

OFFICE OF AUDITOR OF STATE

STATE OF IOWA

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Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE _____ January 19, 2016

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$2,780,127 for the year ended June 30, 2015, a 29.1% decrease from the prior year. The receipts included \$662,646 of property tax, \$1,291,520 from charges for service, \$315,112 from operating grants, contributions and restricted interest, \$128,100 from capital grants, contributions and restricted interest, \$162,847 from local option sales tax, \$50,060 from hotel/motel tax, \$10,999 from commercial/industrial tax replacement, \$4,975 from unrestricted interest on investments, bond proceeds of \$136,790 and \$17,078 from other general receipts.

Disbursements for the year ended June 30, 2015 totaled \$2,622,776, a 30.0% decrease from the prior year, and included \$681,559 for public safety, \$284,342 for general government and \$197,336 for public works. Also, disbursements for business type activities totaled \$1,088,358.

The significant decrease in receipts and disbursements is due primarily to bond proceeds and grants received and disbursed for various capital projects in fiscal year 2014.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1520-0463-B00F.pdf>.

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CITY OF COLFAX
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2015

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City of Colfax

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Reed	Mayor	Jan 2016
Steve Theis	Mayor Pro tem	Jan 2016
Kathryn Gullion	Council Member	Jan 2016
Brian Poulter	Council Member	Jan 2016
Karla Jones	Council Member	Jan 2018
Brad Magg	Council Member	Jan 2018
Kathy Mathews	City Clerk	Indefinite
Larry Opfer	City Treasurer	Indefinite
Ken Walker	Attorney	Indefinite

City of Colfax



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Colfax, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Colfax as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Emphasis of a Matter

As discussed in Note 5 to the financial statements, the City of Colfax adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Colfax's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the year ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the eight years ended June 30, 2013 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.


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

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 13 and 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 November 3, 2015 on our consideration of the City of Colfax's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Colfax's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 3, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Colfax provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 19.5%, or approximately \$383,000, from fiscal year 2014 to fiscal year 2015. Capital grants, contributions and restricted interest decreased approximately \$513,000 while operating grants, contributions and restricted interest increased approximately \$31,000.
- Disbursements of the City's governmental activities increased less than 1%, or approximately \$5,000, in fiscal year 2015 over fiscal year 2014. Public safety function disbursements increased approximately \$234,000 while community and economic development and general government function disbursements decreased approximately \$159,000 and \$62,000, respectively.
- The City's total cash basis net position increased 8.3%, or approximately \$158,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$19,000 and the cash basis net position of the business type activities increased approximately \$139,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

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

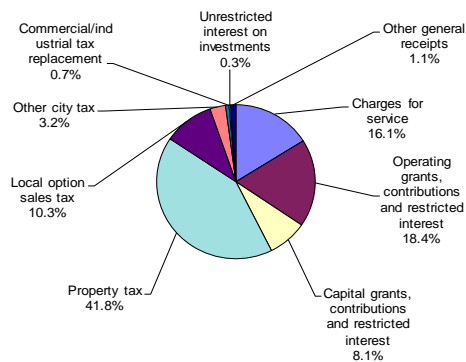
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

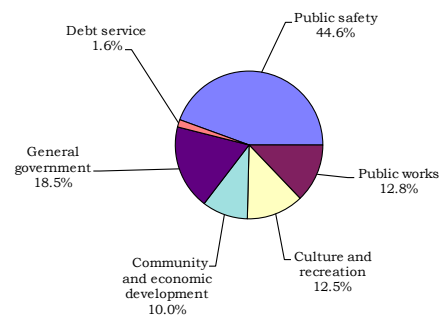
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$325,000 to approximately \$344,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 254	214
Operating grants, contributions and restricted interest	290	259
Capital grants, contributions and restricted interest	128	641
General receipts:		
Property tax	663	637
Local option sales tax	163	159
Other city tax	50	48
Commercial/industrial tax replacement	11	-
Unrestricted interest on investments	4	4
Other general receipts	17	1
Total receipts	1,580	1,963
Disbursements:		
Public safety	682	448
Public works	197	200
Culture and recreation	192	193
Community and economic development	154	313
General government	284	346
Debt service	25	29
Total disbursements	1,534	1,529
Change in cash basis net position before transfers	46	434
Transfers, net	(27)	(377)
Change in cash basis net position	19	57
Cash basis net position beginning of year	325	268
Cash basis net position end of year	\$ 344	325

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 19.5%, or approximately \$383,000, from the prior year. The total cost of all programs and services increased approximately \$5,000, or less than 1%. The decrease in receipts was primarily the result of a decrease in grant reimbursements received from the State of Iowa as projects were completed.

The City decreased the property tax rate for fiscal year 2015 for the General Fund and increased the property tax rate for the Debt Service Fund for an average rate increase of 6.86%. This increased the City's property tax receipts approximately \$26,000 in fiscal year 2015. Based on the increase in the total assessed valuation, property tax receipts are budgeted to increase approximately \$3,000 next year.

