



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

May 11, 2021

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 \$6,055,596 for the year ended June 30, 2020, an 88.6% increase over the prior year. Disbursements for the year ended June 30, 2020 totaled \$4,547,432, a 36.6% increase over the prior year. The significant increase in receipts is due primarily to note proceeds received for improvements and extensions to the City's water system.

AUDIT FINDINGS:

Sand reported ten findings related to the receipt and disbursement of taxpayer funds, one finding pertaining to the Colfax Fire Fighter's Association, a blended component unit, and one finding pertaining to the Colfax Park and Recreation Auxiliary Board, a discretely presented component unit. They are found on pages 52 through 61 of this report. The findings address issues such as a lack of segregation of duties, disbursements exceeding budgeted amounts, and noncompliance with the notice of hearing publication timing requirements of Chapters 26.12 and 362.5 of the Code of Iowa for the water main project. Sand provided the City and the component units with recommendations to address each of the findings.

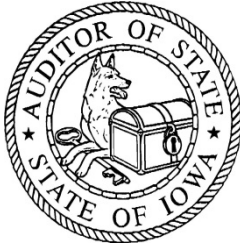
Four of the findings discussed above for the City and the findings pertaining to the component units are repeated from the prior year. The City Council and management of each component unit have a fiduciary responsibility to provide oversight of the City's and each component unit's operations and financial 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, 2020

City of Colfax



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

May 3, 2021

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, 2020. 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".

Rob Sand
Auditor of State

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City of Colfax

Officials

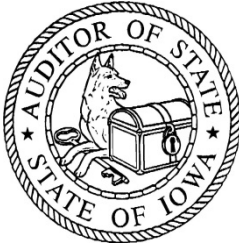
(Before January 2020)

<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
Brick Gentry P.C.	Attorney	Indefinite

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
David Mast	Mayor	Jan 2022
Bryan Poulter	Mayor Pro tem	Jan 2024
Karla Jones	Council Member	Jan 2022
Brad Magg	Council Member	Jan 2022
Curtis Small	Council Member	Jan 2024
Wes Snyder	Council Member	Jan 2024
Nancy Earles	City Clerk and Treasurer	Indefinite
Brick Gentry P.C.	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, 2020, 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, 2020, 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

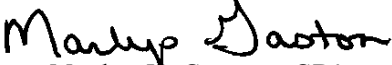
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Colfax's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2019 (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 three 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 32 through 40, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 3, 2021 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

May 3, 2021

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, 2020

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 739,351	231,206	71,921	-
Public works	254,103	-	269,031	-
Health and social services	7,659	-	-	-
Culture and recreation	382,232	27,732	23,188	-
Community and economic development	95,388	-	1,200	-
General government	353,249	125,237	156,756	-
Debt service	125,313	-	-	-
Total governmental activities	1,957,295	384,175	522,096	-
Business type activities:				
Water	1,792,422	473,764	-	135,220
Sewer	654,255	538,367	-	-
Landfill	143,460	152,199	-	-
Total business type activities	2,590,137	1,164,330	-	135,220
Total Primary Government	\$ 4,547,432	1,548,505	522,096	135,220
Component Unit:				
Colfax Park and Recreation Auxiliary Board	\$ 17,861	-	-	22,085
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
(436,224)	-	(436,224)	
14,928	-	14,928	
(7,659)	-	(7,659)	
(331,312)	-	(331,312)	
(94,188)	-	(94,188)	
(71,256)	-	(71,256)	
(125,313)	-	(125,313)	
(1,051,024)	-	(1,051,024)	
-	(1,183,438)	(1,183,438)	
-	(115,888)	(115,888)	
-	8,739	8,739	
-	(1,290,587)	(1,290,587)	
(1,051,024)	(1,290,587)	(2,341,611)	
			4,224
678,321	-	678,321	-
126,500	-	126,500	-
4,490	-	4,490	-
193,311	-	193,311	-
35,620	-	35,620	-
9,515	-	9,515	-
14,644	10,458	25,102	-
71,482	-	71,482	-
1,791,647	913,787	2,705,434	-
159,332	(159,332)	-	-
3,084,862	764,913	3,849,775	-
2,033,838	(525,674)	1,508,164	4,224
1,223,313	1,405,110	2,628,423	84,128
\$ 3,257,151	879,436	4,136,587	88,352
\$ 72,369	-	72,369	-
218,061	-	218,061	-
6,730	-	6,730	-
84,014	16,065	100,079	-
2,101,054	52,500	2,153,554	-
774,923	810,871	1,585,794	88,352
\$ 3,257,151	879,436	4,136,587	88,352

