	-
Intergovernmental	156,592	613,761	4,309	-
Charges for service	354,775	-	-	-
Special assessments	55	-	-	-
Miscellaneous	69,041	-	5,136	-
Total receipts	<u>1,547,288</u>	<u>613,761</u>	<u>207,258</u>	<u>591,250</u>
Disbursements:				
Operating:				
Public safety	923,577	-	304,919	-
Public works	-	604,620	-	-
Health and social services	18,556	-	-	-
Culture and recreation	302,231	-	13,185	-
Community and economic development	7,619	-	-	-
General government	290,433	-	78,781	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>1,542,416</u>	<u>604,620</u>	<u>396,885</u>	<u>-</u>
Excess of receipts over disbursements	4,872	9,141	(189,627)	591,250
Other financing sources (uses):				
Sale of capital assets	80,000	-	-	-
Transfers in	331,881	-	130,890	-
Transfers out	-	-	-	(591,250)
Component unit transfers in	-	-	-	-
Total other financing sources (uses)	<u>411,881</u>	<u>-</u>	<u>130,890</u>	<u>(591,250)</u>
Change in cash balances	416,753	9,141	(58,737)	-
Cash balances beginning of year	498,832	80,775	199,651	-
Cash balances end of year	<u>\$ 915,585</u>	<u>89,916</u>	<u>140,914</u>	<u>-</u>
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	89,916	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	140,914	-
Assigned for various purposes	144,381	-	-	-
Unassigned	771,204	-	-	-
Total cash basis fund balances	<u>\$ 915,585</u>	<u>89,916</u>	<u>140,914</u>	<u>-</u>

See notes to financial statements.

Tax-Increment Financing	Debt Service	Capital Projects	Nonmajor	Total
-	-	-	-	997,395
589,865	-	-	-	589,865
-	-	-	-	662,316
-	-	-	-	57,290
2,230	-	-	-	41,117
-	-	38,641	2,310	815,613
-	-	-	-	354,775
-	-	422	-	477
-	-	6,853	2,322	83,352
592,095	-	45,916	4,632	3,602,200
-	-	-	-	1,228,496
-	-	182,927	-	787,547
-	-	-	-	18,556
-	-	-	-	315,416
-	-	-	2,238	9,857
-	-	-	50,682	419,896
-	916,908	-	-	916,908
-	-	48,761	-	48,761
-	916,908	231,688	52,920	3,745,437
592,095	(916,908)	(185,772)	(48,288)	(143,237)
-	-	-	-	80,000
-	804,476	295,625	49,485	1,612,357
(610,149)	-	(85,532)	(213,631)	(1,500,562)
-	101,472	-	-	101,472
(610,149)	905,948	210,093	(164,146)	293,267
(18,054)	(10,960)	24,321	(212,434)	150,030
68,651	60,908	603,160	412,515	1,924,492
50,597	49,948	627,481	200,081	2,074,522
-	-	-	-	89,916
50,597	49,948	-	-	100,545
-	-	627,481	-	627,481
-	-	-	200,081	340,995
-	-	-	-	144,381
-	-	-	-	771,204
50,597	49,948	627,481	200,081	2,074,522

City of Evansdale

City of Evanston

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

As of and for the year ended June 30, 2019

	Enterprise			Total
	Sewer	Sanitation/ Recycling	Storm Water	
Operating receipts:				
Charges for service	\$ 556,680	269,843	24,448	850,971
Miscellaneous	1,175	6,604	-	7,779
Total operating receipts	557,855	276,447	24,448	858,750
Operating disbursements:				
Business type activities	499,948	265,275	23,455	788,678
Excess of operating receipts over operating disbursements	57,907	11,172	993	70,072
Non-operating receipts (disbursements):				
Intergovernmental	-	19,004	-	19,004
Capital outlay	(60,900)	-	-	(60,900)
Total non-operating receipts (disbursements)	(60,900)	19,004	-	(41,896)
Excess (deficiency) of receipts over (under) disbursements	(2,993)	30,176	993	28,176
Transfers out	(111,795)	-	-	(111,795)
Change in cash balances	(114,788)	30,176	993	(83,619)
Cash balances beginning of year	370,144	215,935	42,033	628,112
Cash balances end of year	\$ 255,356	246,111	43,026	544,493
Cash Basis Fund Balances				
Unrestricted	\$ 255,356	246,111	43,026	544,493

See notes to financial statements.