The cost of all governmental activities this year was approximately \$1.534 million compared to approximately \$1.529 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16 and 17, the amount taxpayers ultimately financed for these activities was approximately \$862,000 because some of the cost was paid by those directly benefited from the programs (approximately \$254,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$418,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2015 from approximately \$1,114,000 to approximately \$672,000, principally due to the receipt of grant proceeds in fiscal year 2014 to complete the sewer improvement project.

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 363	367
Sewer	523	520
Landfill	151	148
Operating grants, contributions and restricted interest	25	39
General receipts:		
Unrestricted interest on investments	1	1
Bond proceeds	137	885
Total receipts	1,200	1,960
Disbursements:		
Water	361	507
Sewer	597	1,428
Landfill	130	139
General obligation sewer improvement anticipation project note redeemed	-	144
Total disbursements	1,088	2,218
Change in cash basis net position before transfers	112	(258)
Transfers, net	27	377
Change in cash basis net position	139	119
Cash basis net position beginning of year	1,574	1,455
Cash basis net position end of year	\$ 1,713	1,574

Total business type activities receipts for the fiscal year were approximately \$1.200 million compared to approximately \$1.960 million last year. This significant decrease was due primarily to the receipt of approximately \$885,000 of general obligation sewer improvement bond proceeds in fiscal year 2014. The cash balance increased approximately \$139,000 over the prior year. Total disbursements for the fiscal year decreased 50.9% to approximately \$1.088 million, due primarily to disbursements for improvements and the extension of the sewer system in fiscal year 2014.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Colfax completed the year, its governmental funds reported a combined fund balance of \$343,675, an increase of approximately \$19,000 above last year's total of \$325,066. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$162,120 from the prior year to (\$192,588). The decrease was due primarily to the purchase of an ambulance during fiscal year 2015.
- The Special Revenue, Road Use Tax Fund cash balance increased \$40,702 to \$107,161. This increase was attributable to a slight increase in road use tax receipts from the State of Iowa and a slight decrease in disbursements. The City intends to use this fund to upgrade the condition of City roads.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$30,753 to \$83,399. The decrease was due, in part to a decrease in the employee benefits property tax levy which resulted in a decrease in property tax receipts. In addition, disbursements increased due to the timing of insurance payments. Fiscal year 2014 reported eleven months of insurance payments while fiscal year 2015 included twelve months of insurance payments. This fund is used to pay for employee benefits.
- The Special Revenue, Local Option Sales Tax (LOST) Fund cash balance increased \$32,314 to \$104,128. This fund is used to account for local option sales tax collections. Per the City's LOST ballot, 50% is to be used for community betterment and 50% is to be transferred to the General Fund for property tax relief. The final fiscal year 2015 transfer to the General Fund was not made until after June 30.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$27,855 to \$898,836, due primarily to a decrease in capital projects disbursements for the booster station project which was completed in fiscal year 2014.
- The Enterprise, Sewer Fund cash balance increased \$90,680 to \$594,478, due primarily to a decrease in capital projects disbursements for the sewer project, which was substantially completed in fiscal year 2014.
- The Enterprise, Landfill Fund cash balance increased \$20,207 to \$219,265, due primarily to a slight increase in user charges for service and a decrease in operating disbursements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget twice. The first amendment was approved on February 9, 2015 and resulted in an increase in budgeted disbursements for the purchase of a police car and an ambulance. The second amendment was approved on May 11, 2015 and resulted in an increase in budgeted disbursements for police car painting, ambulance wireless communication reporting, swimming pool basin painting, expenses for the new car wash and the final payment related to the sewer project.

The City's receipts were \$379,641 more than budgeted. This was primarily due to timing differences between when grant reimbursements were received and budgeted. Additionally, the City received donations of \$36,892 to pay the property tax on land donated to the City, which was not budgeted.

Total disbursements were \$46,703 less than the amended budget. Actual disbursements for the culture and recreation, community and economic development and business type activities functions were \$17,761, \$94,298 and \$63,004, respectively, more than the amended budget while debt service function disbursements were \$70,522 less than the amended budget. This was due, in part, to expenses which were not budgeted, including \$22,522 for the pool chemical room repairs and \$11,500 for the demolition of condemned houses. Additionally, principal of \$48,000 and interest of \$19,316 on the sewer general obligation bonds were budgeted under the debt service function but were paid from the business type activities function.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$2,092,849 of bonds and other long-term debt outstanding, compared to \$2,173,478 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2015	2014
General obligation notes	\$ 71	92
General obligation bonds	979	890
Revenue bonds	1,043	1,179
Installment purchase agreement	-	12
Total	\$ 2,093	2,173

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

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$1,121,459 is significantly below its constitutional debt limit of approximately \$3,901,000. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Colfax's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities. One of those factors is the economy. At the end of the fiscal year, unemployment in Jasper County was 3.6% versus 5% a year ago. This compares with the State's unemployment rate of 3.7% and the national rate of 5.3%.

