

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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

NEWS RELEASE

FOR RELEASE

March 27, 2020

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$3,210,733 for the year ended June 30, 2019, a 7.5% increase over the prior year. Disbursements for the year ended June 30, 2019 totaled \$3,328,009, a 5.2% increase over the prior year.

AUDIT FINDINGS:

Sand reported ten findings related to the receipt and disbursement of taxpayer funds. They are found on pages 48 through 55 of this report. The findings address issues such as a lack of segregation of duties, disbursements exceeding budgeted amounts, and noncompliance with Chapter 372.13(8) of the Code of Iowa. Sand provided the City with recommendations to address each of the findings.

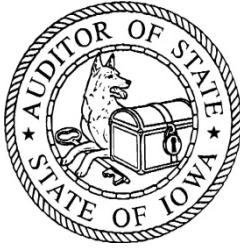
The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

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CITY OF COLFAX
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2019

City of Colfax



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March 20, 2020

Officials of the City of Colfax
Colfax, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Colfax, Iowa, for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand", written in a cursive style.

Rob Sand
Auditor of State

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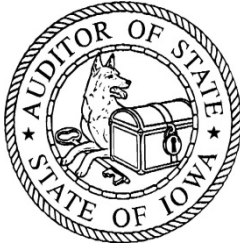
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City of Colfax

Officials

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

City of Colfax



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Colfax, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, 2019, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

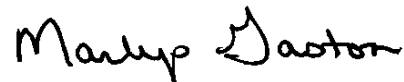
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Colfax's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the five years ended June 30, 2018 (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 four 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, 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 30 through 36, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 20, 2020 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.



Marlys K. Gaston, CPA
Deputy Auditor of State

March 20, 2020

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, 2019

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 637,179	230,585	47,166	-
Public works	247,068	-	270,386	-
Culture and recreation	298,378	38,573	24,861	-
Community and economic development	45,570	-	-	-
General government	235,012	141,997	74,932	-
Debt service	151,508	-	-	-
Capital projects	39,174	-	-	-
Total governmental activities	1,653,889	411,155	417,345	-
Business type activities:				
Water	765,461	445,546	-	2,000
Sewer	764,454	534,116	-	-
Landfill	144,204	154,868	-	-
Total business type activities	1,674,119	1,134,530	-	2,000
Total Primary Government	\$ 3,328,008	1,545,685	417,345	2,000
Component Unit:				
Colfax Park and Recreation Auxiliary Board	\$ 46,112	-	-	49,561
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel/motel tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Sale of capital assets				
Note proceeds				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Employee benefits				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				
See notes to financial statements.				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Colfax Park and Recreation Auxiliary Board
(359,428)	-	(359,428)	
23,318	-	23,318	
(234,944)	-	(234,944)	
(45,570)	-	(45,570)	
(18,083)	-	(18,083)	
(151,508)	-	(151,508)	
(39,174)	-	(39,174)	
<u>(825,389)</u>	<u>-</u>	<u>(825,389)</u>	
-	(317,915)	(317,915)	
-	(230,338)	(230,338)	
-	10,664	10,664	
<u>-</u>	<u>(537,589)</u>	<u>(537,589)</u>	
<u>(825,389)</u>	<u>(537,589)</u>	<u>(1,362,978)</u>	
			<u>3,449</u>
696,734	-	696,734	-
132,788	-	132,788	-
4,409	-	4,409	-
178,701	-	178,701	-
42,207	-	42,207	-
24,770	-	24,770	-
15,515	15,761	31,276	-
2,000	-	2,000	-
-	132,818	132,818	-
7,000	(7,000)	-	-
<u>1,104,124</u>	<u>141,579</u>	<u>1,245,703</u>	<u>-</u>
278,735	(396,010)	(117,275)	3,449
944,578	1,801,120	2,745,698	80,679
<u>\$ 1,223,313</u>	<u>1,405,110</u>	<u>2,628,423</u>	<u>84,128</u>
\$ 71,869	-	71,869	-
158,462	-	158,462	-
29,495	-	29,495	-
78,686	10,345	89,031	-
368,457	-	368,457	-
516,344	1,394,765	1,911,109	84,128
<u>\$ 1,223,313</u>	<u>1,405,110</u>	<u>2,628,423</u>	<u>84,128</u>