City of Colfax

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

As of and for the year ended June 30, 2020

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
Receipts:				
Property tax	\$ 455,166	-	223,155	-
Tax increment financing	-	-	-	-
Local Option Sales Tax	-	-	-	193,311
Other city tax	35,620	-	-	-
Licenses and permits	131,230	-	-	-
Use of money and property	19,080	-	-	1,776
Intergovernmental	72,559	269,031	2,529	-
Charges for service	219,154	-	-	-
Special assessments	10,431	-	-	-
Miscellaneous	191,343	-	-	-
Total receipts	1,134,583	269,031	225,684	195,087
Disbursements:				
Operating:				
Public safety	596,838	-	140,779	-
Public works	-	229,432	24,671	-
Health and social services	7,659	-	-	-
Culture and recreation	344,183	-	38,049	-
Community and economic development	39,498	-	-	52,532
General government	211,203	-	44,950	-
Debt service	-	-	-	-
Total disbursements	1,199,381	229,432	248,449	52,532
Excess (deficiency) of receipts over (under) disbursements	(64,798)	39,599	(22,765)	142,555
Other financing sources (uses):				
Debt proceeds	-	-	-	-
Sale of capital assets	71,481	-	-	-
Transfers in	307,589	33,000	-	-
Transfers out	(85,500)	(13,000)	-	(101,405)
Total other financing sources (uses)	293,570	20,000	-	(101,405)
Change in cash balances	228,772	59,599	(22,765)	41,150
Cash balances beginning of year	620,839	158,462	29,495	141,269
Cash balances end of year	\$ 849,611	218,061	6,730	182,419
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Streets	-	218,061	-	-
Employee benefits	-	-	6,730	-
Debt service	-	-	-	-
Other purposes	74,688	-	-	182,419
Assigned for:				
Parks	4,590	-	-	-
Equipment	10,459	-	-	-
Unassigned	759,874	-	-	-
Total cash basis fund balances	\$ 849,611	218,061	6,730	182,419

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	126,500	804,821
-	4,490	4,490
-	-	193,311
-	-	35,620
-	-	131,230
-	834	21,690
-	3,009	347,128
-	-	219,154
-	-	10,431
-	9,455	200,798
-	144,288	1,968,673
-	1,734	739,351
-	-	254,103
-	-	7,659
-	-	382,232
-	3,358	95,388
95,085	2,011	353,249
-	125,313	125,313
95,085	132,416	1,957,295
(95,085)	11,872	11,378
1,791,647	-	1,791,647
-	-	71,481
18,648	-	359,237
-	-	(199,905)
1,810,295	-	2,022,460
1,715,210	11,872	2,033,838
-	273,248	1,223,313
1,715,210	285,120	3,257,151
-	72,369	72,369
-	-	218,061
-	-	6,730
-	84,014	84,014
1,715,210	128,737	2,101,054
-	-	4,590
-	-	10,459
-	-	759,874
1,715,210	285,120	3,257,151

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, 2020

	Enterprise			Total
	Water	Sewer	Landfill	
Operating receipts:				
Charges for service	\$ 473,764	538,367	151,694	1,163,825
Miscellaneous	-	-	505	505
Total operating receipts	473,764	538,367	152,199	1,164,330
Operating disbursements:				
Business type activities	443,953	357,509	143,460	944,922
Excess of operating receipts over operating disbursements	29,811	180,858	8,739	219,408
Non-operating receipts (disbursements):				
Interest on investments	6,569	2,375	1,514	10,458
Intergovernmental	135,220	-	-	135,220
Debt service	-	(41,135)	-	(41,135)
Bond/note proceeds	913,787	-	-	913,787
Capital outlay	(1,348,469)	(255,611)	-	(1,604,080)
Net non-operating receipts (disbursements)	(292,893)	(294,371)	1,514	(585,750)
Excess (deficiency) of receipts over (under) disbursements	(263,082)	(113,513)	10,253	(366,342)
Other financing sources (uses):				
Transfers in	26,000	26,500	-	52,500
Transfers out	(98,666)	(93,166)	(20,000)	(211,832)
Total other financing sources (uses)	(72,666)	(66,666)	(20,000)	(159,332)
Change in cash balances	(335,748)	(180,179)	(9,747)	(525,674)
Cash balances beginning of year	650,220	512,331	242,559	1,405,110
Cash balances end of year	\$ 314,472	332,152	232,812	879,436
Cash Basis Fund Balances				
Restricted for debt service	\$ 12,527	3,538	-	16,065
Restricted for equipment	26,000	26,500	-	52,500
Unrestricted	275,945	302,114	232,812	810,871
Total cash basis fund balances	\$ 314,472	332,152	232,812	879,436

See notes to financial statements.