City of Evansdale

Notes to Financial Statements

June 30, 2019

(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. Its 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.

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

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

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

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2019 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2020	\$ 830,000	99,443
2021	745,000	83,460
2022	650,000	69,315
2023	525,000	55,278
2024	435,000	43,853
2025-2029	1,284,900	77,735
Total	\$ 4,469,900	429,084

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 2019, the City paid principal of \$85,000 and interest of \$4,948 on the bonds. The outstanding principal balance at June 30, 2019 was \$90,000.

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 2019, the City paid principal of \$35,000 and interest of \$2,530 on the bonds. The outstanding principal balance at June 30, 2019 was \$80,000.

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 2019, the City paid principal of \$195,000 and interest of \$13,405 on the bonds. The outstanding principal balance at June 30, 2019 was \$550,000.

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 2019, the City paid principal of \$200,000 and interest of \$43,863 on the bonds. The outstanding principal balance at June 30, 2019 was \$1,555,000.

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 2019, the City paid principal of \$95,000 and interest of \$6,252 on the bonds. The outstanding principal balance at June 30, 2019 was \$385,000.

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 2019, the City paid principal of \$125,000 and interest of \$30,375 on the bonds. The outstanding principal balance at June 30, 2019 was \$1,364,900.

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 2019, the City paid principal of \$65,000 and interest of \$11,835 on the bonds. The outstanding principal balance at June 30, 2019 was \$445,000.

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

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 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%.

The City’s contributions to IPERS for the year ended June 30, 2019 totaled \$61,657.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$417,935 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the City’s proportion was 0.006604%, which was an increase of 0.00007% over its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$64,157, \$128,408 and \$81,986, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 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, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
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 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	\$ 759,158	417,935	131,775

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, 2019.

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 26.02% for the year ended June 30, 2019.

The City's contributions to MFPRSI for the year ended June 30, 2019 was \$106,238.

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 during the year ended June 30, 2019.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$712,977 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the City’s proportion was 0.119747%, which was a decrease of 0.000729% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019 the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$107,533, \$185,354 and \$85,813, respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2018 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, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2017.

Postretirement mortality rates were based on the RP-2014 Blue Collar Combined Healthy Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

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 geometric 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, MFPRSI’s fiduciary net position was projected to be available to make all projected future benefit payments to 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	\$ 1,189,579	712,977	318,368

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. For the year ended June 30, 2019, the City contributed \$164,432 and plan members eligible for benefits contributed \$16,675 to the plan. At June 30, 2019, 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 of Evansdale 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, 2019, the City has 17 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, 2019, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 40,000
Compensatory time	17,000
Sick leave	<u>94,000</u>
Total	<u>\$ 151,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2019.

(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 the District debt during fiscal years 2016 through 2019. As of June 30, 2019, no repayments of this loan 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, 2019, no repayments of this loan had been made.

During the year ended June 30, 2018, the General Fund advanced/loaned \$157,517 to the Special Revenue Fund, CDBG Rehab Program for the purpose of making payments to contractors for capital projects. As of June 30, 2019, \$157,517 had been repaid, leaving a balance of \$483.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 118,250
	Property Tax Relief Surplus	56,114
	CDBG Rehab Program	<u>157,517</u>
		331,881
Special Revenue:	Special Revenue:	
Employee Benefits	Local Option Sales Tax	130,890
Tort Liability	Local Option Sales Tax	46,485
CDBG Rehab Program	Tax Increment Financing	3,000
Debt Service	Special Revenue:	
	Tax Increment Financing	607,149
	Capital Projects	85,532
	Enterprise:	
	Sewer	<u>111,795</u>
		804,476
Capital Projects	Special Revenue:	
	Local Option Sales Tax	<u>295,625</u>
		<u>\$ 1,612,357</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 778 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, 2019 were \$65,119.

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 \$11,565,349 is outstanding at June 30, 2019. 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) Subsequent Event

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the City of Evansdale, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the City's operations and finances.