City of Colfax

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

As of and for the year ended June 30, 2019

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ 494,360	-	202,374	-
Tax increment financing	-	-	-	-
Other city tax	42,207	-	-	178,701
Licenses and permits	126,837	-	-	-
Use of money and property	19,368	-	-	2,473
Intergovernmental	66,178	270,386	6,130	-
Charges for service	245,113	-	-	-
Special assessments	13,273	-	-	-
Miscellaneous	108,552	-	-	-
Total receipts	<u>1,115,888</u>	<u>270,386</u>	<u>208,504</u>	<u>181,174</u>
Disbursements:				
Operating:				
Public safety	523,548	-	108,799	-
Public works	-	228,995	18,073	-
Culture and recreation	269,892	-	28,486	-
Community and economic development	2,625	-	-	37,943
General government	194,705	-	40,307	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>990,770</u>	<u>228,995</u>	<u>195,665</u>	<u>37,943</u>
Excess (deficiency) of receipts over (under) disbursements	<u>125,118</u>	<u>41,391</u>	<u>12,839</u>	<u>143,231</u>
Other financing sources (uses):				
Sale of capital assets	2,000	-	-	-
Transfers in	106,351	-	-	-
Transfers out	-	(10,000)	-	(119,823)
Total other financing sources (uses)	<u>108,351</u>	<u>(10,000)</u>	<u>-</u>	<u>(119,823)</u>
Change in cash balances	233,469	31,391	12,839	23,408
Cash balances beginning of year	<u>387,370</u>	<u>127,071</u>	<u>16,656</u>	<u>117,861</u>
Cash balances end of year	<u>\$ 620,839</u>	<u>158,462</u>	<u>29,495</u>	<u>141,269</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Streets	-	158,462	-	-
Employee benefits	-	-	29,495	-
Debt service	-	-	-	-
Other purposes	104,495	-	-	141,269
Assigned for:				
Parks	4,532	-	-	-
Equipment	56,343	-	-	-
Unassigned	<u>455,469</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 620,839</u>	<u>158,462</u>	<u>29,495</u>	<u>141,269</u>

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	132,788	829,522
-	4,409	4,409
-	-	220,908
-	-	126,837
-	720	22,561
-	3,711	346,405
-	-	245,113
-	-	13,273
-	6,044	114,596
-	147,672	1,923,624
-	4,832	637,179
-	-	247,068
-	-	298,378
-	5,002	45,570
-	-	235,012
-	151,508	151,508
9,714	29,460	39,174
9,714	190,802	1,653,889
(9,714)	(43,130)	269,735
-	-	2,000
-	30,472	136,823
-	-	(129,823)
-	30,472	9,000
(9,714)	(12,658)	278,735
9,714	285,906	944,578
-	273,248	1,223,313
-	71,869	71,869
-	-	158,462
-	-	29,495
-	78,686	78,686
-	122,693	368,457
-	-	4,532
-	-	56,343
-	-	455,469
-	273,248	1,223,313