City of Colfax

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

These financial statements present the City of Colfax (the primary government) and its component 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. 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:

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 in 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. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

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, 2020, disbursements exceeded the amounts budgeted prior to the budget amendment in the public safety, culture and recreation, general government and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2020 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 \$1,328,521. 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

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds and notes	\$ 1,015,000	1,700,000	104,000	2,611,000	105,000
Business type activities:					
Water revenue bonds	\$ -	875,378	-	875,378	-
Sewer revenue bonds	122,000	-	39,000	83,000	41,000
Water revenue anticipation note	132,818	38,409	-	171,227	-
Business-type activities total	\$ 254,818	913,787	39,000	1,129,605	41,000

General Obligation Bonds and Notes

A summary of the City's June 30, 2020 general obligation bonds and notes payable is as follows:

Year Ending June 30,	Street Improvements			Sewer Improvement		
	Issued June 27, 2017			Issued Oct 25, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Amount	Interest
2021	2.45%	\$ 55,000	4,165	1.75%	\$ 50,000	12,968
2022	2.45	55,000	2,817	1.75	51,000	12,092
2023	2.45	60,000	1,470	1.75	52,000	11,200
2024			-	1.75	54,000	10,290
2025			-	1.75	55,000	9,345
2026-2030			-	1.75	290,000	31,937
2031-2035			-	1.75	189,000	6,650
2036-2037			-		-	-
Total		\$ 170,000	8,452		\$ 741,000	94,482

Year Ending June 30,	Municipal Building Improvement			Total		
	Issued May 11, 2020					
	Interest Rates	Amount	Interest	Principal	Interest	Total
2021	0.00%	\$ -	52,619	\$ 105,000	69,752	174,752
2022	2.00	25,000	49,850	131,000	64,759	195,759
2023	2.00	90,000	49,350	202,000	62,020	264,020
2024	3.00	100,000	47,550	154,000	57,840	211,840
2025	3.00	100,000	44,550	155,000	53,895	208,895
2026-2030	3.00	530,000	176,700	820,000	208,637	1,028,637
2031-2035	3.00	595,000	93,300	784,000	99,950	883,950
2036-2037	3.00	260,000	11,700	260,000	11,700	271,700
Total		\$ 1,700,000	525,619	\$ 2,611,000	628,553	3,239,553

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, 2020, the City paid principal of \$49,000 and interest of \$13,825 on the bonds.

On June 27, 2017, the City issued \$275,000 of general obligation notes with an interest rate of 2.45% per annum. The notes were issued for street improvements. During the year ended June 30, 2020, the City paid \$55,000 of principal and \$5,513 of interest on the notes.

On May 11, 2020, the City issued \$1,700,000 of general obligation bonds with interest rates ranging from 2.00% to 3.00% per annum. The bonds were issued for municipal building improvements. During the year ended June 30, 2020, there was no principal or interest due on the bonds.

Revenue Bonds

A summary of the City’s June 30, 2020 revenue bonds payable is as follows:

Year Ending June 30,	Sewer Improvements Issued March 25, 2003			Total
	Interest Rates	Principal	Interest	
2021	1.75%	\$ 41,000	1,453	42,453
2022	1.75	42,000	735	42,735
2023		-	-	-
2024		-	-	-
2025		-	-	-
2026-2030		-	-	-
2031-2035		-	-	-
2036-2040		-	-	-
		<u>\$ 83,000</u>	<u>2,188</u>	<u>85,188</u>

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 23% of net receipts. During the year ended June 30, 2020, the City paid principal of \$39,000 and interest of \$2,135 on the bonds. The total principal and interest remaining to be paid on the bonds is \$85,188. For the current year, principal and interest due and paid and total customer net receipts were \$41,135 and \$180,858, respectively.

On May 1, 2020, the City entered into an agreement with the Iowa Finance Authority (IFA) for water revenue bonds for up to \$2,834,000 at 1.75% percent per annum. Proceeds from the bonds provided financing for the construction of improvements and extensions to the water system. The bonds are payable solely from water customer net receipts and are payable through 2040. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. During the year ended June 30, 2020, the City drew down \$875,378 on the bonds. No payments were made on the bonds during the year ended June 30, 2020 and the City had drawn down \$875,378 of the authorized amount. A final payment schedule has not yet been adopted for these bonds.

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

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

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 at zero percent per annum. 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. During the year ended June 30, 2020, the City drew down \$38,409 on the note. No payments were made on note during year ended June 30, 2020 and the City had drawn down \$171,227 of the authorized amount. The note matures in September 2021.

(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 2020, 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 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$75,509.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$286,451 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 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, 2019, the City's proportion was 0.004947%, which was a decrease of 0.000023% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$85,981, \$77,615 and \$97,296, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 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, 2019 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 2019 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%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
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 (Asset) to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability (asset)	\$ 682,095	286,451	(45,194)

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, 2020, the City contributed \$184,794 and plan members eligible for benefits contributed \$13,241 to the plan. At June 30, 2020, 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, 2020, 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, 2020, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 42,000
Sick leave	33,000
Compensatory time	<u>4,000</u>
Total	<u>\$ 79,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2020.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 89,089
	Road Use Tax	13,000
	Enterprise:	
	Water	95,500
	Sewer	90,000
	Solid Waste	<u>20,000</u>
		307,589
Special Revenue:		
Road Use Tax	General	<u>33,000</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	12,316
	Enterprise:	
	Water	3,166
	Sewer	<u>3,166</u>
		<u>18,648</u>
Enterprise:		
Water	General	<u>26,000</u>
Sewer	General	<u>26,500</u>
Total		<u>\$ 411,737</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 779 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, 2020 were \$63,829.