These indicators were taken into account when adopting the budget for fiscal year 2016. Amounts available for appropriation in the operating budget are approximately \$2.548 million, an increase of 12.56% over the final fiscal year 2015 budget. The increase is mainly due to an expected increase in other city taxes and charges for service. Budgeted disbursements are expected to decrease approximately \$390,000. The City has added no major new programs or initiatives to the fiscal year 2016 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$315,000 by the close of fiscal year 2016.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

City of Colfax

Basic Financial Statements

City of Colfax

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 681,559	179,409	57,360	-
Public works	197,336	-	217,635	-
Culture and recreation	192,279	32,449	4,179	-
Community and economic development	154,033	-	-	128,100
General government	284,342	42,439	10,906	-
Debt service	24,869	-	-	-
Total governmental activities	1,534,418	254,297	290,080	128,100
Business type activities:				
Water	360,913	363,200	25,032	-
Sewer	597,031	523,422	-	-
Landfill	130,414	150,601	-	-
Total business type activities	1,088,358	1,037,223	25,032	-
Total	\$ 2,622,776	1,291,520	315,112	128,100
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Employee benefits				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(444,790)	-	(444,790)
20,299	-	20,299
(155,651)	-	(155,651)
(25,933)	-	(25,933)
(230,997)	-	(230,997)
(24,869)	-	(24,869)
(861,941)	-	(861,941)
-	27,319	27,319
-	(73,609)	(73,609)
-	20,187	20,187
-	(26,103)	(26,103)
(861,941)	(26,103)	(888,044)
570,091	-	570,091
92,555	-	92,555
180	-	180
162,847	-	162,847
50,060	-	50,060
10,999	-	10,999
4,294	681	4,975
-	136,790	136,790
16,898	-	16,898
(27,374)	27,374	-
880,550	164,845	1,045,395
18,609	138,742	157,351
325,066	1,573,837	1,898,903
\$ 343,675	1,712,579	2,056,254
\$ 70,030	-	70,030
107,161	-	107,161
83,399	-	83,399
51,797	13,409	65,206
278,958	-	278,958
(247,670)	1,699,170	1,451,500
\$ 343,675	1,712,579	2,056,254

City of Colfax

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

As of and for the year ended June 30, 2015

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ 410,201	-	159,890	-
Tax increment financing	-	-	-	-
Other city tax	50,060	-	-	162,847
Licenses and permits	32,606	-	-	-
Use of money and property	3,861	-	-	53
Intergovernmental	29,532	217,635	2,664	-
Charges for service	186,231	-	-	-
Special assessments	21,337	-	-	-
Miscellaneous	80,141	-	-	-
Total receipts	813,969	217,635	162,554	162,900
Disbursements:				
Operating:				
Public safety	580,854	-	100,705	-
Public works	-	176,933	20,403	-
Culture and recreation	166,511	-	25,768	-
Community and economic development	40,689	-	-	80,710
General government	237,911	-	46,431	-
Debt service	-	-	-	-
Total disbursements	1,025,965	176,933	193,307	80,710
Excess (deficiency) of receipts over (under) disbursements	(211,996)	40,702	(30,753)	82,190
Other financing sources (uses):				
Transfers in	49,876	-	-	-
Transfers out	-	-	-	(49,876)
Total other financing sources (uses)	49,876	-	-	(49,876)
Change in cash balances	(162,120)	40,702	(30,753)	32,314
Cash balances beginning of year	(30,468)	66,459	114,152	71,814
Cash balances end of year	\$ (192,588)	107,161	83,399	104,128
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Streets	-	107,161	-	-
Employee benefits	-	-	83,399	-
Debt service	-	-	-	-
Other purposes	55,082	-	-	104,128
Assigned for library	29,638	-	-	-
Unassigned	(277,308)	-	-	-
Total cash basis fund balances	\$ (192,588)	107,161	83,399	104,128

See notes to financial statements.

Nonmajor	Total
92,555	662,646
180	180
-	212,907
-	32,606
380	4,294
118,713	368,544
-	186,231
-	21,337
11,515	91,656
223,343	1,580,401
-	681,559
-	197,336
-	192,279
32,634	154,033
-	284,342
24,869	24,869
57,503	1,534,418
165,840	45,983
186	50,062
(27,560)	(77,436)
(27,374)	(27,374)
138,466	18,609
103,109	325,066
241,575	343,675
70,030	70,030
-	107,161
-	83,399
51,797	51,797
119,748	278,958
-	29,638
-	(277,308)
241,575	343,675

Exhibit C

City of Colfax

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

As of and for the year ended June 30, 2015

	Enterprise			Total
	Water	Sewer	Landfill	
Operating receipts:				
Charges for service	\$ 363,200	523,422	150,349	1,036,971
Miscellaneous	-	-	252	252
Total operating receipts	363,200	523,422	150,601	1,037,223
Operating disbursements:				
Business type activities	313,688	271,295	130,414	715,397
Excess of operating receipts over operating disbursements	49,512	252,127	20,187	321,826
Non-operating receipts (disbursements):				
Intergovernmental	25,032	-	-	25,032
Interest on investments	536	125	20	681
Bond proceeds	-	136,790	-	136,790
Debt service	(38,898)	(191,036)	-	(229,934)
Capital projects	(8,327)	(134,700)	-	(143,027)
Net non-operating receipts (disbursements)	(21,657)	(188,821)	20	(210,458)
Excess of receipts over disbursements	27,855	63,306	20,207	111,368
Transfers in	-	27,374	-	27,374
Change in cash balances	27,855	90,680	20,207	138,742
Cash balances beginning of year	870,981	503,798	199,058	1,573,837
Cash balances end of year	\$ 898,836	594,478	219,265	1,712,579
Cash Basis Fund Balances				
Restricted for debt service	\$ 3,197	10,212	-	13,409
Unrestricted	895,639	584,266	219,265	1,699,170
Total cash basis fund balances	\$ 898,836	594,478	219,265	1,712,579

See notes to financial statements.