City of Colfax

City of Colfax

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

As of and for the year ended June 30, 2019

	Enterprise			
	Water	Sewer	Landfill	Total
Operating receipts:				
Charges for service	\$ 445,546	534,116	154,325	1,133,987
Miscellaneous	-	-	543	543
Total operating receipts	445,546	534,116	154,868	1,134,530
Operating disbursements:				
Business type activities	461,730	360,876	144,204	966,810
Excess (deficiency) of operating receipts over (under) operating disbursements	(16,184)	173,240	10,664	167,720
Non-operating receipts (disbursements):				
Interest on investments	10,612	2,863	2,286	15,761
Intergovernmental	2,000	-	-	2,000
Debt service	(111,389)	(384,082)	-	(495,471)
Note proceeds	132,818	-	-	132,818
Capital outlay	(192,342)	(19,496)	-	(211,838)
Net non-operating receipts (disbursements)	(158,301)	(400,715)	2,286	(556,730)
Excess (deficiency) of receipts over (under) disbursements	(174,485)	(227,475)	12,950	(389,010)
Transfers out	(500)	(6,500)	-	(7,000)
Change in cash balances	(174,985)	(233,975)	12,950	(396,010)
Cash balances beginning of year	825,205	746,306	229,609	1,801,120
Cash balances end of year	\$ 650,220	512,331	242,559	1,405,110
Cash Basis Fund Balances				
Restricted for debt service	\$ -	10,345	-	10,345
Unrestricted	650,220	501,986	242,559	1,394,765
Total cash basis fund balances	\$ 650,220	512,331	242,559	1,405,110

See notes to financial statements.

(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, culture and recreation, community and economic development and general government services. The City also provides water, sewer and landfill utilities for its citizens.

A. Reporting Entity

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

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

Discretely Presented Component Unit

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

Blended Component Unit

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

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, 2019, disbursements exceeded the amounts budgeted in the culture and recreation and business type activities functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public works, culture recreation and business type activities functions.

(2) Cash and Pooled Investments

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

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

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,230,527. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Notes		General Obligation Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 55,000	5,513	49,000	13,825	39,000	3,660	143,000	22,998
2021	55,000	4,165	50,000	12,967	41,000	2,490	146,000	19,622
2022	55,000	2,818	51,000	12,093	42,000	1,260	148,000	16,171
2023	60,000	1,470	52,000	11,200	-	-	112,000	12,670
2024-2028	-	-	280,000	41,825	-	-	280,000	41,825
2029-2033	-	-	308,000	16,398	-	-	308,000	16,398
Total	\$ 225,000	13,966	790,000	108,308	122,000	7,410	1,137,000	129,684

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, 2019, the City paid principal of \$48,000 and interest of \$14,665 on the bonds. At June 30, 2019 the outstanding principal balance is \$790,000.

Revenue Anticipation Project Note

On September 28, 2018, the City entered into an agreement with the Iowa Finance Authority (IFA) for an Anticipation Project Note for up to \$175,000. The note was issued pursuant to the provisions of Chapters 384 and 76 of the Code of Iowa to pay costs of planning, design and construction of improvements and extensions to the municipal water system in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and corresponding issuance of water revenue notes in an amount sufficient to repay the note. No payments were made on loan during year ended June 30, 2019 and the City had drawn down \$132,818 of the authorized amount.

Revenue Bonds

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 73% of net receipts. The City made additional principal payments during the year ending June 30, 2019. The total principal and interest remaining to be paid on the bonds is \$129,410. For the current year, principal and interest due and paid and total customer net receipts were \$126,680 and \$173,240, 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 sewer activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) 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) Pension Plan

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

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

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

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

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

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

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

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

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

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

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

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

The City's contributions to IPERS for the year ended June 30, 2019 totaled \$65,259.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$314,481 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the City's proportion was 0.004970%, which was a decrease of 0.000132% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$64,471, \$134,029 and \$88,272, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

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

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 678,417	314,481	9,411

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

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City participates in a multi-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2019, the City contributed \$167,568 and plan members eligible for benefits contributed \$21,454 to the plan. At June 30, 2019, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement. At June 30, 2019, the following employees were covered by the benefit terms:

Active employees 11

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, sick leave and compensatory time payable to employees at June 30, 2019, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 36,000
Sick leave	23,000
Compensatory time	<u>4,000</u>
Total	<u>\$ 63,000</u>

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

(7) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 89,351
	Road Use Tax	10,000
	Enterprise:	
	Water	500
	Sewer	<u>6,500</u>
		106,351
Special Revenue:		
CDBG	Special Revenue:	
	Local Option Sales Tax	<u>30,472</u>
Total		<u>\$ 136,823</u>

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

(8) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 778 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2019 were \$54,204.

