



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

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NEWS RELEASE

FOR RELEASE

February 8, 2018

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

The City's receipts totaled \$2,988,064 for the year ended June 30, 2017, a 12.2% increase over the prior year. The receipts included \$696,332 of property tax, \$1,378,643 from charges for service, \$321,802 from operating grants, contributions and restricted interest, \$23,604 from capital grants, contributions and restricted interest, \$200,037 from local option sales tax, \$48,600 from hotel/motel tax, \$17,186 from commercial/industrial tax replacement, \$7,468 from unrestricted interest on investments, \$275,000 from note proceeds and \$19,392 from other general receipts.

Disbursements for the year ended June 30, 2017 totaled \$2,465,824 a 6.3% increase over the prior year, and included \$561,777 for public safety, \$312,612 for public works and \$264,890 for general government. Also, disbursements for business type activities totaled \$960,721.

The significant increase in receipts is due primarily to proceeds from the issuance of \$275,000 of street improvement notes.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/1720-0463-B00F>.

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

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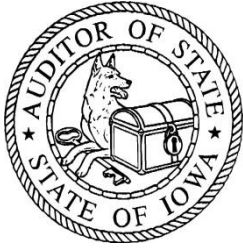
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City of Colfax

Officials

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

City of Colfax



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Colfax, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Colfax as of June 30, 2017, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

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 three years ended June 30, 2016 (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 six 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 40, 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 2, 2017 on our consideration of the City of Colfax's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Colfax's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State

November 2, 2017

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, 2017. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2017 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 20.7%, or approximately \$330,000, from fiscal year 2016 to fiscal year 2017. Capital grants, contributions and restricted interest decreased approximately \$41,000, charges for services increased approximately \$35,000, property tax increased approximately \$17,000 and note proceeds increased \$275,000.
- Disbursements of the City's governmental activities increased 13.9%, or approximately \$184,000, in fiscal year 2017 from fiscal year 2016. Public works increased approximately \$106,000 and culture and economic development increased approximately \$46,000.
- The City's total cash basis net position increased 21.8%, or approximately \$522,000, from June 30, 2016 to June 30, 2017. Of this amount, the cash basis net position of the governmental activities increased approximately \$458,000 and the cash basis net position of the business type activities increased approximately \$64,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

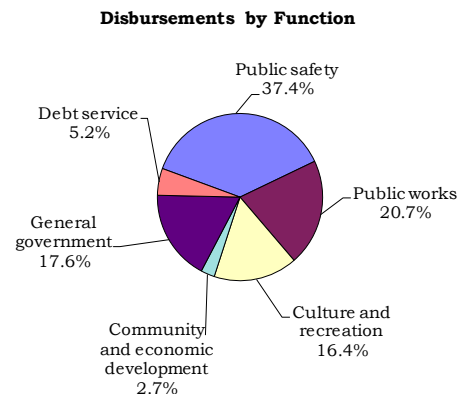
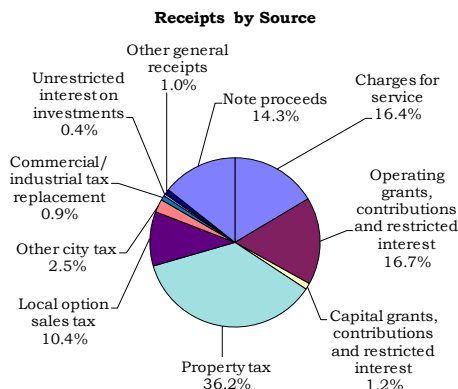
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Landfill Funds, considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$617,000 to approximately \$1,076,000. 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,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service	\$ 315	280
Operating grants, contributions and restricted interest	322	302
Capital grants, contributions and restricted interest	24	65
General receipts:		
Property tax	696	679
Local option sales tax	200	170
Other city tax	49	48
Commercial/industrial tax replacement	17	21
Unrestricted interest on investments	7	5
Note proceeds	275	-
Other general receipts	19	24
Total receipts	1,924	1,594
Disbursements:		
Public safety	562	554
Public works	312	206
Culture and recreation	247	201
Community and economic development	41	50
General government	265	286
Debt service	78	24
Total disbursements	1,505	1,321
Change in cash basis net position before transfers	419	273
Transfers, net	40	-
Change in cash basis net position	459	273
Cash basis net position beginning of year	617	344
Cash basis net position end of year	\$ 1,076	617



The City's total receipts for governmental activities increased 20.7%, or approximately \$330,000, over the prior year. The total cost of all programs and services increased approximately \$184,000, or 13.9%. Capital grants, contributions and restricted interest decreased approximately \$41,000 due to the City receiving approximately \$48,000 in REAP funds for the Quarry Springs Park project in fiscal year 2016. In addition, the City issued \$275,000 of general obligation notes during fiscal year 2017 to finance street repairs. The increase in disbursements was primarily the result of an increase in street repairs, improvements at Quarry Springs Park financed in part by the REAP grant received last year and an increase in debt payments from the Debt Service Fund.