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. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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) Development Agreement

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, 2020 the City rebated \$2,158 of incremental property tax to the developer. As of June 30, 2020, the City has paid \$17,642 to the developer.

(10) Tax Abatements

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

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or 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, 2020, \$853 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 \$6,061,080, based on 2020 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, 2020, \$2,461,957 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 \$174,917, based on the June 30, 2020 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 offices of the City Clerk, Utility Clerk and the Police Department. Monthly lease payments are \$850.

(13) Construction Contracts

The City entered into various construction contracts during the year. Unpaid contract commitments as of June 30, 2020 totaled \$1,662,621. The balance on these contracts will be paid as work on the projects progresses.

(14) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including the City of Colfax, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Colfax's operations and finances.

(15) 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, 2021. 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, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 804,821	-	-
Tax increment financing	4,490	-	-
Other city tax	228,931	-	-
Licenses and permits	131,230	-	-
Use of money and property	21,690	10,458	-
Intergovernmental	347,128	135,220	-
Charges for service	219,154	1,163,825	-
Special assessments	10,431	-	-
Miscellaneous	200,798	505	8,955
Total receipts	1,968,673	1,310,008	8,955
Disbursements:			
Public safety	739,351	-	1,734
Public works	254,103	-	-
Health and social services	7,659	-	-
Culture and recreation	382,232	-	-
Community and economic development	95,388	-	-
General government	353,249	-	-
Debt service	125,313	-	-
Business type activities	-	2,590,137	-
Total disbursements	1,957,295	2,590,137	1,734
Excess (deficiency) of receipts over (under) disbursements	11,378	(1,280,129)	7,221
Other financing sources, net	2,022,460	754,455	-
Change in balances	2,033,838	(525,674)	7,221
Balances beginning of year	1,223,313	1,405,110	11,498
Balances end of year	\$ 3,257,151	879,436	18,719

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
804,821	788,179	788,179	16,642
4,490	5,000	5,000	(510)
228,931	363,505	363,505	(134,574)
131,230	18,680	18,680	112,550
32,148	64,220	69,220	(37,072)
482,348	311,812	853,812	(371,464)
1,382,979	1,264,500	1,264,500	118,479
10,431	-	-	10,431
192,348	128,125	277,825	(85,477)
<u>3,269,726</u>	<u>2,944,021</u>	<u>3,640,721</u>	<u>(370,995)</u>
737,617	611,735	757,785	20,168
254,103	239,004	255,704	1,601
7,659	8,000	8,000	341
382,232	249,786	395,586	13,354
95,388	107,000	164,500	69,112
353,249	259,125	1,275,125	921,876
125,313	125,313	125,313	-
<u>2,590,137</u>	<u>1,039,041</u>	<u>3,639,041</u>	<u>1,048,904</u>
<u>4,545,698</u>	<u>2,639,004</u>	<u>6,621,054</u>	<u>2,075,356</u>
(1,275,972)	305,017	(2,980,333)	1,704,361
<u>2,776,915</u>	-	<u>3,791,647</u>	<u>(1,014,732)</u>
1,500,943	305,017	811,314	689,629
<u>2,616,925</u>	<u>3,764,005</u>	<u>3,764,005</u>	<u>(1,147,080)</u>
<u>4,117,868</u>	<u>4,069,022</u>	<u>4,575,319</u>	<u>(457,451)</u>

City of Colfax

City of Colfax

Notes to Other Information – Budgetary Reporting

June 30, 2020

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 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 \$3,982,050. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted prior to the budget amendment in the public safety, culture and recreation, general government 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 Six Years*
(In Thousands)

Other Information

	2020	2019	2018	2017
City's proportion of the net pension liability	0.004947%	0.004970%	0.005102%	0.005511%
City's proportionate share of the net pension liability	\$ 286	314	340	347
City's covered payroll	\$ 661	609	591	601
City's proportionate share of the net pension liability as a percentage of its covered payroll	43.27%	51.56%	57.53%	57.74%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

* 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.

2016	2015
0.005108%	0.004203%
252	167
602	564
41.86%	29.61%
85.19%	87.61%

City of Colfax

Schedule of City Contributions

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

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 76	65	57	55
Contributions in relation to the statutorily required contribution	<u>(76)</u>	<u>(65)</u>	<u>(57)</u>	<u>(55)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 776	661	609	591
Contributions as a percentage of covered payroll	9.79%	9.83%	9.36%	9.31%

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
56	56	52	50	46	44
(56)	(56)	(52)	(50)	(46)	(44)
-	-	-	-	-	-
601	602	564	552	524	548
9.32%	9.30%	9.22%	9.06%	8.78%	8.03%