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

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

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

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

(9) 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. As of June 30, 2019, the City has not made any payments to the County.

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. During the year ended June 30, 2019, the City rebated \$5,002 of incremental property tax to the developer. As of June 30, 2019, the City has paid \$15,483 to the developer.

(10) Tax Abatements

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

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2019, \$1,967 of property tax was diverted from the City under the urban renewal and economic development agreements.

(11) Landfill Closure and Postclosure Care

The City has entered into an agreement with several other municipalities, as allowed under Chapter 28E of the Code of Iowa, to provide for economical and environmentally responsible disposal of solid waste and establish permanent environmental responsibility for the Newton Sanitary Landfill (Landfill). State and federal laws and regulations require the Landfill to place a final cover on the site and to perform certain maintenance and monitoring functions at the site for thirty years after closure. To date, 35% of the Landfill has been filled and the estimated total liability for such is \$6,040,280, based on 2019 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, 2019, \$2,226,641 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 \$197,000, based on the June 30, 2019 information. The City's proportionate share is updated annually in accordance with the agreement.

(12) City Hall Lease

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

(13) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Other Information

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

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 829,522	-	-
Tax increment financing	4,409	-	-
Other city tax	220,908	-	-
Licenses and permits	126,837	-	-
Use of money and property	22,561	15,761	-
Intergovernmental	346,405	2,000	-
Charges for service	245,113	1,133,987	-
Special assessments	13,273	-	-
Miscellaneous	114,596	543	5,644
Total receipts	1,923,624	1,152,291	5,644
Disbursements:			
Public safety	637,179	-	4,832
Public works	247,068	-	-
Health and social services	-	-	-
Culture and recreation	298,378	-	-
Community and economic development	45,570	-	-
General government	235,012	-	-
Debt service	151,508	-	-
Capital projects	39,174	-	-
Business type activities	-	1,674,119	-
Total disbursements	1,653,889	1,674,119	4,832
Excess (deficiency) of receipts over (under) disbursements	269,735	(521,828)	812
Other financing sources, net	9,000	125,818	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	278,735	(396,010)	812
Balances beginning of year	944,578	1,801,120	10,686
Balances end of year	\$ 1,223,313	1,405,110	11,498

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
829,522	819,071	819,071	10,451
4,409	4,545	4,545	(136)
220,908	335,263	351,263	(130,355)
126,837	20,375	20,375	106,462
38,322	41,832	59,602	(21,280)
348,405	291,512	349,512	(1,107)
1,379,100	1,258,715	1,317,715	61,385
13,273	-	-	13,273
109,495	85,925	112,500	(3,005)
<u>3,070,271</u>	<u>2,857,238</u>	<u>3,034,583</u>	<u>35,688</u>
632,347	571,837	679,044	46,697
247,068	242,798	273,513	26,445
-	15,000	15,000	15,000
298,378	207,419	294,273	(4,105)
45,570	111,545	111,545	65,975
235,012	263,448	333,898	98,886
151,508	133,098	163,258	11,750
39,174	-	802,670	763,496
1,674,119	1,002,446	1,002,446	(671,673)
<u>3,323,176</u>	<u>2,547,591</u>	<u>3,675,647</u>	<u>352,471</u>
(252,905)	309,647	(641,064)	388,159
134,818	-	175,000	(40,182)
(118,087)	309,647	(466,064)	347,977
<u>2,735,012</u>	<u>2,704,464</u>	<u>2,704,464</u>	<u>30,548</u>
<u>2,616,925</u>	<u>3,014,111</u>	<u>2,238,400</u>	<u>378,525</u>

City of Colfax

Notes to Other Information – Budgetary Reporting

June 30, 2019

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,128,056. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the culture and recreation and business type activities functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public works, culture and recreation and business type activities functions.