The City's fiscal year 2017 overall property tax rate decreased .06% from fiscal year 2016 while property valuations increased approximately 4.6%. This increased the City's property tax receipts approximately \$17,000 in fiscal year 2017. Based on the increase in the total assessed valuation, property tax receipts are budgeted to increase approximately \$33,000 next year.

The cost of all governmental activities this year was approximately \$1.505 million compared to approximately \$1.321 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 \$844,000 because some of the cost was paid by those directly benefited from the programs (approximately \$315,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$346,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2017 from approximately \$647,000 to approximately \$661,000, primarily due to the receipt of increased utility franchise fees.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2017	2016
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 375	384
Sewer	533	527
Landfill	155	150
Capital grants, contributions and restricted interest	-	6
General receipts:		
Unrestricted interest on investments	1	1
Total receipts	<u>1,064</u>	<u>1,068</u>
Disbursements:		
Water	395	333
Sewer	424	539
Landfill	142	127
Total disbursements	<u>961</u>	<u>999</u>
Change in cash basis net position before transfers	103	69
Transfers, net	(40)	-
Change in cash basis net position	63	69
Cash basis net position beginning of year	<u>1,782</u>	<u>1,713</u>
Cash basis net position end of year	<u>\$ 1,845</u>	<u>1,782</u>

Total business type activities receipts for the fiscal year were approximately \$1.064 million compared to approximately \$1.068 million last year, a decrease of approximately \$4,000. The cash balance increased approximately \$63,000 over the prior year. Total disbursements for the fiscal year decreased 3.8% to approximately \$961,000, due primarily to the final payment for the completion of improvements and the extension of the sewer system made in fiscal year 2016.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Colfax completed the year, its governmental funds reported a combined fund balance of \$1,075,567, an increase of approximately \$458,000 over last year's total of \$617,021. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$271,905 over the prior year to \$187,957. The increase in the cash balance was due primarily to an increase in receipts. The City received approximately \$51,000 in utility franchise fees. Additionally, the City transferred \$35,000 from each of the Enterprise Funds to reimburse the General Fund for shared costs.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$33,846 to \$142,507. The decrease is attributable to an increase in disbursements for various road repair projects during fiscal year 2017.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$19,537 to \$33,975. Receipts increased approximately \$10,000 but disbursements remained unchanged. This fund is used to pay for employee benefits.
- The Special Revenue, Local Option Sales Tax (LOST) Fund cash balance increased \$76,662 to \$189,371. Disbursements decreased due to projects completed in fiscal year 2016 which included the car wash project and excavation of the volleyball courts. Transfers out decreased in fiscal year 2017 due to the final fiscal year 2015 transfer to the General Fund being made during fiscal year 2016. This fund is used to account for local option sales tax collections. Per the City's LOST ballot, 50% is to be used for community betterment and 50% is to be transferred to the General Fund for property tax relief.
- The Capital Projects Fund cash balance increased \$275,000. The increase is due to receipt of \$275,000 in note proceeds near the end of June 2017. The proceeds from the note will be used to finance street repair projects within the City.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$53,820 to \$897,412, due primarily to line repairs on Elm Street and the transfer of \$35,000 to the General Fund.
- The Enterprise, Sewer Fund cash balance increased \$139,600 to \$728,109. Receipts remained consistent while disbursements decreased approximately \$115,000. The decrease was due in part to principal and interest on the 2013 G.O. sewer improvement bond being paid out of the Debt Service Fund in fiscal year 2017 compared to the Sewer Fund in fiscal year 2016. During fiscal year 2017, the Debt Service Fund reimbursed the Enterprise, Sewer Fund \$65,418 through transfers.
- The Enterprise, Landfill Fund cash balance decreased \$22,086 to \$219,905. Receipts remained consistent with fiscal year 2016 while disbursements increased approximately \$15,000 over the prior year. Also, the City transferred \$35,000 to the General Fund in fiscal year 2017 to reimburse the fund for shared costs. There were no significant changes in operations during the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 8, 2017 and resulted in an increase in budgeted disbursements for the police, fire, and ambulance departments as well as increases for animal control, insurance expenses and street repairs. Budgeted disbursements were also increased for water and sewer.

The City's receipts were \$14,002 more than budgeted. This was primarily due to the City receiving more intergovernmental receipts from townships due to one township paying the amounts in fiscal year 2017 which had not been paid to the City for a number of years.

Total disbursements were \$371,000 less than the amended budget. Actual disbursements for public safety, community and economic development and public works functions were \$168,491, \$71,341 and 65,406, respectively, less than the amended budget. The general government, capital projects, and business type activities functions were also less than the amended budget. The difference in the public safety function is due to vehicle and equipment purchases budgeted but not purchased in fiscal year 2017. Additionally, building inspections expenses were less than budgeted due to the lack of construction going on in the City. The difference in public works is due to less overtime for snow removal than expected and vehicle and road repairs budgeted in 2017 but not done until 2018. Community and economic development function was less than budgeted due to the remodeling project planned for the old City Hall building which was not done in fiscal year 2017.

Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the culture and recreation and debt service functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public works and general government functions.

DEBT ADMINISTRATION

At June 30, 2017, the City had \$1,958,000 of bonds and notes outstanding, compared to \$1,886,000 last year, as shown below.

	Outstanding Debt at Year-End	
	(Expressed in Thousands)	
	June 30,	
	2017	2016
General obligation notes	\$ 315	50
General obligation bonds	886	933
Revenue bonds	757	903
Total	\$ 1,958	1,886

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, including TIF debt of \$68,027, totals \$1,269,027 which is significantly below its constitutional debt limit of approximately \$3,886,000. 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 2018 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 3.2% versus 3.6% a year ago. This compares with the State's unemployment rate of 3.2% and the national rate of 4.4%.

These indicators were taken into account when adopting the budget for fiscal year 2018. Amounts available for appropriation in the operating budget are approximately \$2.671 million, a decrease of 1.0% from the final fiscal year 2017 budget. Budgeted disbursements are expected to decrease approximately \$306,000. The City has added no major new programs or initiatives to the fiscal year 2018 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$139,000 by the close of fiscal year 2018.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

City of Colfax

Basic Financial Statements

City of Colfax

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2017

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 561,777	203,493	57,245	-
Public works	312,612	-	259,833	-
Culture and recreation	247,488	38,809	4,724	-
Community and economic development	40,659	-	-	-
General government	264,890	73,077	-	23,604
Debt service	77,677	-	-	-
Total governmental activities	1,505,103	315,379	321,802	23,604
Business type activities:				
Water	394,832	375,421	-	-
Sewer	423,771	532,823	-	-
Landfill	142,118	155,020	-	-
Total business type activities	960,721	1,063,264	-	-
Total Primary Government	\$ 2,465,824	1,378,643	321,802	23,604
Component Unit:				
Colfax Park and Recreation Auxiliary Board	\$ 109,958	-	-	61,727
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Hotel/motel tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Note proceeds				
Sale of capital assets				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Urban renewal purposes				
Employee benefits				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				
See notes to financial statements.				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position

Primary Government		Component Unit	
Governmental Activities	Business Type Activities	Total	Colfax Park and Recreation Auxiliary Board

(301,039)	-	(301,039)	
(52,779)	-	(52,779)	
(203,955)	-	(203,955)	
(40,659)	-	(40,659)	
(168,209)	-	(168,209)	
(77,677)	-	(77,677)	
(844,318)	-	(844,318)	
-	(19,411)	(19,411)	
-	109,052	109,052	
-	12,902	12,902	
-	102,543	102,543	
(844,318)	102,543	(741,775)	

(48,231)

617,748	-	617,748	-
78,584	-	78,584	-
200,037	-	200,037	-
48,600	-	48,600	-
17,186	-	17,186	-
6,735	733	7,468	-
275,000	-	275,000	-
611	-	611	-
18,781	-	18,781	-
39,582	(39,582)	-	-
1,302,864	(38,849)	1,264,015	-
458,546	63,694	522,240	(48,231)
617,021	1,781,732	2,398,753	152,788
\$ 1,075,567	1,845,426	2,920,993	104,557

\$ 70,889	-	70,889	-
142,507	-	142,507	-
4,664	-	4,664	-
33,975	-	33,975	-
62,335	13,756	76,091	-
275,000	-	275,000	-
389,432	-	389,432	104,557
96,765	1,831,670	1,928,435	-
\$ 1,075,567	1,845,426	2,920,993	104,557

City of Colfax

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

As of and for the year ended June 30, 2017

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ 448,138	-	169,610	-
Other city tax	48,600	-	-	200,037
Licenses and permits	73,135	-	-	-
Use of money and property	12,923	-	-	20
Intergovernmental	53,215	259,833	4,222	-
Charges for service	209,121	-	-	-
Special assessments	10,070	-	-	-
Miscellaneous	78,478	-	-	-
Total receipts	933,680	259,833	173,832	200,057
Disbursements:				
Operating:				
Public safety	452,849	-	108,928	-
Public works	-	293,679	18,933	-
Culture and recreation	176,431	-	25,158	261
Community and economic development	15,747	-	-	23,115
General government	224,540	-	40,350	-
Debt service	-	-	-	-
Total disbursements	869,567	293,679	193,369	23,376
Excess (deficiency) of receipts over (under) disbursements	64,113	(33,846)	(19,537)	176,681
Other financing sources (uses):				
Note proceeds	-	-	-	-
Sale of capital assets	611	-	-	-
Transfers in	209,781	-	-	-
Transfers out	(2,600)	-	-	(100,019)
Total other financing sources (uses)	207,792	-	-	(100,019)
Change in cash balances	271,905	(33,846)	(19,537)	76,662
Cash balances beginning of year	(83,948)	176,353	53,512	112,709
Cash balances end of year	\$ 187,957	142,507	33,975	189,371
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Streets	-	142,507	-	-
Urban renewal purposes	-	-	-	-
Employee benefits	-	-	33,975	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	91,192	-	-	189,371
Assigned for:				
Library	14,877	-	-	-
Parks	4,412	-	-	-
Equipment	14,002	-	-	-
Unassigned	63,474	-	-	-
Total cash basis fund balances	\$ 187,957	142,507	33,975	189,371