City of Colfax

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Colfax is a political subdivision of the State of Iowa located in Jasper County. It was first incorporated in 1866 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and landfill utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, The City of Colfax has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The City reports the following major proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 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. 3, as amended by Statement No. 40.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 21,000	2,912	140,000	20,903	161,000	23,815
2017	10,000	2,000	146,000	18,052	156,000	20,052
2018	10,000	1,600	150,000	15,073	160,000	16,673
2019	10,000	1,200	154,000	12,010	164,000	13,210
2020	10,000	800	159,000	8,865	169,000	9,665
2021-2022	10,000	400	294,000	7,895	304,000	8,295
Total	\$ 71,000	8,912	1,043,000	82,798	1,114,000	91,710

General Obligation Sewer Improvement Bonds

On October 25, 2013, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources (DNR) for the issuance of up to \$1,109,000 of general obligation sewer improvement bonds with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384 and 76 of the Code of Iowa to pay costs of constructing certain wastewater treatment facilities. The City will draw down funds from IFA to reimburse the City for costs as they are incurred. As of June 30, 2015, \$1,026,849 has been drawn. A final repayment schedule has not yet been adopted.

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund. However, \$48,000 of general obligation bond principal and \$19,316 of general obligation bond interest was paid from the Enterprise, Sewer Fund during the year ended June 30, 2015.

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$510,000 of water revenue bonds issued in February 2012. Proceeds from the bonds provided financing for the construction of improvements and extensions to the water system. The bonds are payable solely from water customer net receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 78% of net receipts. The total principal and interest remaining to be paid on the bonds is \$234,860. For the current year, principal and interest paid and total customer net receipts were \$38,290 and \$49,512, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,984,000 of sewer revenue bonds issued in March 2003. Proceeds from the bonds provided financing for the construction of improvements and extensions to the sewer system. The bonds are payable solely from sewer customer net receipts and are payable through 2022. Annual principal and interest payments on the bonds are expected to require less than 49% of net receipts. The total principal and interest remaining to be paid on the bonds is \$890,938. For the current year, principal and interest paid and total customer net receipts were \$121,380 and \$252,127, respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) Water and sewer user rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the annual installments of principal and interest on the bonds falling due in the same year.

The City did not make monthly transfers to the water and sewer revenue bond sinking accounts as required.

(4) Operating Lease Agreement

During the year ended June 30, 2013, the City entered into an operating lease for commercial office space. Monthly lease payments are \$850 and the lease expires June 30, 2018. During the year ended June 30, 2015, the City paid \$10,200 under the agreement.

(5) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. 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, anytime 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. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

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

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 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 percent 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 percent 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 - Effective July 1, 2012, as a result of a 2010 law change, the 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 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protection occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$56,148.

Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$166,685. The collective net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective 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, 2014, the City's proportion was 0.004203 percent, which was an increase of 0.000013 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$20,647, \$11,868 and \$135,074, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation Rates vary by membership group
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan 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>
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.5 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability (asset)	\$ 459,467	\$ 166,685	\$ (80,305)

Pension Plan 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.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The City participates in a multi-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. There are 11 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug and dental benefits are provided through a fully-insured plan with Central States Southeast and Southwest Areas Health and Welfare and Pension Funds. Retirees under age 65 would pay the same premium for the medical/prescription drug and dental benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member weekly premiums for the City and plan members are \$319 for family coverage. For the year ended June 30, 2015, the City contributed \$157,294 and plan members eligible for benefits contributed \$15,600 to the plan.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and compensatory time payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 26,000
Sick leave	17,000
Compensatory time	4,000
Total	<u>\$ 47,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2015.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 49,876
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	186
Enterprise: Sewer	Special Revenue: CDBG	27,374
Total		<u>\$ 77,436</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 exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Deficit Balance

The General Fund had a deficit balance of \$192,588 at June 30, 2015. The deficit will be eliminated with future tax collections.

(11) Tax Increment Financing

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

In January 2013, the City and Jeff Light (the developer) entered into a development agreement to construct a Subway restaurant. The City will pay up to \$75,000 of incremental property tax to the developer beginning on the date the incremental property tax becomes available. The City has certified the agreement to the County Auditor. The obligation is not a general obligation of the City, but the debt is subject to the constitutional debt limitation of the City. As of June 30, 2015, the City has paid \$3,390 to the developer.

(12) Landfill Closure and Postclosure Care

The City has entered into an agreement with several other municipalities, as allowed under Chapter 28E of the Code of Iowa, to provide for economical and environmentally responsible disposal of solid waste and establish permanent environmental responsibility for the Newton Sanitary Landfill (Landfill). State and federal laws and regulations require the Landfill to place a final cover on the site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. To date, 35% of the Landfill has been filled and the estimated total liability for such is \$5,922,200, based on 2015 cost estimates. Actual costs may be higher due to inflation, technology changes and changes in regulations.