City of Colfax

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

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, 2020

	Special Revenue			
	CDBG Housing	Urban Renewal Tax Increment	Tenant Memorial	Fire Association
Receipts:				
Property tax	\$ -	-	-	-
Tax increment financing	-	4,490	-	-
Use of money and property	-	-	834	-
Intergovernmental	1,200	459	-	-
Miscellaneous	-	-	-	8,955
Total receipts	1,200	4,949	834	8,955
Disbursements:				
Operating:				
Public safety	-	-	-	1,734
Community and economic development	1,200	2,158	-	-
General government	2,011	-	-	-
Debt service	-	-	-	-
Total disbursements	3,211	2,158	-	1,734
Excess (deficiency) of receipts over (under) disbursements	(2,011)	2,791	834	7,221
Change in cash balances	(2,011)	2,791	834	7,221
Cash balances beginning of year	50,631	4,860	60,564	11,498
Cash balances end of year	\$ 48,620	7,651	61,398	18,719
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Debt service	-	7,651	-	-
Other purposes	48,620	-	61,398	18,719
Total cash basis fund balances	\$ 48,620	7,651	61,398	18,719

See accompanying independent auditor's report.

<u>Permanent</u>		
Debt Service	Cemetery Perpetual Care	Total
126,500	-	126,500
-	-	4,490
-	-	834
1,350	-	3,009
-	500	9,455
127,850	500	144,288
<hr/>		
-	-	1,734
-	-	3,358
-	-	2,011
125,313	-	125,313
125,313	-	132,416
<hr/>		
2,537	500	11,872
<hr/>		
2,537	500	11,872
73,826	71,869	273,248
76,363	72,369	285,120
<hr/>		
-	72,369	72,369
76,363	-	84,014
-	-	128,737
76,363	72,369	285,120

City of Colfax
Schedule of Indebtedness
Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Sewer improvement	Oct 25, 2013	1.75% *	\$ 1,109,000
Street improvements	Jun 27, 2017	2.45	275,000
Municipal building improvement	May 11, 2020	2.00-3.00	1,700,000
Total			
Revenue bonds:			
Sewer revenue	Mar 25, 2003	1.75% *	\$ 1,984,000
Water revenue	May 1, 2020	1.75 *	875,378
Total			
Revenue anticipation project note:			
Water planning	Sep 28, 2018	0.00%	\$ 171,227

* 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
790,000	-	49,000	741,000	13,825
225,000	-	55,000	170,000	5,513
-	1,700,000	-	1,700,000	-
<u>\$ 1,015,000</u>	<u>1,700,000</u>	<u>104,000</u>	<u>2,611,000</u>	<u>19,338</u>
122,000	-	39,000	83,000	2,135
-	875,378	-	875,378	-
<u>\$ 122,000</u>	<u>875,378</u>	<u>39,000</u>	<u>958,378</u>	<u>2,135</u>
<u>132,818</u>	<u>38,409</u>	<u>-</u>	<u>171,227</u>	<u>-</u>

City of Colfax

City of Colfax
Bond and Note Maturities
June 30, 2020

General Obligation Bonds and Notes								
Year Ending June 30,	Street Improvements		Sewer Improvement		Municipal Building Improvement		Total	
	Issued June 27, 2017		Issued Oct 25, 2013		Issued May 11, 2020			
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		
2021	2.45%	\$ 55,000	1.75%	\$ 50,000	0.00%	\$ -	105,000	
2022	2.45	55,000	1.75	51,000	2.00	25,000	131,000	
2023	2.45	60,000	1.75	52,000	2.00	90,000	202,000	
2024		-	1.75	54,000	3.00	100,000	154,000	
2025		-	1.75	55,000	3.00	100,000	155,000	
2026		-	1.75	56,000	3.00	100,000	156,000	
2027		-	1.75	57,000	3.00	105,000	162,000	
2028		-	1.75	58,000	3.00	105,000	163,000	
2029		-	1.75	59,000	3.00	110,000	169,000	
2030		-	1.75	60,000	3.00	110,000	170,000	
2031		-	1.75	62,000	3.00	115,000	177,000	
2032		-	1.75	63,000	3.00	115,000	178,000	
2033		-	1.75	64,000	3.00	120,000	184,000	
2034		-		-	3.00	120,000	120,000	
2035		-		-	3.00	125,000	125,000	
2036		-		-	3.00	130,000	130,000	
2037		-		-	3.00	130,000	130,000	
Total		<u>\$ 170,000</u>		<u>\$ 741,000</u>		<u>\$ 1,700,000</u>	<u>2,611,000</u>	

Revenue Bonds		
Sewer Improvement		
Year Ending June 30,	Interest Rates	Amount
	Issued March 25, 2003	
2021	1.75%	\$ 41,000
2022	1.75	42,000
		<u>\$ 83,000</u>

See accompanying independent auditor's report.