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	78,584	696,332
-	-	248,637
-	-	73,135
-	398	13,341
-	1,772	319,042
-	-	209,121
-	-	10,070
-	300	78,778
-	81,054	1,648,456
-	-	561,777
-	-	312,612
-	45,638	247,488
-	1,797	40,659
-	-	264,890
-	77,677	77,677
-	125,112	1,505,103
-	(44,058)	143,353
275,000	-	275,000
-	-	611
-	2,600	212,381
-	(70,180)	(172,799)
275,000	(67,580)	315,193
275,000	(111,638)	458,546
-	358,395	617,021
275,000	246,757	1,075,567
-	70,889	70,889
-	-	142,507
-	4,664	4,664
-	-	33,975
-	62,335	62,335
275,000	-	275,000
-	108,869	389,432
-	-	14,877
-	-	4,412
-	-	14,002
-	-	63,474
275,000	246,757	1,075,567

City of Colfax

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

As of and for the year ended June 30, 2017

	Enterprise			
	Water	Sewer	Landfill	Total
Operating receipts:				
Charges for service	\$ 373,771	532,823	154,337	1,060,931
Miscellaneous	1,650	-	683	2,333
Total operating receipts	375,421	532,823	155,020	1,063,264
Operating disbursements:				
Business type activities	321,339	266,893	142,118	730,350
Excess of operating receipts over operating disbursements	54,082	265,930	12,902	332,914
Non-operating receipts (disbursements):				
Interest on investments	591	130	12	733
Debt service	(39,850)	(126,460)	-	(166,310)
Capital projects	(33,643)	(30,418)	-	(64,061)
Net non-operating receipts (disbursements)	(72,902)	(156,748)	12	(229,638)
Excess (deficiency) of receipts over (under) disbursements	(18,820)	109,182	12,914	103,276
Transfers in	-	65,418	-	65,418
Transfers out	(35,000)	(35,000)	(35,000)	(105,000)
Total transfers	(35,000)	30,418	(35,000)	(39,582)
Change in cash balances	(53,820)	139,600	(22,086)	63,694
Cash balances beginning of year	951,232	588,509	241,991	1,781,732
Cash balances end of year	\$ 897,412	728,109	219,905	1,845,426
Cash Basis Fund Balances				
Restricted for debt service	\$ 3,282	10,474	-	13,756
Unrestricted	894,130	717,635	219,905	1,831,670
Total cash basis fund balances	\$ 897,412	728,109	219,905	1,845,426

See notes to financial statements.

City of Colfax

Notes to Financial Statements

June 30, 2017

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Discretely Presented Component Unit

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public works and general government functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2017 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes		General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 10,000	8,338	48,000	15,505	150,000	15,073	208,000	38,916
2019	60,000	7,938	48,000	14,665	154,000	12,010	262,000	34,613
2020	65,000	6,312	49,000	13,825	159,000	8,865	273,000	29,002
2021	65,000	4,565	50,000	12,967	164,000	5,620	279,000	23,152
2022	55,000	2,817	51,000	12,093	130,000	2,275	236,000	17,185
2023-2027	60,000	1,470	274,000	46,620	-	-	334,000	48,090
2028-2032	-	-	302,000	21,682	-	-	302,000	21,682
2033	-	-	64,000	1,120	-	-	64,000	1,120
Total	\$ 315,000	31,440	886,000	138,477	757,000	43,843	1,958,000	213,760

General Obligation Street Improvement Note

On June 27, 2017, the City entered into a loan agreement for the issuance of a general obligation street improvement note for \$275,000 for the purpose of paying the costs of constructing street improvements. No principal or interest payments were made during the year ended June 30, 2017. At June 30, 2017 the outstanding principal balance is \$275,000.

General Obligation Sewer Improvement Bonds

On October 25, 2013, the City entered into a loan agreement with the Iowa Finance Authority (IFA) and the Iowa Department of Natural Resources (DNR) for the issuance of up to \$1,109,000 of general obligation sewer improvement bonds with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384 and 76 of the Code of Iowa to pay costs of constructing certain wastewater treatment facilities. During the year ended June 30, 2017, the City paid principal of \$47,000 and interest of \$16,328 on the bonds. At June 30, 2017 the outstanding principal balance is \$886,000.

Revenue Bonds

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$510,000 of water revenue bonds issued in February 2012. Proceeds from the bonds provided financing for the construction of improvements and extensions to the water system. The bonds are payable solely from water customer net receipts and are payable through 2021. Annual principal and interest payments on the bonds are expected to require less than 74% of net receipts. The total principal and interest remaining to be paid on the bonds is \$157,100. For the current year, principal and interest paid and total customer net receipts were \$39,400 and \$54,082, 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 48% of net receipts. The total principal and interest remaining to be paid on the bonds is \$643,743. For the current year, principal and interest paid and total customer net receipts were \$124,652 and \$265,930, 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.