The Code of Iowa requires the Landfill to maintain separate closure and postclosure care accounts to accumulate resources for the payment of these costs. As of June 30, 2015, \$1,044,339 has been accumulated. Since the estimated closure and postclosure costs have not been fully funded, the Landfill is required to demonstrate financial assurance for the unfunded costs. The Landfill has adopted the local government financial test assurance mechanism and has met the requirement issued by the Iowa Department of Natural Resources. The unfunded liability will be funded over the estimated remaining life of the Landfill. In the event it is not adequately funded, the 28E agreement makes

the City of Colfax responsible for 4.86% of the unfunded liability, or approximately \$237,000, based on the June 30, 2015 information. The City's proportionate share is updated annually in accordance with the agreement.

(13) Construction Commitments

Construction commitments at June 30, 2015 totaled \$126,794, which will be paid as work on the projects progress. These projects will be funded through bond proceeds, grants and local funds on hand.

(14) Economic Development Loan

In 2004, the City loaned \$150,000 to a local manufacturing company with funds received from the Iowa Department of Economic Development, now the Iowa Economic Development Authority (IEDA). The loan was forgivable to the extent of \$75,000 and the Company fulfilled the requirement for loan forgiveness. Repayments totaling \$21,250 were received through 2007 on the \$75,000 balance. Any repayments were to be used by the City for similar projects. In 2009, a new company acquired the assets of the original company and received a \$25,000 loan and a \$25,000 forgivable loan from IEDA. In addition, the City loaned \$20,000 which was to be repaid, beginning March 1, 2011, with annual payments of \$2,000. To date, no payments have been received.

The City has requested repayment of the \$53,750 remaining balance, plus interest, from the owners of the original company. To date, no payments have been received.

City of Colfax

Other Information

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

Other Information

Year ended June 30, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 662,646	-	662,646
Tax increment financing	180	-	180
Other city tax	212,907	-	212,907
Licenses and permits	32,606	-	32,606
Use of money and property	4,294	681	4,975
Intergovernmental	368,544	25,032	393,576
Charges for service	186,231	1,036,971	1,223,202
Special assessments	21,337	-	21,337
Miscellaneous	91,656	252	91,908
Total receipts	1,580,401	1,062,936	2,643,337
Disbursements:			
Public safety	681,559	-	681,559
Public works	197,336	-	197,336
Health and social services	-	-	-
Culture and recreation	192,279	-	192,279
Community and economic development	154,033	-	154,033
General government	284,342	-	284,342
Debt service	24,869	-	24,869
Business type activities	-	1,088,358	1,088,358
Total disbursements	1,534,418	1,088,358	2,622,776
Excess (deficiency) of receipts over (under) disbursements	45,983	(25,422)	20,561
Other financing sources, net	(27,374)	164,164	136,790
Excess of receipts and other financing sources over disbursements and other financing uses	18,609	138,742	157,351
Balances beginning of year	325,066	1,573,837	1,898,903
Balances end of year	\$ 343,675	1,712,579	2,056,254

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
654,162	654,162	8,484
-	-	180
201,834	201,834	11,073
18,025	18,025	14,581
1,500	1,500	3,475
204,675	204,675	188,901
1,168,500	1,168,500	54,702
15,000	15,000	6,337
-	-	91,908
<u>2,263,696</u>	<u>2,263,696</u>	<u>379,641</u>
479,418	693,189	11,630
230,638	230,638	33,302
12,000	12,000	12,000
162,634	174,518	(17,761)
17,075	59,735	(94,298)
285,248	285,248	906
95,391	95,391	70,522
912,854	1,025,354	(63,004)
<u>2,195,258</u>	<u>2,576,073</u>	<u>(46,703)</u>
68,438	(312,377)	332,938
-	397,815	(261,025)
68,438	85,438	71,913
<u>1,844,729</u>	<u>1,844,729</u>	<u>54,174</u>
<u>1,913,167</u>	<u>1,930,167</u>	<u>126,087</u>

City of Colfax

Notes to Other Information – Budgetary Reporting

June 30, 2015

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Permanent 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 \$380,815. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development and business type activities functions.

City of Colfax

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

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.004203%
City's proportionate share of the net pension liability	\$ 167
City's covered-employee payroll	\$ 564
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	29.61%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

City of Colfax

Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 5 Fiscal Years
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 56	52	50
Contributions in relation to the statutorily required contribution	<u>(56)</u>	<u>(52)</u>	<u>(50)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 602	564	552
Contributions as a percentage of covered-employee payroll	9.30%	9.22%	9.06%

See accompanying independent auditor's report.