City of Colfax

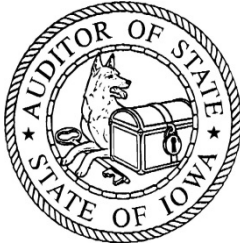
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017
Receipts:				
Property tax	\$ 804,821	829,522	730,322	696,332
Tax increment financing	4,490	4,409	4,298	-
Local option sales tax	193,311	178,701	169,660	200,037
Other city tax	35,620	42,207	44,851	48,600
Licenses and permits	131,230	126,837	130,346	73,135
Use of money and property	21,690	22,561	13,178	13,341
Intergovernmental	347,128	346,405	339,689	319,042
Charges for service	219,154	245,113	290,096	209,121
Special assessments	10,431	13,273	3,253	10,070
Miscellaneous	200,798	114,596	131,807	78,778
Total	\$ 1,968,673	1,923,624	1,857,500	1,648,456
Disbursements:				
Operating:				
Public safety	\$ 739,351	637,179	791,200	561,777
Public works	254,103	247,068	307,895	312,612
Health and social services	7,659	298,378	241,955	-
Culture and recreation	382,232	45,570	44,080	247,488
Community and economic development	95,388	235,012	226,799	40,659
General government	353,249	151,508	83,684	264,890
Debt service	125,313	39,174	389,497	77,677
Capital projects	-	-	-	-
Total	\$ 1,957,295	1,653,889	2,085,110	1,505,103

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
667,021	662,646	637,336	660,068	715,037	679,221
11,636	180	22	-	-	-
169,610	162,847	159,227	155,558	157,469	169,554
47,950	50,060	47,267	51,333	67,155	79,789
35,688	32,606	26,783	17,489	24,784	10,350
5,292	4,294	4,515	4,097	4,350	6,933
350,849	368,544	878,898	598,222	300,116	238,912
203,163	186,231	155,675	135,926	156,178	120,678
17,534	21,337	14,191	-	-	-
67,838	91,656	38,734	92,336	78,319	105,097
<u>1,576,581</u>	<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>
554,440	681,559	447,887	497,721	435,717	450,330
206,406	197,336	199,743	209,222	184,579	302,819
-	-	-	-	-	4,217
201,003	192,279	193,412	186,941	238,896	172,112
49,472	154,033	313,077	352,847	107,916	130,449
285,848	284,342	345,996	285,338	240,012	235,094
23,958	24,869	28,571	40,290	185,010	198,018
-	-	-	-	-	-
<u>1,321,127</u>	<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>



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, 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, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 3, 2021, 2021. 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, 2020 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

May 3, 2021

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, depositing and reconciling.
- (3) Utilities – utility billing, collecting, depositing, posting to customer accounts and maintaining accounts receivable records.
- (4) Disbursements – purchasing, invoice processing, preparing and signing checks, mailing, recording, reconciling 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 to provide additional controls through independent reviews of financial transactions, reconciliations and reports. Bank reconciliation reviews should include independent verification of bank balances and reconciling items. Independent reviews should be documented by the initials or signature of the reviewer and the date of the review.

Response – The City will continue to work with internal control procedures.

Conclusion – Response accepted.

City of Colfax

Schedule of Findings

Year ended June 30, 2020

(B) Colfax Fire Fighter's 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. Proper accounting includes maintaining records that include a description of the receipt and the date it was collected as well as maintaining proper supporting documentation to support all disbursements. Independent review of these records should include comparing receipt information to amounts deposited in the bank. The Association has a fiduciary responsibility to ensure all funds are safeguarded.

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 each component unit. Additionally, there is no independent review of these duties.

Additionally, prenumbered receipts are not issued for all collections.

Supporting documentation was not always maintained for disbursements.

Cause – The Colfax 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.

Policies have not been established and procedures have not been designed to require the Association maintain supporting documentation for all disbursements.

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.

Lack of policies and procedures over receipts could result in the opportunity for misappropriating or misplacing receipts.

Lack of requiring proper supporting documentation could result in improper use of Association funds which is not detected.

Recommendation – We realize segregation of duties is difficult with a limited number of individuals. However, the 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.

City of Colfax

Schedule of Findings

Year ended June 30, 2020

In addition, the Association should establish written policies and procedures to ensure that supporting documentation is maintained for all disbursements.

Response – Staff will discuss recommendations with the Fire Association.

Conclusion – Response accepted.

(C) Colfax Park 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 discuss recommendations with the Auxiliary Park Board.

Conclusion – Response accepted.

(D) 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 for \$282 for the Police Department was not properly approved by the City Council prior to disbursement.

Cause – Lack of sufficient management oversight.

City of Colfax

Schedule of Findings

Year ended June 30, 2020

Effect – Increased likelihood of misappropriation.

Recommendation – The City should ensure all disbursements are properly approved prior to making the payments.

Response – Staff will make every effort to ensure all disbursements are approved by the Council.

Conclusion – Response accepted.

(E) Initial Receipt Listing

Criteria – Mail should be opened by someone independent of other receipt processes. An initial listing of receipts should be prepared by the independent mail opener and compared to the bank deposit and the accounting records. Evidence of this review should be documented with the initials or signature of the reviewer and the date of the review.