(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, 2017, the City paid \$12,750 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, PO Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

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

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS’ Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the “entry age normal” actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2017, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City’s contributions to IPERS for the year ended June 30, 2017 totaled \$54,940.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2017, the City reported a liability of \$346,811 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2016, the City’s proportion was 0.005511%, which was an increase of 0.000403% over its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$58,259, \$79,148 and \$8,558, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2014)	3.00% per annum.
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 1990)	4.00% per annum, based on 3.00% inflation and 1.00% real wage inflation.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

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

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of 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>
Core plus fixed income	28%	1.90%
Domestic equity	24	5.85
International equity	16	6.32
Private equity/debt	11	10.31
Real estate	8	3.87
Credit opportunities	5	4.48
U.S. TIPS	5	1.36
Other real assets	2	6.42
Cash	1	(0.26)
Total	<u>100%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability	\$ 671,230	346,811	73,138

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

(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 Fund. Retirees under age 65 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 \$326 for family coverage. For the year ended June 30, 2017, the City contributed \$162,313 and plan members eligible for benefits contributed \$18,019 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, 2017, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 27,000
Sick leave	22,000
Compensatory time	4,000
Total	<u>\$ 53,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2017.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2017 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 100,019
	Flood	746
	Urban Renewal Tax Increment	3,390
	Permanent:	
	Cemetery Perpetual Care	626
	Enterprise:	
	Water	35,000
	Sewer	35,000
	Landfill	<u>35,000</u>
		209,781
Special Revenue:		
Quarry Springs	General	2,600
Enterprise:		
Sewer	Debt Service	<u>65,418</u>
Total		<u>\$ 277,799</u>

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

(9) Interfund Loan

During the year ended June 30, 2017, the City approved an interfund loan in the amount of \$2,600 from the General Fund to be repaid from the Special Revenue, Quarry Springs Fund. As of June 30, 2017, no repayments have been made, leaving a balance of \$2,600.

(10) Related Party Transactions

The City had business transactions between the City and City officials totaling \$2,500 during the year ended June 30, 2017.

(11) 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.

(12) 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, 2017, the City has paid \$6,973 to the developer.

(13) Tax Abatements

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

Tax Abatements of Other Entities

Property tax revenues of the City were reduced by the following amounts for the year ended June 30, 2017 under agreements entered into by the following entity:

Entity	Tax Abatement Program	Amount of Tax Abated
Jasper County	Urban renewal and economic development projects	\$ 59,981

(14) 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 \$5,979,680, based on 2017 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, 2017, \$1,558,170 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 \$215,000, based on the June 30, 2017 information. The City's proportionate share is updated annually in accordance with the agreement.

(15) 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.

(16) New Accounting Pronouncement

The City adopted the tax abatement disclosure guidance set forth in Governmental Accounting Standards Board Statement No. 77, Tax Abatement Disclosures. The Statement sets forth guidance for the disclosure of information about the nature and magnitude of tax abatements which will make these transactions more transparent to financial statement users. Adoption of the guidance did not have an impact on amounts reported in the financial statements. The Notes to Financial Statements include information about tax abatements of other entities which impact the City.

(17) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement will be implemented for the fiscal year ending June 30, 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with postemployment benefits other than pensions, including additional note disclosures and required supplementary information.

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, 2017

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 696,332	-	696,332
Other city tax	248,637	-	248,637
Licenses and permits	73,135	-	73,135
Use of money and property	13,341	733	14,074
Intergovernmental	319,042	-	319,042
Charges for service	209,121	1,060,931	1,270,052
Special assessments	10,070	-	10,070
Miscellaneous	78,778	2,333	81,111
Total receipts	1,648,456	1,063,997	2,712,453
Disbursements:			
Public safety	561,777	-	561,777
Public works	312,612	-	312,612
Culture and recreation	247,488	-	247,488
Community and economic development	40,659	-	40,659
General government	264,890	-	264,890
Debt service	77,677	-	77,677
Capital projects	-	-	-
Business type activities	-	960,721	960,721
Total disbursements	1,505,103	960,721	2,465,824
Excess (deficiency) of receipts over (under) disbursements	143,353	103,276	246,629
Other financing sources, net	315,193	(39,582)	275,611
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	458,546	63,694	522,240
Balances beginning of year	617,021	1,781,732	2,398,753
Balances end of year	\$ 1,075,567	1,845,426	2,920,993

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
680,929	680,929	15,403
198,457	267,457	(18,820)
18,075	18,075	55,060
41,000	52,800	(38,726)
292,839	293,839	25,203
1,194,651	1,290,951	(20,899)
-	-	10,070
54,800	94,400	(13,289)
<u>2,480,751</u>	<u>2,698,451</u>	<u>14,002</u>
541,968	730,268	168,491
270,018	378,018	65,406
190,826	220,426	(27,062)
87,000	112,000	71,341
243,905	269,855	4,965
77,660	77,660	(17)
-	47,000	47,000
<u>937,247</u>	<u>1,001,597</u>	<u>40,876</u>
<u>2,348,624</u>	<u>2,836,824</u>	<u>371,000</u>
132,127	(138,373)	385,002
<u>-</u>	<u>-</u>	<u>275,611</u>
132,127	(138,373)	660,613
<u>2,422,778</u>	<u>2,422,778</u>	<u>(24,025)</u>
<u>2,554,905</u>	<u>2,284,405</u>	<u>636,588</u>

City of Colfax

Notes to Other Information – Budgetary Reporting

June 30, 2017

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$488,200. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2017, disbursements exceeded the amounts budgeted in the culture and recreation and debt service functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public works and general government functions.