City of Evansdale

Other Information

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

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 997,395	-	997,395
Tax increment financing	589,865	-	589,865
Other city tax	662,316	-	662,316
Licenses and permits	57,290	-	57,290
Use of money and property	41,117	-	41,117
Intergovernmental	815,613	19,004	834,617
Charges for service	354,775	850,971	1,205,746
Special assessments	477	-	477
Miscellaneous	83,352	7,779	91,131
Total receipts	<u>3,602,200</u>	<u>877,754</u>	<u>4,479,954</u>
Disbursements:			
Public safety	1,228,496	-	1,228,496
Public works	787,547	-	787,547
Health and social services	18,556	-	18,556
Culture and recreation	315,416	-	315,416
Community and economic development	9,857	-	9,857
General government	419,896	-	419,896
Debt service	916,908	-	916,908
Capital projects	48,761	-	48,761
Business type activities	-	849,578	849,578
Total disbursements	<u>3,745,437</u>	<u>849,578</u>	<u>4,595,015</u>
Excess (deficiency) of receipts over (under) disbursements	(143,237)	28,176	(115,061)
Other financing sources, net	<u>293,267</u>	<u>(111,795)</u>	<u>181,472</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	150,030	(83,619)	66,411
Balances beginning of year	<u>1,924,492</u>	<u>628,112</u>	<u>2,552,604</u>
Balances end of year	<u>\$ 2,074,522</u>	<u>544,493</u>	<u>2,619,015</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
978,151	978,151	19,244
574,729	574,729	15,136
661,162	661,162	1,154
59,174	59,174	(1,884)
30,485	169,511	(128,394)
669,727	763,477	71,140
1,297,605	1,303,405	(97,659)
1,185	1,185	(708)
28,036	58,036	33,095
4,300,254	4,568,830	(88,876)
1,314,965	1,325,413	96,917
1,177,266	1,177,266	389,719
18,753	18,753	197
304,453	379,853	64,437
37,651	37,651	27,794
402,643	436,361	16,465
916,710	916,910	2
-	48,850	89
910,959	1,106,959	257,381
5,083,400	5,448,016	853,001
(783,146)	(879,186)	764,125
-	80,000	101,472
(783,146)	(799,186)	865,597
1,766,907	1,766,907	785,697
983,761	967,721	1,651,294

City of Evansdale

Notes to Other Information – Budgetary Reporting

June 30, 2019

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, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$364,616. The budget amendments are reflected in the final budgeted amounts.

City of Evansdale

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

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

Other Information

Iowa Public Employees' Retirement System

	2019	2018	2017	2016**	2015
City's proportion of the net pension liability	0.006604%	0.006534%	0.007596%	0.006674%	0.008365%
City's proportionate share of the net pension liability	\$ 418	435	478	330	332
City's covered payroll	\$ 578	562	544	658	652
City's proportionate share of the net pension liability as a percentage of its covered payroll	72.32%	77.40%	87.87%	50.15%	50.92%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

Municipal Fire and Police Retirement System of Iowa

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.119747%	0.120476%	0.122988%	0.105935%	0.103266%
City's proportionate share of the net pension liability	\$ 713	707	769	498	374
City's covered payroll	\$ 353	341	333	278	263
City's proportionate share of the net pension liability as a percentage of its covered payroll	201.98%	207.33%	230.93%	179.14%	142.21%
Plan fiduciary net position as a percentage of the total pension liability	81.07%	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

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

Other Information

Iowa Public Employee's Retirement System

	2019	2018	2017	2016**
Statutorily required contribution	\$ 61,657	52,369	50,873	49,105
Contributions in relation to the statutorily required contribution	<u>(61,657)</u>	<u>(52,369)</u>	<u>(50,873)</u>	<u>(49,105)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 647,622	578,154	561,708	544,231
Contributions as a percentage of covered payroll	9.52%	9.06%	9.06%	9.02%

Municipal Fire and Police Retirement System of Iowa

	2019	2018	2017	2016
Statutorily required contribution	\$ 106,238	90,632	88,443	92,554
Contributions in relation to the statutorily required contribution	<u>(106,238)</u>	<u>(90,632)</u>	<u>(88,443)</u>	<u>(92,554)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 408,374	352,928	341,213	333,288
Contributions as a percentage of covered payroll	26.01%	25.68%	25.92%	27.77%

** 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.

2015	2014	2013	2012	2011	2010
59,761	59,199	56,199	52,992	41,863	40,461
(59,761)	(59,199)	(56,199)	(52,992)	(41,863)	(40,461)
-	-	-	-	-	-
658,484	652,292	634,630	639,837	577,939	585,773
9.08%	9.08%	8.86%	8.28%	7.24%	6.91%