City of Colfax

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

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

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.004970%	0.005102%	0.005511%	0.005108%	0.004203%
City's proportionate share of the net pension liability	\$ 314	340	347	252	167
City's covered payroll	\$ 609	591	601	602	564
City's proportionate share of the net pension liability as a percentage of its covered payroll	51.56%	57.53%	57.74%	41.86%	29.61%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

City of Colfax

Schedule of City Contributions

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

Other Information

	2019	2018	2017	2016
Statutorily required contribution	\$ 65	57	55	56
Contributions in relation to the statutorily required contribution	(65)	(57)	(55)	(56)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 661	609	591	601
Contributions as a percentage of covered payroll	9.83%	9.36%	9.31%	9.32%

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.

2015	2014	2013	2012	2011
56	52	50	46	44
(56)	(52)	(50)	(46)	(44)
-	-	-	-	-
602	564	552	524	548
9.30%	9.22%	9.06%	8.78%	8.03%

City of Colfax

Notes to Other Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

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

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

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

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

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

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- 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, 2019

	CDBG	Urban Renewal Tax Increment	Special Tenant Memorial
Receipts:			
Property tax	\$ -	-	-
Tax increment financing	-	4,409	-
Use of money and property	-	-	720
Intergovernmental	-	-	-
Miscellaneous	-	-	-
Total receipts	-	4,409	720
Disbursements:			
Operating:			
Public safety	-	-	-
Community and economic development	-	5,002	-
Debt service	-	-	-
Capital projects	29,460	-	-
Total disbursements	29,460	5,002	-
Excess (deficiency) of receipts over (under) disbursements	(29,460)	(593)	720
Other financing sources:			
Transfers in	30,472	-	-
Change in cash balances	1,012	(593)	720
Cash balances beginning of year	49,619	5,453	59,844
Cash balances end of year	<u>\$ 50,631</u>	<u>4,860</u>	<u>60,564</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Debt service	-	4,860	-
Other purposes	50,631	-	60,564
Total cash basis fund balances	<u>\$ 50,631</u>	<u>4,860</u>	<u>60,564</u>

See accompanying independent auditor's report.

<u>Revenue</u>		<u>Permanent</u>		
Fire Association	Debt Service	Cemetery Perpetual Care		Total
-	132,788	-		132,788
-	-	-		4,409
-	-	-		720
-	3,711	-		3,711
5,644	-	400		6,044
5,644	136,499	400		147,672
4,832	-	-		4,832
-	-	-		5,002
-	151,508	-		151,508
-	-	-		29,460
4,832	151,508	-		190,802
812	(15,009)	400		(43,130)
-	-	-		30,472
812	(15,009)	400		(12,658)
10,686	88,835	71,469		285,906
11,498	73,826	71,869		273,248
-	-	71,869		71,869
-	73,826	-		78,686
11,498	-	-		122,693
11,498	73,826	71,869		273,248

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

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			
Revenue loans:			
Water planning	Sep 28, 2018	0.00% \$	132,818

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

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
30,000	-	30,000	-	104
275,000	-	50,000	225,000	6,644
<u>\$ 305,000</u>	-	80,000	225,000	6,748
<u>838,000</u>	-	48,000	790,000	14,665
111,000	-	111,000	-	389
496,000	-	374,000	122,000	8,842
<u>\$ 607,000</u>	-	485,000	122,000	9,231
-	132,818	-	132,818	-

City of Colfax

City of Colfax
Bond and Note Maturities
June 30, 2019

Year Ending June 30,	General Obligation Bonds				
	Street Improvements			Sewer Improvement	
	Issued June 27, 2017			Issued Oct 25, 2013	
	Interest Rates	Amount	Interest Rates	Amount	
2020	2.45%	\$ 55,000	1.75%	\$ 49,000	
2021	2.45	55,000	1.75	50,000	
2022	2.45	55,000	1.75	51,000	
2023		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>\$ 225,000</u>		<u>\$ 790,000</u>	

Year Ending June 30,	Revenue Bonds		
	Sewer		
	Issued March 25, 2003		
Interest Rates	Amount		
2020	1.75% \$ 39,000		
2021	1.75 41,000		
2022	1.75 <u>42,000</u>		
	<u>\$ 122,000</u>		

See accompanying independent auditor's report.