<u>2012</u>	<u>2011</u>
46	44
<u>(46)</u>	<u>(44)</u>
<u>-</u>	<u>-</u>
524	548
8.78%	8.03%

City of Colfax

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current 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 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL 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.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

City of Colfax

Supplementary Information

City of Colfax

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

As of and for the year ended June 30, 2015

	Special Revenue			
	CDBG	Urban Renewal Tax Increment	Tenant Memorial	Flood
Receipts:				
Property tax	\$ -	-	-	-
Tax increment financing	-	180	-	-
Use of money and property	-	-	380	-
Intergovernmental	117,225	6	-	-
Miscellaneous	10,875	-	-	-
Total receipts	128,100	186	380	-
Disbursements:				
Operating:				
Community and economic development	32,634	-	-	-
Debt service	-	-	-	-
Total disbursements	32,634	-	-	-
Excess of receipts over disbursements	95,466	186	380	-
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(27,374)	(186)	-	-
Total other financing sources (uses)	(27,374)	(186)	-	-
Change in cash balances	68,092	-	380	-
Cash balances beginning of year	(18,466)	-	68,996	746
Cash balances end of year	\$ 49,626	-	69,376	746
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Debt service	-	-	-	-
Other purposes	49,626	-	69,376	746
Total cash basis fund balances	\$ 49,626	-	69,376	746

See accompanying independent auditor's report.

<u>Permanent</u>		
Debt Service	Cemetery Perpetual Care	Total
92,555	-	92,555
-	-	180
-	-	380
1,482	-	118,713
-	640	11,515
94,037	640	223,343
<hr/>		
-	-	32,634
24,869	-	24,869
24,869	-	57,503
69,168	640	165,840
<hr/>		
186	-	186
-	-	(27,560)
186	-	(27,374)
69,354	640	138,466
(17,557)	69,390	103,109
51,797	70,030	241,575
<hr/>		
-	70,030	70,030
51,797	-	51,797
-	-	119,748
51,797	70,030	241,575

City of Colfax
Schedule of Indebtedness
Year ended June 30, 2015

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Water and sewer improvements	Oct 24, 2006	4.65%	\$ 110,000
Street improvements	Sept 1, 2010	4.00	100,000
Total			
General obligation bonds:			
Sewer improvement	Oct 25, 2013	1.75% *	\$ 1,109,000
Revenue bonds:			
Water revenue	Feb 24, 2012	3.00% *	\$ 510,000
Sewer revenue	Mar 25, 2003	1.75 *	1,984,000
Total			
Installment purchase agreement:			
Equipment	Feb 24, 2010	4.15%	\$ 58,204

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

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
22,000	-	11,000	11,000	1,033
70,000	-	10,000	60,000	2,836
<u>\$ 92,000</u>	<u>-</u>	<u>21,000</u>	<u>71,000</u>	<u>3,869</u>
890,059	136,790	48,000	978,849	19,316
243,000	-	31,000	212,000	7,290
936,000	-	105,000	831,000	16,380
<u>\$ 1,179,000</u>	<u>-</u>	<u>136,000</u>	<u>1,043,000</u>	<u>23,670</u>
12,419	-	12,419	-	701

City of Colfax

City of Colfax
Bond and Note Maturities
June 30, 2015

Year Ending June 30,	General Obligation Notes					Total
	Water and Sewer Improvements		Street Improvements			
	Issued Oct 24, 2006		Issued Sept 1, 2010			
	Interest Rates	Amount	Interest Rates	Amount		
2016	4.65%	\$ 11,000	4.00%	\$ 10,000	21,000	
2017		-	4.00	10,000	10,000	
2018		-	4.00	10,000	10,000	
2019		-	4.00	10,000	10,000	
2020		-	4.00	10,000	10,000	
2021		-	4.00	10,000	10,000	
Total		<u>\$ 11,000</u>		<u>\$ 60,000</u>	<u>71,000</u>	

Year Ending June 30,	Revenue Bonds					Total
	Water		Sewer			
	Issued Feb 24, 2012		Issued March 25, 2003			
	Interest Rates	Amount	Interest Rates	Amount		
2016	3.00%	\$ 32,000	1.75%	\$ 108,000	140,000	
2017	3.00	34,000	1.75	112,000	146,000	
2018	3.00	35,000	1.75	115,000	150,000	
2019	3.00	36,000	1.75	118,000	154,000	
2020	3.00	37,000	1.75	122,000	159,000	
2021	3.00	38,000	1.75	126,000	164,000	
2022		-	1.75	130,000	130,000	
		<u>\$ 212,000</u>		<u>\$ 831,000</u>	<u>1,043,000</u>	

See accompanying independent auditor's report.

City of Colfax

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

For the Last Ten Years

	2015	2014	2013	2012
Receipts:				
Property tax	\$ 662,646	637,336	660,068	715,037
Tax increment financing	180	22	-	-
Other city tax	212,907	206,494	206,891	224,624
Licenses and permits	32,606	26,783	17,489	24,784
Use of money and property	4,294	4,515	4,097	4,350
Intergovernmental	368,544	878,898	598,222	300,116
Charges for service	186,231	155,675	135,926	156,178
Special assessments	21,337	14,191	-	-
Miscellaneous	91,656	38,734	92,336	78,319
Total	\$ 1,580,401	1,962,648	1,715,029	1,503,408
Disbursements:				
Operating:				
Public safety	\$ 681,559	447,887	497,721	435,717
Public works	197,336	199,743	209,222	184,579
Health and social services	-	-	-	-
Culture and recreation	192,279	193,412	186,941	238,896
Community and economic development	154,033	313,077	352,847	107,916
General government	284,342	345,996	285,338	240,012
Debt service	24,869	28,571	40,290	185,010
Total	\$ 1,534,418	1,528,686	1,572,359	1,392,130

See accompanying independent auditor's report.