2015	2014	2013	2012	2011	2010
84,482	79,430	66,964	69,862	60,077	56,340
(84,482)	(79,430)	(66,964)	(69,862)	(60,077)	(56,340)
-	-	-	-	-	-
277,810	263,713	256,371	282,157	301,894	331,412
30.41%	30.12%	26.12%	24.76%	19.90%	17.00%

City of Evansdale

Notes to Other Information – Pension Liability

Year ended June 30, 2019

Iowa Public Employee's 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 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

City of Evansdale

Notes to Other Information – Pension Liability

Year ended June 30, 2019

Municipal Fire and Police Retirement System of Iowa

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

The 2018 valuation changed postretirement mortality rates to the RP-2014 Blue Collar Healthy Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

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 post-retirement 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, 2019

	Dental Insurance	Tort Liability	Special Property Tax Relief Surplus
Receipts:			
Intergovernmental	\$ -	-	-
Miscellaneous	-	2,322	-
Total receipts	-	2,322	-
Disbursements:			
Operating:			
Community and economic development	-	-	-
General government	-	50,682	-
Total disbursements	-	50,682	-
Excess (deficiency) of receipts over (under) disbursements	-	(48,360)	-
Other financing sources (uses):			
Transfers in	-	46,485	-
Transfers out	-	-	(56,114)
Total transfers in (out)	-	46,485	(56,114)
Change in cash balances	-	(1,875)	(56,114)
Cash balances beginning of year	81	1,875	56,114
Cash balances end of year	\$ 81	-	-
Cash Basis Fund Balances			
Restricted for other purposes	\$ 81	-	-

See accompanying independent auditor's report.

Revenue

Police Retirement	CDBG Rehab Program	Total
-	2,310	2,310
-	-	2,322
-	2,310	4,632
-	2,238	2,238
-	-	50,682
-	2,238	52,920
-	72	(48,288)
-	3,000	49,485
-	(157,517)	(213,631)
-	(154,517)	(164,146)
-	(154,445)	(212,434)
200,000	154,445	412,515
200,000	-	200,081
200,000	-	200,081

City of Evansdale
 Schedule of Indebtedness
 Year ended June 30, 2019

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
175,000	-	85,000	90,000	4,948
115,000	-	35,000	80,000	2,530
745,000	-	195,000	550,000	13,405
1,755,000	-	200,000	1,555,000	43,863
480,000	-	95,000	385,000	6,252
1,489,900	-	125,000	1,364,900	30,375
510,000	-	65,000	445,000	11,835
<u>\$ 5,269,900</u>	-	800,000	4,469,900	113,208

City of Evansdale
 Bond and Note Maturities
 June 30, 2019

Year Ending June 30,	General Obligation							
	Essential Corporate Purpose Issued Sep 16, 2010		Essential Corporate Purpose Issued Jan 3, 2012		Essential Corporate Purpose Issued Jul 2, 2013		Essential Corporate Purpose Issued May 5, 2015	
	Interest		Interest		Interest		Interest	
Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2020	2.90%	\$ 90,000	2.20%	\$ 40,000	1.70%	\$ 210,000	2.00%	\$ 200,000
2021		-	2.20	40,000	1.95	200,000	2.00	210,000
2022		-		-	2.15	140,000	2.50	210,000
2023		-		-		-	2.50	215,000
2024		-		-		-	2.75	225,000
2025		-		-		-	3.00	225,000
2026		-		-		-	3.00	200,000
2027		-		-		-	3.00	35,000
2028		-		-		-	3.00	35,000
2029		-		-		-		-
Total		<u>\$ 90,000</u>		<u>\$ 80,000</u>		<u>\$ 550,000</u>		<u>\$ 1,555,000</u>

Bonds

Essential Corporate Purpose Issued Jun 28, 2016		Essential Corporate Purpose Issued Aug 29, 2017		Essential Corporate Purpose Issued Aug 29, 2017		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
1.15%	\$ 95,000	2.00%	\$ 125,000	1.90%	\$ 70,000	830,000
1.30	95,000	2.00	130,000	1.90	70,000	745,000
1.45	95,000	2.00	130,000	2.40	75,000	650,000
1.55	100,000	2.00	135,000	2.40	75,000	525,000
	-	2.00	135,000	2.80	75,000	435,000
	-	2.00	140,000	2.80	80,000	445,000
	-	2.05	140,000			340,000
	-	2.20	145,000			180,000
	-	2.35	140,000			175,000
	-	2.50	144,900			144,900
	<u>\$ 385,000</u>		<u>\$ 1,364,900</u>		<u>\$ 445,000</u>	<u>4,469,900</u>