City of Colfax

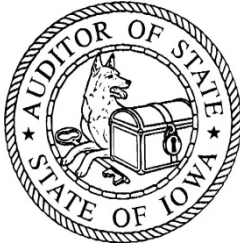
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2015	2015	2017	2016
Receipts:				
Property tax	\$ 829,522	730,322	696,332	667,021
Tax increment financing	4,409	4,298	-	11,636
Other city tax	220,908	214,511	248,637	217,560
Licenses and permits	126,837	130,346	73,135	35,688
Use of money and property	22,561	13,178	13,341	5,292
Intergovernmental	346,405	339,689	319,042	350,849
Charges for service	245,113	290,096	209,121	203,163
Special assessments	13,273	3,253	10,070	17,534
Miscellaneous	114,596	131,807	78,778	67,838
Total	<u>\$ 1,923,624</u>	<u>1,857,500</u>	<u>1,648,456</u>	<u>1,576,581</u>
Disbursements:				
Operating:				
Public safety	\$ 637,179	791,200	561,777	554,440
Public works	247,068	307,895	312,612	206,406
Health and social services	298,378	241,955	-	-
Culture and recreation	45,570	44,080	247,488	201,003
Community and economic development	235,012	226,799	40,659	49,472
General government	151,508	83,684	264,890	285,848
Debt service	39,174	389,497	77,677	23,958
Total	<u>\$ 1,653,889</u>	<u>2,085,110</u>	<u>1,505,103</u>	<u>1,321,127</u>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
662,646	637,336	660,068	715,037	679,221	633,148
180	22	-	-	-	26,699
212,907	206,494	206,891	224,624	249,343	238,398
32,606	26,783	17,489	24,784	10,350	12,898
4,294	4,515	4,097	4,350	6,933	12,514
368,544	878,898	598,222	300,116	238,912	237,890
186,231	155,675	135,926	156,178	120,678	130,646
21,337	14,191	-	-	-	10,731
91,656	38,734	92,336	78,319	105,097	64,615
<u>1,580,401</u>	<u>1,962,648</u>	<u>1,715,029</u>	<u>1,503,408</u>	<u>1,410,534</u>	<u>1,367,539</u>
681,559	447,887	497,721	435,717	450,330	612,848
197,336	199,743	209,222	184,579	302,819	213,773
-	-	-	-	4,217	5,900
192,279	193,412	186,941	238,896	172,112	229,619
154,033	313,077	352,847	107,916	130,449	31,126
284,342	345,996	285,338	240,012	235,094	175,296
24,869	28,571	40,290	185,010	198,018	194,521
<u>1,534,418</u>	<u>1,528,686</u>	<u>1,572,359</u>	<u>1,392,130</u>	<u>1,493,039</u>	<u>1,463,083</u>



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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, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 20, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

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

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, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

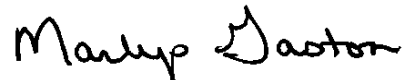
The City of Colfax's Responses to the Findings

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.



Marlys K. Gaston, CPA
Deputy Auditor of State

March 20, 2020

City of Colfax

Schedule of Findings

Year ended June 30, 2019

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

- (1) Petty cash/change fund – handling petty cash, collecting and depositing. Surprise counts of the petty cash/change fund are not performed by an individual independent of the custodian of this fund.
- (2) Receipts – opening mail, collecting and depositing.
- (3) Utilities – utility billing, collecting, depositing, posting to customer accounts and maintaining accounts receivable records.
- (4) Disbursements – purchasing, invoice processing, preparing checks, mailing, recording 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.

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

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of transactions, reconciliations and reports should be documented by the initials or signature of the reviewer and the date of the review.