Condition – Mail is not opened and tested by someone independent of other receipt processes.

Cause – Lack of sufficient management oversight.

Effect – Inadequate accounting records can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – City should ensure mail is opened and tested by an independent person. Evidence of that review should be documented by their signature or initials and the date of the review.

Response – The City purchased the Receipt Management Program from gWorks to meet the receipt requirement.

Conclusion – Response acknowledged. Mail should be opened and tested by an independent individual and evidence of this review should be documented with the initials or signature of the reviewer and the date of the review.

(F) Credit Card Policy

Criteria – The City has credit cards for use by employees while on City business. The City has adopted a formal policy regulating the use of the credit cards.

Condition – During testing, we noted the City's credit card policy is outdated. The policy does not match the number of authorized users or the amount of credit cards on file.

Cause – Lack of sufficient management oversight.

Effect – Inadequate internal controls can result in opportunity for misappropriation.

City of Colfax

Schedule of Findings

Year ended June 30, 2020

Recommendation – The City should adopt an updated formal written policy regulating the use of the City’s credit cards that, at a minimum, should address who controls the credit cards, who is authorized to use the credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – Policy was adopted by the Council on July 13, 2020. The City Administrator was also added as a cardholder in the employee policy handbook.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Colfax

Schedule of Findings

Year ended June 30, 2020

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements did not exceed the amounts budgeted at the fiscal year end. However, disbursements exceeded the amounts budgeted prior to the budget amendment in the public safety, culture and recreation, general government, 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 attempt to comply by doing more than one budget amendment per year.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in 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 (9) below, no business transactions between the City and City officials or employees were noted.
- (5) Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) City Council Minutes – Except as noted in (D) above, no transactions were found that we believe should have been approved in the City Council minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (9) 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

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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 2020 season and received compensation as both Council Member and Pool Manager. The Council Member has no established business or corporation that provides pool management services. Some of the duties for the Pool Manager 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.

According to the City Attorney, the job posting for the Pool Manager required the pool operator to provide their own tools and equipment for the job. Also, according to the City Attorney, no direction is given to the Pool Manager as to when duties must be performed or the length of time to provide the services. Based on this and the fact the City provides a 1099 to the Pool Manager, the City Attorney has concluded the City Council member is acting in the role of an independent contractor when performing his Pool Manager duties, and therefore, Chapter 372.13(8) of the Code of Iowa does not apply to the situation (because the Pool Manager is not considered an employee).

In practice, the concept of once an employee, always an employee, is the general rule. It is unusual to consider a Council Member, already paid as an employee, to be an independent contractor when that Council Member has no established business providing the services in question. In addition, hiring an independent contractor generally involves entering into a contract with that business or person which details the terms and conditions of the arrangement, including the services to be performed and the compensation. No such contract was entered into between the City and the City Council Member for the Pool Manager services.

Because of the uncertainty surrounding the hiring of the City Council Member as a Pool Manager, including the lack of a contract with that individual, it is unclear whether the City has violated Chapter 372.13(8) of the Code of Iowa by compensating the City Council Member for both of his roles with the City. If Chapter 362.5 of the Code of Iowa is the statute applicable to this situation, the \$2,499 paid to the City Council Member would clearly not be in violation of that statute.

Recommendation – The City should contact the Internal Revenue Service to determine the correct status of the City Council Member acting as Pool Manager, i.e., employee or independent contractor.

Response – We have submitted the matter to the City Attorney for guidance and will implement their recommendations.

Conclusion – Response acknowledged. The City should contact the Internal Revenue Service to determine the correct status of the City Council Member acting as Pool Manager, i.e., employee or independent contractor.

City of Colfax

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Year ended June 30, 2020

- (10) Notice of Public Hearing for Public Improvements – City did not publish notice of public hearing for the Water Main Projects #1 and #2 timely, i.e., not less than four, nor more than twenty days before the public hearing to approve plans, specifications, contract, and estimated costs, as required by Chapters 26.12 and 362.3 of the Code of Iowa.

Recommendation – The City should ensure notices of public hearings for public improvements with costs in excess of the competitive bid threshold are published not less than four and not more than 20 days before the date of the hearing, in compliance with Chapters 26.12 and 362.3 of the Code of Iowa.

Response – Staff acknowledges the error and will endeavor not to have this happen again.

Conclusion – Response accepted.

- (11) Local Option Sales Tax – The City’s local option sales tax (LOST) ballot requires 50% of LOST receipts be allocated for property tax reduction and 50% to be allocated for community betterment. During fiscal year 2020, the City did not transfer the full 50% of LOST receipts to the General Fund for property tax reduction.

Recommendation – The City should establish procedures to ensure 50% of LOST receipts are allocated correctly for property tax reduction, in accordance with the LOST ballot.

Response – A transfer was made in FY20-21 to correct the oversight.

Conclusion – Response accepted.