City of Evanston

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

For the Last Ten Years

	2019	2018	2017	2016
Receipts:				
Property tax	\$ 997,395	1,001,421	906,943	882,178
Tax increment financing	589,865	371,403	507,973	236,021
Other city tax	662,316	608,466	682,918	612,938
Licenses and permits	57,290	51,727	62,357	52,000
Use of money and property	41,117	36,001	32,894	37,789
Intergovernmental	815,613	951,934	2,523,755	745,551
Charges for service	354,775	367,072	341,178	267,039
Special assessments	477	1,616	245	261
Miscellaneous	83,352	88,763	138,409	131,091
Total	\$ 3,602,200	3,478,403	5,196,672	2,964,868
Disbursements:				
Operating:				
Public safety	1,228,496	1,189,544	1,229,513	1,107,970
Public works	787,547	1,182,647	821,050	814,385
Health and social services	18,556	18,248	18,049	17,183
Culture and recreation	315,416	398,495	301,618	228,203
Community and economic development	9,857	136,055	27,653	26,022
General government	419,896	641,148	518,991	317,752
Debt service	916,908	705,458	625,872	468,188
Capital projects	48,761	1,758,314	2,777,114	876,337
Total	\$ 3,745,437	6,029,909	6,319,860	3,856,040

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
867,615	779,245	832,750	707,966	658,967	722,822
228,966	252,905	316,678	432,122	527,155	357,693
612,976	654,613	593,966	648,463	596,158	574,534
65,507	54,907	55,603	45,854	50,114	53,730
29,015	27,648	31,604	32,988	26,345	43,373
574,125	676,683	599,223	923,676	1,470,318	1,203,268
280,943	265,205	283,424	283,594	261,967	236,937
2,602	2,673	9,111	1,922	-	-
101,484	85,383	96,225	241,253	405,803	284,497
<u>2,763,233</u>	<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>
1,046,834	1,047,850	1,006,111	1,008,844	1,162,243	974,691
652,722	898,838	655,573	594,387	1,602,296	605,309
17,133	16,787	15,705	-	20,256	19,519
239,664	229,918	272,425	318,416	235,863	185,530
31,598	2,500	4,632	217,338	773,567	555,335
337,484	347,148	304,788	325,253	430,371	453,568
682,115	2,489,309	844,973	608,018	539,111	537,626
8,512	-	-	-	-	-
<u>3,016,062</u>	<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>



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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the city of Evansdale, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 19, 2020. 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.

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

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

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (B) and (C) 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, 2019 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.

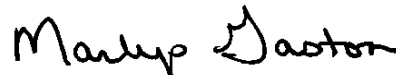
City of Evansdale's Responses to the Findings

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

May 19, 2020

City of Evansdale

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

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 employee. This segregation of duties helps prevent losses from employee 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 – We realize segregation of duties is difficult with a limited number of individuals. However, the Friends of the Library should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response – The Friends of the Library understand the importance of segregating duties and will, to the best of our ability, continue to explore ways to segregate duties to the extent possible.

Conclusion – Response accepted.

(B) Capital Projects

Criteria – The City Council has a fiduciary responsibility to provide oversight of the City's capital projects including awarding of contracts, review and approval of change orders if adjustments to original contract amounts are necessary, and approval of payments to contractors.

Condition – During the fiscal year, payments made to a contractor exceeded the approved capital project contract amount by \$4,000.

Cause – The City did not require change orders for capital projects to be approved by City Council in writing.

City of Evansdale

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Effect – The City’s contract payments for a capital project exceeded the amount approved.

Recommendation – The City should implement procedures to ensure payments on contracts for capital projects do not exceed the approved contract amount plus change orders.

Response – The City will ensure all change orders are approved by City Council in the future.

Conclusion – Response accepted.

(C) Disbursements

Criteria – An effective internal control system provides for internal controls related to ensuring all disbursements are properly supported and invoices are cancelled to prevent use.

Condition – Four transactions for the Friends of the Park, disbursed prior to the records becoming a part of the City, were not properly supported. The purpose for the disbursements was obtained from the City.

<u>Paid To</u>	<u>Purpose</u>	<u>Amount</u>
Campbell Supply	Nuts and bolts for picnic table	\$ 22
P & K Implement	Mower parts	196
Weber Paper	Toilet paper for parks	175
Jan Nichols	Shower curtains	94

Cause – The Friends of the Park separately maintained records did not require supporting documentation to be retained for disbursements.