Response – We will endeavor to continue to look for ways to use elected officials and utilize staff for internal controls.

Conclusion – Response accepted.

City of Colfax

Schedule of Findings

Year ended June 30, 2019

(B) Segregation of Duties: Parks and Recreation Auxiliary Board

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

Condition – For the Colfax Park and Recreation Auxiliary Board, the responsibilities for deposit preparation, cash disbursement and bank reconciliation functions are not properly segregated. These duties are handled by one individual. In addition, mail is not opened by someone independent of the cash receipt functions and an initial listing of receipts is not prepared and tested by an independent mail opener.

Cause – The Parks and Recreation Auxiliary Board 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 component unit's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of individuals. However, the Colfax Park and Recreation Auxiliary Board should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including Board members. An initial listing of receipts should be prepared and tested by an independent mail opener and that independent individual should document this review of mail receipts by signing or initialing and dating each listing.

Response – Staff will advise the Colfax Park and Recreation Auxiliary Board of the Auditor's recommendations and ask they look for ways to segregate duties.

Conclusion – Response accepted.

City of Colfax

Schedule of Findings

Year ended June 30, 2019

(C) Fire Association

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

An effective internal control system also provides for internal controls related to receiving payments for goods, services or permits provided by the City. One such internal control is issuing and reconciling prenumbered receipts to the accounting records. Another control relates to the restrictive endorsement of checks immediately upon receipt.

Condition – For the Colfax Fire Fighter’s Association, the responsibilities for deposit preparation, cash disbursement and bank reconciliation functions are not properly segregated. These duties are handled by one individual for the Association. Additionally, there is no independent review of these duties.

Additionally, prenumbered receipts are not issued for all collections and a restrictive endorsement is not immediately placed on the back of all checks received.

Cause – The Fire Association 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.

Policies have not been established and procedures have not been designed to require issuance of prenumbered receipts and a reconciliation of the prenumbered receipts to the Association’s records or to endorse checks immediately upon receipt.

Effect – Inadequate segregation of duties could adversely affect the Association’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.

Lack of policies and procedures over receipts and safeguarding checks with restrictive endorsement could result in the opportunity for misappropriating or misplacing receipts.

Recommendation – We realize segregation of duties is difficult with a limited number of individuals. However, Colfax Fire Fighter’s Association should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including Board members.

The Association should establish written policies and procedures to ensure that prenumbered receipts are issued for all collections and are reconciled to the Association’s accounting records. Restrictive endorsement should be placed on all checks immediately upon receipt.

City of Colfax

Schedule of Findings

Year ended June 30, 2019

Response – The Fire Association will work with the City Clerk to address deficiencies for future audits.

Conclusion – Response accepted.

(D) Fire Association Disbursements

Criteria – Supporting documentation for all disbursements documents the accuracy for the disbursements.

Condition – Proper invoices or other supporting documentation were not maintained for five of five Fire Association disbursement transactions tested.

Cause – The Association has not established policies and procedures to require the retention of supporting documentation for all disbursements.

Effect – Inadequate supporting documentation could result in unauthorized transactions and the opportunity for misappropriation.

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

Response – The Fire Association will work to address deficiencies for future audits.

Conclusion – Response accepted.

(E) Disbursements

Criteria – All disbursements should be properly approved by the City Council before payments are made and reimbursements should be reviewed for mathematical accuracy.

Condition – One disbursement totaling \$7,470 for the Police Department for the installation of radio equipment in a new police vehicle was not properly approved by the City Council prior to disbursement.

In addition, one disbursement for reimbursing mileage to a City employee was mathematically incorrect. The employee was underpaid by \$26.77.

Cause – Lack of sufficient management oversight.

Effect – Increased likelihood of misappropriation and reimbursements may be made in incorrect amounts.

Recommendation – The City should ensure all disbursements are properly approved prior to making the payments. All reimbursements should be reviewed to ensure mathematical accuracy.