City of Colfax

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

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

Other Information

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

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

See accompanying independent auditor's report.

City of Colfax

Schedule of City Contributions

Iowa Public Employees' Retirement System
For the Last 7 Years*
(In Thousands)

Other Information

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

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

See accompanying independent auditor's report.

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

City of Colfax

Notes to Other Information – Pension Liability

Year ended June 30, 2017

Changes of benefit terms:

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

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

Changes of assumptions:

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

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, 2017

	Special Revenue				
	CDBG	Urban Renewal Tax Increment	Tenant Memorial	Flood	Quarry Springs
Receipts:					
Property tax	\$ -	-	-	-	-
Use of money and property	-	-	398	-	-
Intergovernmental	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	-	-	398	-	-
Disbursements:					
Operating:					
Culture and recreation	-	-	-	-	45,638
Community and economic development	-	1,797	-	-	-
Debt service	-	-	-	-	-
Total disbursements	-	1,797	-	-	45,638
Excess (deficiency) of receipts over (under) disbursements	-	(1,797)	398	-	(45,638)
Other financing sources (uses):					
Transfers in	-	-	-	-	2,600
Transfers out	-	(3,390)	-	(746)	-
Total other financing sources (uses)	-	(3,390)	-	(746)	2,600
Change in cash balances	-	(5,187)	398	(746)	(43,038)
Cash balances beginning of year	49,619	9,851	58,849	746	43,041
Cash balances end of year	\$ 49,619	4,664	59,247	-	3
Cash Basis Fund Balances					
Nonspendable - Cemetery perpetual care	\$ -	-	-	-	-
Restricted for:					
Urban renewal purposes	-	4,664	-	-	-
Debt service	-	-	-	-	-
Other purposes	49,619	-	59,247	-	3
Total cash basis fund balances	\$ 49,619	4,664	59,247	-	3

See accompanying independent auditor's report.

<u>Permanent</u>		
Debt Service	Cemetery Perpetual Care	Total
78,584	-	78,584
-	-	398
1,772	-	1,772
-	300	300
80,356	300	81,054
<hr/>		
-	-	45,638
-	-	1,797
77,677	-	77,677
77,677	-	125,112
<hr/>		
2,679	300	(44,058)
<hr/>		
-	-	2,600
(65,418)	(626)	(70,180)
(65,418)	(626)	(67,580)
<hr/>		
(62,739)	(326)	(111,638)
125,074	71,215	358,395
62,335	70,889	246,757
<hr/>		
-	70,889	70,889
<hr/>		
-	-	4,664
62,335	-	62,335
-	-	108,869
62,335	70,889	246,757
<hr/>		

City of Colfax
 Schedule of Indebtedness
 Year ended June 30, 2017

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

See accompanying independent auditor's report.

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

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
50,000	-	10,000	40,000	2,017
-	275,000	-	275,000	-
<u>\$ 50,000</u>	<u>275,000</u>	<u>10,000</u>	<u>315,000</u>	<u>2,017</u>
933,000	-	47,000	886,000	16,328
180,000	-	34,000	146,000	5,400
723,000	-	112,000	611,000	12,652
<u>\$ 903,000</u>	<u>-</u>	<u>146,000</u>	<u>757,000</u>	<u>18,052</u>

City of Colfax

City of Colfax
Bond and Note Maturities
June 30, 2017

Year	General Obligation Notes					General Obligation Bonds		
	Street Improvements		Street Improvements		Total	Sewer Improvement		
	Issued Sept 1, 2010	Issued June 27, 2017	Issued June 27, 2017	Issued Oct 25, 2013				
Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Amount	
2018	4.00%	\$ 10,000	2.45%	\$ -	10,000	1.75%	\$ 48,000	
2019	4.00	10,000	2.45	50,000	60,000	1.75	48,000	
2020	4.00	10,000	2.45	55,000	65,000	1.75	49,000	
2021	4.00	10,000	2.45	55,000	65,000	1.75	50,000	
2022		-	2.45	55,000	55,000	1.75	51,000	
2023		-		60,000	60,000	1.75	52,000	
2024		-		-	-	1.75	54,000	
2025		-		-	-	1.75	55,000	
2026		-		-	-	1.75	56,000	
2027		-		-	-	1.75	57,000	
2028		-		-	-	1.75	58,000	
2029		-		-	-	1.75	59,000	
2030		-		-	-	1.75	60,000	
2031		-		-	-	1.75	62,000	
2032		-		-	-	1.75	63,000	
2033		-		-	-	1.75	64,000	
Total		<u>\$ 40,000</u>		<u>\$ 275,000</u>	<u>315,000</u>		<u>\$ 886,000</u>	