Effect – The lack of proper supporting documentation for disbursements could adversely affect the ability to prevent or detect misstatements, error or misappropriation on a timely basis.

Recommendation – All disbursements should be supported by invoices or other supporting documentation.

Response – The Friends of the Park no longer has separately maintained records and is subject to City policy and procedures requiring supporting documentation.

Conclusion – Response accepted.

City of Evansdale

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Evansdale

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 did not exceed the amounts budgeted.
- (2) Questionable Disbursements – During the fiscal year ended June 30, 2019, the City provided the following donations to private, non-profit organizations:

Paid to	Purpose	Amount
Operation Threshold	Donation to non-profit organization	\$ 2,411
Volunteer Center of Cedar Valley	Donation to the Black Hawk mayors' volunteer luncheon	575
Boys and Girls Club	Donation to non-profit organization	2,500

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

We previously requested a letter of advice from the Iowa Attorney General regarding gifts to governmental entities and the propriety of a Library Board of Trustees giving proceeds from a gift to a private non-profit foundation. The Iowa Attorney General issued a letter of advice (advice letter) dated April 22, 2008. Following are pertinent excerpts from this letter of advice:

"Past opinions of this office have consistently concluded that a governmental body may not donate public funds to a private entity, even if the entity is established for charitable or educational purposes and performs work which the government could perform directly...private gifts and bequests of money to a city or county, upon receipt and acceptance, become public funds under the stewardship of the city or county. In addition to any restrictions or limitations imposed by the donor on use of the funds, all of the constitutional and statutory requirements regarding accounting for, depositing, investing and expending the public funds apply equally to funds received through taxation and funds received from private donors."

"Political subdivisions and municipalities, including cities, counties, schools, and townships are municipal – governmental – entities. As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support "public" services which are the same or similar to the services provided by government, the private organizations are not subjected to the same degree of public accountability and oversight as governmental entities."

City of Evansdale

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

“...I do not believe that a city library board may simply donate funds received from private donors to a private non-profit organization to use and invest as the non-profit organization sees fit. Unless the library board retains the ability to oversee expenditures and to demand return of the funds in the event that future trustees do not agree with that delegation of control over the funds, the transaction violates the public purpose and non-delegation principles discussed above. Further, even if safeguards are put in place to assure ongoing oversight and control, I believe that the funds continue to be ‘public funds,’ subject to the deposit and investment standards contained in Code sections 12B and 12C (of the Code of Iowa) and that the funds must be earmarked and spent for the purpose for which the gift was given. A 28E agreement may provide a vehicle to facilitate joint public and private influence over the use of gifts received by a governmental body, by incorporating ongoing public oversight and accountability to the joint undertaking.”

A 28E agreement, as described in the advice letter, does not exist.

Recommendation – We are not aware of any statutory authority for the City to provide public funds to a private non-profit organization. The City should seek reimbursement of the amounts donated.

Response – The City is seeking a legal opinion from our City Attorney.

Conclusion – Response accepted.

- (3) Friends of the Library Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. A disbursement for the Friends of the Library was noted which we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. The disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Other Place	Team party	\$ 217

Also, the disbursement was not supported with adequate documentation.

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

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

Response – The City will ensure supporting documentation is received from the Friends of the Library going forward. The City is seeking a legal opinion from the City Attorney regarding issues with the Friends of the Library.

Conclusion – Response acknowledged. Per the Constitution and Attorney General’s opinion, public funds can only be spent for public benefit.

City of Evansdale

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

- (4) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (5) Business Transactions – No business transactions between the City and City officials were noted.
- (6) 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.
- (7) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (8) 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.
- (9) 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 maintains a bank account for activity separate from the City Clerk’s accounting records. While this Department is part of the City, the transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget, monthly financial reports or Annual Financial Reports.

In addition, the transactions and resulting balances of this account was not reported to the City Council and disbursements from the account was not reviewed and approved by the City Council. Also, a summary of the 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 Library’s 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 this account should be subject to City Council review and approval and should be included in the City’s budget process. Also, a summary of the account’s receipts, total disbursements and listings of claims allowed each month should be published, as required.

Response – The balance will be included going forward.

Conclusion – Response accepted.

City of Evansdale

Staff

This audit was performed by:

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