Response – Staff will continue to strive for accuracy in listing disbursements for City Council approval prior to payment and reviewing reimbursement requests.

Conclusion – Response accepted.

City of Colfax

Schedule of Findings

Year ended June 30, 2019

(F) Cell Phone Policy

Criteria – Reimbursements to City employees should be made in accordance with policies and procedures established by the City.

Condition – The City Administrator and Police Chief receive monthly reimbursements for use of personal cell phones. The City receives no documentation to support the reimbursement claims and the City does not have a cell phone policy which includes details of who may be reimbursed for City use of a personal cell phone, proper usage, and the amount to be reimbursed.

Cause – Management oversight.

Effect – There is no cell phone policy to set guidelines for cell phone reimbursements. Reimbursements may be made which don't comply with City Council intentions.

Recommendation – If this practice is continued, the City should establish written policies and procedures for this type of reimbursement.

Response – City will create a new cell phone policy which will cover all areas in question.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Colfax

Schedule of Findings

Year ended June 30, 2019

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 exceeded the amounts budgeted in the culture and recreation and business type activities functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public works, culture and recreation, and business type activities 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 – Staff will endeavor to make sure the budget is amended correctly.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Except as noted in (8) below, no business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – Except as noted in (E) above, 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) Dual Compensation – Chapter 372.13(8) of the Code of Iowa states in part, “Except as provided in section 362.5, 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 but may be reimbursed for actual expenses incurred.”

Chapter 362.5(2) states “A city officer or employee shall not have an interest, direct or indirect, in any contract or job of work or material or the profits thereof or services to be furnished or performed for the officer’s or employee’s city. A contract entered into in violation of this section is void.”

City of Colfax

Schedule of Findings

Year ended June 30, 2019

A recent Attorney General's opinion dated August 15, 2018, clarified Chapters 372.13(8) and 362.5 of the Code of Iowa and states, in part, "Iowa Code §372.13(8)(2018) bars city elected officers from receiving additional compensation for positions of employment beyond the salary received for their elected office."

A City Council Member was approved by the City Council to act as Pool Manager for the 2019 season and received compensation as both Council Member and Pool Manager. The City did not prepare IRS Form SS-8 to document the determination of whether the Council Member was acting as an independent contractor or employee for the Pool Manager position. The Council Member appears to have been performing employee duties as documented in the job description. Some of these duties include operating, repairing and cleaning mechanical equipment for pool operation, regulating water and temperature levels, determining and implementing a preventive maintenance program for pool operation, sanitizing swim decks, vacuuming pool floors and replacing underwater lights, in addition to other duties described.

Based on the duties performed, including the Council Member's use of City equipment and supplies to perform the duties, the Council member appears to be acting as an employee in the performance of these duties. Accordingly, the compensation received in the performance of the duties violates Chapter 372.13(8) of the Code of Iowa.

Recommendation – The City should consult legal counsel to determine the disposition of this matter, including seeking reimbursement for the \$2,499 improperly paid to the City Council Member for operating the pool.

Response – Staff will have an SS-8 completed to ensure the City Council Member is correctly identified as an independent contractor.

Conclusion – Response acknowledged. The City should also consult legal counsel to determine the disposition of the \$2,499 improperly paid to the Council Member.

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

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

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

City of Colfax

Schedule of Findings

Year ended June 30, 2019

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

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

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

Conclusion – Response accepted.

- (10) Annual Financial Reporting – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report (AFR) contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the City and all expenditures...” We noted certain receipts and disbursements in the AFR did not agree with the City’s records.

Recommendation – The City should establish procedures to ensure receipts and disbursements reported on the AFR are properly reported and supported.

Response – Staff has worked to reclassify AFR receipts and disbursements to agree with the City’s records.

Conclusion – Response accepted.

City of Colfax

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Lesley R. Geary, CPA, Manager
Jenna M. Paysen, Senior Auditor
Kelly M. Disney, Accountant II
Corey D. Hauptman, Assistant Auditor