- (12) Hotel/Motel Tax – In accordance with Iowa Code Chapter 423A.7(3), at least 50% of City hotel/motel tax should be allocated to the General Fund upon receipt. During fiscal year 2020, the City did not transfer the full 50% of hotel/motel tax receipts to the General Fund.

Recommendation – The City should establish procedures to ensure at least 50% of hotel/motel receipts are allocated to the General Fund, as required.

Response – A transfer was made in FY20-21 to correct the oversight.

Conclusion – Response accepted.

- (13) Colfax Fire Fighter’s Association –

Background:

Chapter 364.16 of the Code of Iowa requires the City to provide for the protection of life and property against fire. This section also states in part, “A City has the same governmental immunity outside its corporate limits when providing fire protection as when operating within the corporate limits.” The City has established a City Fire Department under the City’s Code of Ordinances and has appointed a Fire Chief to head this Department.

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Chapter 35 of the City's Code of Ordinances establishes a volunteer Fire Department within the City. The Ordinance establishes the Fire Chief, including his/her duties, and such other personnel as may be authorized by the City Council.

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

The Colfax Fire Fighter's Association (Association) is a private non-profit organization whose purpose, as set out in its articles of incorporation, is to "assist the Colfax Fire Department and Colfax Ambulance in the execution and performance of responsibilities to the citizens of Colfax and vicinity with regard to the study and advancement of the science of fire prevention, protection, and suppression, rescue and emergency medical response. In addition, the purposes include conducting civic and social services, charitable and fundraising activities which support the community, the Colfax Fire Department, and Colfax Ambulance; and to receive, administer, and distribute funds in connection with activities related to the above purposes."

On July 11, 2019, the City entered into an agreement with the Association to provide firefighting services to the City of Colfax. Under the agreement, the City owns and provides all buildings, vehicles, protective clothing, and equipment and will provide all motor vehicle and liability insurance for all items. The City will provide worker's compensation insurance to the firefighters. The agreement states that the Association will be covered by the City's insurance policy. In addition, the City will pay all costs and expenses for training, fire conventions, telephone service and all communications equipment including sirens. The City will pay for fuel, mechanical maintenance, oil, grease and parts for all fire vehicles owned by the City. The City will also pay the Association \$1,600 quarterly under the agreement. The quarterly payments are to be deposited in the Association's account which is subject to annual review by the City Council.

We noted the following regarding the City's fire protection services:

- (1) Based on a review of the agreement with the Association and a review of the City's financial activity, it appears the majority of costs associated with fire protection services are paid by the City. In addition to funding the majority of the services, including providing equipment, insurance, fuel, etc., the City also paid the Association quarterly fees totaling \$4,800 during the fiscal year, pursuant to the July 11, 2019 agreement. The agreement is not clear as to the purpose for these fees and the City did not perform an annual review of the Association's account to ensure the funds (i.e., public funds) provided to the Association are properly used to accomplish the intended purposes.

City of Colfax

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- (2) Organizations established as 501(c)(3) non-profit corporations are typically created to further charitable pursuits, not to provide a service or act as a vendor in providing a service such as fire protection. Legally separate non-profit organizations typically exist to support a City government in carrying out its responsibility to provide fire protection. These non-profit organizations provide this support by holding various fund raisers and collecting donations to help provide funds to purchase equipment and other items needed by the City to carry out its duties. Funds in these situations flow from the non-profit organization to the City in compliance with the Iowa Constitution which prohibits public funds from being provided to private, non-profit organizations.
- (3) Since the City's liability insurance covers the volunteer fire fighters, it appears the fire fighters would be considered volunteers of the City's Fire Department, not personnel of the Association. Accordingly, it is not clear what the Association is actually providing under this agreement.
- (4) The arrangement the City has with the Association to provide fire protection services, and not just support the City in providing that service, is unusual. It is unclear whether a non-profit organization can be established for the noted purpose or whether the non-profit organization is afforded the same immunities in providing the service as a government.
- (5) The City's Fire Chief is in charge of the Association, making the lines of separation between the government (City) and the private organization unclear.

Recommendation – The appropriateness and necessity of the City's agreement with the Association is questionable. The Iowa Constitution prohibits the private use of public property and prohibits donations of public funds to a private organization. The arrangement the City has with the Association appears to offer the City's public property and funds over to a private organization to provide services to the City. Also, since the City's liability insurance covers the volunteer fire fighters, it is unclear whether the volunteer fire fighters can be considered personnel of the Association. Accordingly, it appears the service the Association is providing to the City is done entirely with City property, personnel and funding, bringing into question the necessity and legality of the arrangement.

The City should consult legal counsel to determine the validity of the City's arrangement with the Association, a 501(c)(3) non-profit organization, to provide fire protection services, including whether the organization has the proper legal immunities for providing that service, i.e., those same immunities afforded a government providing fire protection services, and under what authority the City provides all the property and funding needed to provide the service to the non-profit organization.

Response – The City is consulting with legal counsel with regard to any changes that are necessary.

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
Nathan A. DeWit, Staff Auditor
Brandon L. Weddell, Assistant Auditor