Year	Revenue Bonds				
	Water		Sewer		Total
	Issued Feb 24, 2012	Issued March 25, 2003	Issued March 25, 2003	Issued March 25, 2003	
Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Amount
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>\$ 146,000</u>		<u>\$ 611,000</u>	<u>757,000</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

	2017	2016	2015	2014
Receipts:				
Property tax	\$ 696,332	667,021	662,646	637,336
Tax increment financing	-	11,636	180	22
Other city tax	248,637	217,560	212,907	206,494
Licenses and permits	73,135	35,688	32,606	26,783
Use of money and property	13,341	5,292	4,294	4,515
Intergovernmental	319,042	350,849	368,544	878,898
Charges for service	209,121	203,163	186,231	155,675
Special assessments	10,070	17,534	21,337	14,191
Miscellaneous	78,778	67,838	91,656	38,734
Total	\$ 1,648,456	1,576,581	1,580,401	1,962,648
Disbursements:				
Operating:				
Public safety	\$ 561,777	554,440	681,559	447,887
Public works	312,612	206,406	197,336	199,743
Health and social services	-	-	-	-
Culture and recreation	247,488	201,003	192,279	193,412
Community and economic development	40,659	49,472	154,033	313,077
General government	264,890	285,848	284,342	345,996
Debt service	77,677	23,958	24,869	28,571
Total	\$ 1,505,103	1,321,127	1,534,418	1,528,686

See accompanying independent auditor's report.

2013	2012	2011	2010	2009	2008
660,068	715,037	679,221	633,148	661,194	627,494
-	-	-	26,699	23,036	17,140
206,891	224,624	249,343	238,398	236,577	229,257
17,489	24,784	10,350	12,898	9,198	12,363
4,097	4,350	6,933	12,514	19,999	22,702
598,222	300,116	238,912	237,890	256,998	418,635
135,926	156,178	120,678	130,646	119,656	144,787
-	-	-	10,731	46,797	-
92,336	78,319	105,097	64,615	81,213	24,970
1,715,029	1,503,408	1,410,534	1,367,539	1,454,668	1,497,348
497,721	435,717	450,330	612,848	486,489	408,237
209,222	184,579	302,819	213,773	335,071	503,078
-	-	4,217	5,900	-	-
186,941	238,896	172,112	229,619	256,398	186,962
352,847	107,916	130,449	31,126	43,916	83,565
285,338	240,012	235,094	175,296	180,088	177,694
40,290	185,010	198,018	194,521	201,880	242,514
1,572,359	1,392,130	1,493,039	1,463,083	1,503,842	1,602,050

City of Colfax



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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Colfax, Iowa, as of and for the year ended June 30, 2017, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 2, 2017. 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.

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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2017 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


The City of 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

November 2, 2017

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – Generally, one of two employees has control over each of the following areas:

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

Additionally, an initial listing of receipts is not prepared by the mail opener and pre-numbered receipts are not issued for cash receipts at the counter.

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

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

City of Colfax

Schedule of Findings

Year ended June 30, 2017

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. An initial listing of receipts should be prepared by the mail opener and pre-numbered receipts should be issued for cash receipts at the counter.

Response – The City will continue to strive for segregation of duties. Numbered receipts will be issued for utility payments. City staff will itemize a listing of mail/drop box receipts at least one day a week.

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

(B) Discretely Presented Component Unit

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from error or dishonesty and maximizes the accuracy of the financial statements.

Condition – For the Colfax Park and Recreation Auxiliary Board, the responsibilities for the deposit preparation, cash disbursement and bank reconciliation functions are not properly segregated from recording and accounting functions.

Cause – The Colfax Park and Recreation Auxiliary Board has a limited number of individuals and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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

Recommendation – We realize segregation of duties is difficult with a limited number of individuals. However, the Colfax Park and Recreation Auxiliary Board, should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing Board members.

Response – City staff will discuss this issue with the Colfax Park and Recreation Auxiliary Board to identify ways they can attain better internal control of their finances.

Conclusion – Response accepted.

City of Colfax

Schedule of Findings

Year ended June 30, 2017

(C) Separately Maintained Records

Criteria – The City Council has a fiduciary responsibility to ensure all funds of the City are properly safeguarded. In addition, Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.”

Conditions –

Fire Department – The bookkeeping and custody of the Fire Department’s certificate of deposit (CD) is under the control of the City Clerk, however, two of the three authorized signers for the Fire Department’s CD are not current City personnel or City officials.

The bookkeeping and custody of the City Fire Department’s bank account is under the control of the Fire Department. The transactions and the resulting balances of the Fire Department’s bank account were not included in the City’s accounting records and were not included in the City’s annual budget, monthly reports or Annual Financial Report. In addition, invoices or other supporting documentation were not maintained for four of five transactions tested from the Fire Department’s bank account.