2011	2010	2009	2008	2007	2006
679,221	633,148	661,194	627,494	583,887	529,100
-	26,699	23,036	17,140	17,426	16,114
249,343	238,398	236,577	229,257	213,583	338,289
10,350	12,898	9,198	12,363	22,075	19,277
6,933	12,514	19,999	22,702	22,415	14,512
238,912	237,890	256,998	418,635	256,279	207,885
120,678	130,646	119,656	144,787	108,484	140,273
-	10,731	46,797	-	-	-
105,097	64,615	81,213	24,970	73,784	93,437
<u>1,410,534</u>	<u>1,367,539</u>	<u>1,454,668</u>	<u>1,497,348</u>	<u>1,297,933</u>	<u>1,358,887</u>
450,330	612,848	486,489	408,237	384,234	376,397
302,819	213,773	335,071	503,078	246,762	326,697
4,217	5,900	-	-	-	-
172,112	229,619	256,398	186,962	174,050	180,711
130,449	31,126	43,916	83,565	3,001	3,000
235,094	175,296	180,088	177,694	200,153	272,783
198,018	194,521	201,880	242,514	188,570	172,458
<u>1,493,039</u>	<u>1,463,083</u>	<u>1,503,842</u>	<u>1,602,050</u>	<u>1,196,770</u>	<u>1,332,046</u>

City of Colfax



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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Colfax, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 3, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Colfax's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that 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, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Colfax's Responses to the Findings


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

Purpose of this Report

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

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


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 3, 2015

City of Colfax

City of Colfax

Schedule of Findings

Year ended June 30, 2015

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. For the City, one of two employees has control over each of the following areas:
- (1) Cash – reconciling bank accounts, cash disbursement functions and recording cash.
 - (2) Petty cash/change fund – handling petty cash, collecting and depositing.
 - (3) Receipts – opening mail, collecting and depositing.
 - (4) Utilities – utility billing, collecting, depositing, posting to customer accounts and maintaining accounts receivable records.
 - (5) Disbursements – purchasing, invoice processing, preparing checks, mailing, recording and having access to credit cards.
 - (6) Payroll – recordkeeping, preparing, posting and distributing.
 - (7) Accounting system – performing all general accounting functions and having custody of City assets.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response –

- (1) The City Clerk performs the bank reconciliation. The City Treasurer reconciles the savings accounts and certificates of deposit.
- (2) The Deputy Clerk/Billing Clerk handles petty cash.
- (3) The Deputy Clerk/Billing Clerk receives the mail and passes it on to the appropriate department. The City Clerk collects receipts and makes deposits.
- (4) The Deputy Clerk/Billing Clerk handles all utility functions.
- (5) The City Clerk issues checks for accounts payable after each department head has reviewed and signed off on the invoices for their department. There is a sign out for credit cards (WalMart and Staples). There is a resolution authorizing the City Clerk, Police Chief and Public Works Director to each hold a city Visa card with a \$3,000 total limit.

City of Colfax

Schedule of Findings

Year ended June 30, 2015

- (6) All department heads submit their department timecards, totaled and signed. The City Clerk completes the payroll functions.
- (7) General accounting functions are performed by the City Clerk and the general ledger is reviewed by the Mayor.

Conclusion – Response acknowledged. The City should continue to look for ways to segregate duties by utilizing the Mayor and City Council members.

- (B) Financial Reporting – We identified revenue bond principal and interest payments paid from the Enterprise, Sewer Fund rather than the Enterprise, Water Fund, transfers to the General Fund posted as intergovernmental receipts rather than transfers in, Local Option Sales Tax receipts recorded in the Special Revenue, Road Use Tax Fund rather than the Special Revenue, LOST Fund, FEMA reimbursements recorded in the Enterprise, Water Fund as charges for service rather than intergovernmental receipts, CDBG grant reimbursements recorded as bond proceeds rather than intergovernmental receipts and transfers from the City's savings accounts recorded as negative expenses rather than transfers. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure all transactions are properly recorded in the City's financial statements.

Response – The City Clerk will strive to see the postings are accurate, reviewing the entries before and after posting.

Conclusion – Response accepted.

- (C) Reconciliation of Utility Billings, Collections and Delinquent Accounts – The City Clerk is utilizing a system generated report to reconcile utility billings, collections and delinquent accounts monthly. However, the amounts in the monthly reconciliations are not properly supported. A reconciliation is designed to ensure the proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Recommendation – To reconcile utility billings, collections and delinquent accounts, the City Clerk should ensure the amounts in the system generated reconciliations can be traced to proper support. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquencies. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

Response – We believe the computer system support has now given us the proper reporting steps to reconcile. Generating the reports timely is critical to having accurate reconciliation documentation. The City Clerk will review and continue to initial the reconciliation.