Library – The bookkeeping and control of the Library’s bank account is under the control of the Library Board. Not all disbursements from the Library checking account were presented to the City Council for approval.

Police Department – The bookkeeping and custody of the Police Department’s vehicle inspection fee bank account is under the control of the City Clerk. Disbursements tested were not presented to the City Council for approval.

Cause – The City has multiple bank accounts which provides the opportunity for unsupported, unapproved or unrecorded transactions. Also, all funds are not under the control of the City Clerk.

Effect – City funds are not properly safeguarded, improper use of City funds could occur and not be detected. Also, the City is not properly retaining support and reporting all activity.

Recommendation – For better accountability, financial and budgetary control, the financial activity and balances for all City accounts should be included in the City’s accounting records and annual budget and should be reported to the City Council on a monthly basis. All City accounts should be under the control of the City Clerk. Individuals outside of City personnel and officials should not be authorized signers on City CD’s or bank accounts.

In addition, invoices or other supporting documentation should be maintained for all disbursements and all disbursements should be properly approved by the City Council.

City of Colfax

Schedule of Findings

Year ended June 30, 2017

Response – The staff will advise the Fire Department and Library of the Auditor’s findings. In the future the Police Department’s expenses will be presented to the Council for approval.

The Fire Department is in the process of creating the Colfax Fire Association, a 501c3 entity so they are able to maintain a separate checking account. They will be required to provide annual reports to the City Council.

Conclusion – Response acknowledged. To properly safeguard assets, CD’s and bank accounts should be under the control of the City Clerk. In addition, all disbursements should be properly supported and approved by the City Council.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Colfax

Schedule of Findings

Year ended June 30, 2017

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2017 exceeded the amounts budgeted in the culture and recreation and debt service functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public works, culture and recreation and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – City staff will make every effort to ensure the budget is amended to cover all expenses and in the required time frame.

Conclusion – Response accepted.

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

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Sam's Club*	Velveeta cheese	\$ 75
Unknown Vendor*	Unable to determine - disbursement is not supported	335
Shugar's*	Unable to determine - disbursement is not supported	231
Shugar's*	Unable to determine - disbursement is not supported	181
Shugar's*	Unable to determine - disbursement is not supported	319
		<u>\$ 1,141</u>

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

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.

City of Colfax

Schedule of Findings

Year ended June 30, 2017

Response – The Fire Department is in the process of creating the Colfax Fire Association, a 501(c)(3) entity so they are able to maintain a separate checking account. They will be required to provide annual reports to the City Council. The purchase of food items for fundraiser will be allowed under the 501(c)(3) guidelines.

Conclusion – Response accepted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – During the year, a Council member was paid for serving as the Pool Chemical Manager. The City Pool Chemical Manager was paid \$2,500 for the year for the duties of managing the City pool chemicals. Chapter 372.13(8) of the Code of Iowa states, in part, “An elected city officer is not entitled to receive any other compensation for any other city office or city employment during that officer’s tenure in office.”

Recommendation – The City should consult legal counsel to determine the disposition of the matter.

Response – We have consulted legal counsel and determined the Council member is a contractor. In the future we will bid for these services.

Conclusion – Response accepted.

- (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 – No instances of non-compliance with revenue bond resolutions were noted.
- (9) Enterprise Fund Transfers – Chapter 384.89 of the Code of Iowa allows for the transfer of surplus funds from the Enterprise Funds to other City funds. During the year ended June 30, 2017, the City transferred \$35,000 from the Enterprise, Water, Sewer and Landfill Funds to the General Fund to reimburse the General Fund for shared costs which had never been charged to the Enterprise Funds over the prior fiscal years. The City did not document the determination of the amount to be reimbursed by each Enterprise Fund to the General Fund.

Recommendation – The City should prepare and maintain documentation of the determination of the amounts to be transferred from each of the Enterprise Funds to the General Fund.

City of Colfax

Schedule of Findings

Year ended June 30, 2017

Response – The City will document and maintain support for the determination of the amounts transferred to the General Fund.

Conclusion – Response accepted.

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

We noted the following:

- The City previously 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 and the internal loan balance has not been tracked by the City.
- The City previously certified \$4,142 as an internal loan, which represented legal fees paid from other funds, as TIF indebtedness. The internal loan balance has not been tracked by the City.

Recommendation – The City should consult TIF legal counsel to determine the disposition of the City's TIF certifications and should work with the County Auditor to ensure the proper amount of debt is certified. 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. The City should establish procedures to track payments and remaining balances on all internal loans.

Response – City staff have talked to bonding counsel regarding internal loan documentation and none is on record. The City will decertify the amount on the TIF debt certification.

Conclusion – Response accepted.

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

However, the amount reported by the City as TIF debt outstanding at July 1, 2015 was understated by \$58,277.

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

Response – City staff will confirm total debt remaining on the Subway rebate agreement agrees with the report.

Conclusion – Response accepted.

City of Colfax

Staff

This audit was performed by:

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

A handwritten signature in black ink, reading "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State