Conclusion – Response accepted.

City of Colfax

Schedule of Findings

Year ended June 30, 2015

(D) Payroll Allocation – Public works employees are shared between various departments, including parks, cemetery, roads, water and sewer. The payroll costs for these employees are allocated to the various departments based on the budget rather than on actual work performed.

Recommendation – The City should develop a reasonable basis and method for allocating payroll costs for shared employees based on actual work performed.

Response – The City Clerk has requested from the Public Works Director a notation be made on each timecard for each day as to the department or departments worked in that day.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Colfax

Schedule of Findings

Year ended June 30, 2015

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amounts budgeted in the culture and recreation, community and economic development and business type activities functions. In addition, disbursements exceeded the amount budgeted prior to a budget amendment in the community and economic development function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The Clerk will amend the budget as needed.

Conclusion – Response accepted.

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

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Sam's Club	Sales Tax	<u>\$ 35</u>

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

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

Response – The City Clerk has prepared and mailed to the above vendor twice, however, sales tax is still being charged and paid. The City Clerk has prepared documentation regarding the City’s exempt status and is holding for the Pool Manager to deliver to the vendor when purchasing supplies for the next year.

Conclusion – Response accepted.

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

City of Colfax

Schedule of Findings

Year ended June 30, 2015

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Bryan Poulter, City Council Member, Pool Chemical Manager	Compensation for managing the City pool chemicals	\$ 2,500

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with City Council Member Poulter do not appear to represent a conflict of interest since the disbursements did not exceed \$2,500 during the fiscal year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- (8) Revenue Bonds – Required monthly transfers were not made to the Enterprise, Water Revenue Bond Sinking account or the Enterprise, Sewer Revenue Bond Sinking account.

Recommendation – The City should make the necessary transfers as required by the water and sewer revenue bond resolutions.

Response – The City Clerk worked with Data Tech to help setup water and sewer sinking accounts. However, the accounts were used incorrectly. This will be corrected with monthly transfers to those accounts for payment of principal and interest due.

Conclusion – Response accepted.

- (9) Payment of General Obligation Bonds – Certain general obligation bond principal and interest were paid from the Enterprise, Sewer Fund. Chapter 384.4 of the Code of Iowa states, in part, "Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund."

Recommendation – The City should transfer from the Enterprise, Sewer Fund to the Debt Service Fund for future funding contributions. The bonds should then be paid from the Debt Service Fund.

Response – The City Clerk agrees general obligation debt must be paid from the Debt Service Fund and will post accordingly in the future.

Conclusion – Response accepted.

City of Colfax

Schedule of Findings

Year ended June 30, 2015

- (10) Financial Condition – The General Fund had a deficit balance of \$192,588 at June 30, 2015.

Recommendation – The City should investigate alternatives to eliminate the deficit balance in order to return the fund to a sound financial position.

Response – A significant portion of the deficit balance was due to the purchase of an ambulance this year. The City will investigate alternatives to eliminate the deficit.

Conclusion – Response accepted.

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

We noted the following regarding the City's TIF debt certification dated September 22, 2014:

- The City certified \$47,192 as an internal loan, which represented project costs paid from other funds, as TIF indebtedness. However, the internal loan was not formally approved by the City Council. Additionally, the \$47,192 internal loan had been previously certified on the TIF debt certification dated September 23, 2013.

Recommendation – The City should consult TIF legal counsel to determine the disposition of the City's TIF certifications, including the amount of TIF debt to be decertified. The City should ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa and includes only allowable debt approved by the City Council prior to certification.

Response – The City Clerk has spoken with the bonding attorney and a resolution will be drawn to attach any debt to the TIF district. The current certification will be removed.

Conclusion – Response accepted.

City of Colfax

Schedule of Findings

Year ended June 30, 2015

- (12) Tax Increment Financing (TIF) Payments – In January 2013, the City entered into a development agreement with a developer to construct a Subway restaurant. Pursuant to the agreement, the City will pay up to \$75,000 of incremental property tax to the developer beginning on the date the incremental property tax becomes available. The City has properly certified this debt to the County Auditor. However, the first payment to the developer, which was made during the year ended June 30, 2015, was paid from the Special Revenue, Local Option Sales Tax Fund rather than from the Special Revenue, Urban Renewal Tax Increment Fund.

Recommendation – The City should consult TIF legal counsel to determine the disposition of this matter, including reimbursement to the Special Revenue, Local Option Sales Tax Fund.

Response – City Clerk will ask bonding attorney to review.

Conclusion – Response accepted.

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

However, the following exceptions were noted:

The City's beginning and ending cash balances of the Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary do not agree with the City's general ledger.

The amount reported by the City as TIF debt outstanding at June 30, 2013 was understated by \$18,661.

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

Response – The City will ensure the cash balances and debt amounts reported on the Levy Authority Summary agree with the City's records.

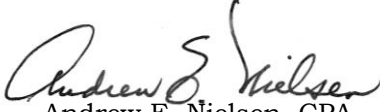
Conclusion – Response accepted.

City of Colfax

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Jenny M. Podrebarac, Senior Auditor II
Tyler H. Moran, Assistant Auditor



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Deputy Auditor of State