



**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**

Contact: Ernest Ruben  
515/281-5834

FOR RELEASE

June 9, 2022

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

**FINANCIAL HIGHLIGHTS:**

The City's receipts totaled \$9,868,745 for the year ended June 30, 2021, a 99.9% increase over the prior year. Disbursements for the year ended June 30, 2021 totaled \$6,903,015, a 49.0% increase over the prior year. The increase in receipts is due primarily to receipt of bond proceeds of \$4,513,309 related to urban renewal projects and the increase in disbursements is primarily due to \$2,598,767 spent on capital projects during the year.

**AUDIT FINDINGS:**

Sand reported five findings related to the receipt and disbursement of taxpayer funds. They are found on pages 52 through 55 of this report. The findings address issues such as segregation of duties, non-compliance with the Iowa Constitution with regard to donations to private, non-profit organizations, disbursements exceeding budgeted amounts and publication of City Council minutes. Sand provided the City with recommendations to address each of the findings.

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

A copy of the audit report is available for review on the Auditor of State's web site at [Audit Reports - Auditor of State](#).

###

**CITY OF EVANSDALE**

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

**JUNE 30, 2021**

**City of Evansdale**



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Rob Sand  
Auditor of State

May 5, 2022

Officials of the City of Evansdale  
Evansdale, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Evansdale, Iowa for the year ended June 30, 2021. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand  
Auditor of State

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	10-11
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	12-13
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	15
Notes to Financial Statements		16-32
Other Information		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual – All Governmental Funds and Proprietary Funds		34-35
Notes to Other Information – Budgetary Reporting		37
Schedule of the City’s Proportionate Share of the Net Pension Liability		38-39
Schedule of City Contributions		40-41
Notes to Other Information – Pension Liability		42-43
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	47
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	2	48-49
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 <u>Government Auditing Standards</u>		50-51
Schedule of Findings		52-55
Staff		56

**City of Evansdale**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Troy Beatty	Mayor	(Resigned Jan 2021)
Dick Dewater (Appointed Jan 2021)	Mayor	Nov 2021
Gene Walker	Mayor Pro tem	Jan 2022
Lynn Bender	Council Member	Jan 2022
Kristi Osborne (Appointed Mar 2021)	Council Member	Nov 2021
Charles Beam	Council Member	Jan 2024
Steven Seible	Council Member	Jan 2024
DeAnne Kobliska	City Clerk	Jan 2022
Megan Wells	Deputy Clerk	Indefinite
Laura Folkerts	Attorney	Indefinite

**City of Evansdale**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Evansdale, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



## Opinions

### *Basis for Qualified Opinion on the Governmental Activities and the Aggregate Remaining Fund Information*

The financial statements do not include financial data for one of the City's legally separate component units, the City of Evansdale Volunteer Fire Department Association. The amounts by which this omission would affect the receipts, disbursements and cash balances of the governmental activities and the aggregate remaining fund information has not been determined.

### *Qualified Opinion*

In our opinion, except for the effects of the matter discussed in the "Basis for Qualified Opinion the Governmental Activities and the Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, the financial position of the governmental activities and the aggregate remaining fund information of the City of Evansdale as of June 30, 2021, and the changes in its cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### *Unmodified Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the business type activities, the discretely presented component unit and each major fund of the City of Evansdale as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

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

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Evansdale's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2020 (which are not presented herein) and expressed a qualified opinion on the governmental activities and the aggregate remaining fund information due to the omission of the Evansdale Volunteer Fire Department Association from the City's financial statements and unmodified opinions on the financial statements of the business type activities, the discretely presented component unit and each major fund which were prepared on the basis of cash receipts and disbursements. The financial statements for the three years ended June 30, 2014 (which are not presented herein) were audited by another auditor who expressed modified opinions on those financial statements for the two years ended June 30, 2014 and unmodified opinions for the year ended June 30, 2012. The financial statements during those three years were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, except for the effects of not including the financial data of the City of Evansdale Volunteer Fire Department Association as described in the “Basis for Qualified Opinion on the Governmental Activities and the Aggregate Remaining Fund Information” paragraph on the preceding page, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City’s Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 34 through 43, 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 5, 2022 on our consideration of the City of Evansdale’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Evansdale’s internal control over financial reporting and compliance.



Ernest H. Ruben, Jr., CPA  
Deputy Auditor of State

May 5, 2022

**City of Evansdale**

## **Basic Financial Statements**

City of Evansdale

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government</b>				
Governmental activities:				
Public safety	\$ 1,359,865	417,340	272,429	-
Public works	419,869	1,637	711,045	-
Health and social services	18,994	-	-	-
Culture and recreation	533,839	390,615	23,539	-
Community and economic development	4,941	-	-	-
General government	355,504	5,945	24,116	-
Debt service	880,863	-	103,142	-
Capital projects	2,598,767	236	-	217
Total governmental activities	6,172,642	815,773	1,134,271	217
Business type activities:				
Sewer	437,047	685,959	-	-
Sanitation/recycling	274,378	276,431	19,004	-
Storm water	18,948	26,506	-	-
Total business type activities	730,373	988,896	19,004	-
Total primary government	\$ 6,903,015	1,804,669	1,153,275	217
<b>Component Unit:</b>				
Evansdale Water Works	\$ 511,458	551,446	-	-
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Bond proceeds, net of \$47,043 premium and \$33,734 issuance costs				
Miscellaneous				
Primary government 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				
<b>Cash Basis Net Position</b>				
Restricted:				
Streets				
Debt service				
Capital projects				
Other purposes				
Customer deposits				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Governmental Activities	Business Type Activities	Total	Component Unit
			Evansdale Water Works
(670,096)	-	(670,096)	
292,813	-	292,813	
(18,994)	-	(18,994)	
(119,685)	-	(119,685)	
(4,941)	-	(4,941)	
(325,443)	-	(325,443)	
(777,721)	-	(777,721)	
<u>(2,598,314)</u>	<u>-</u>	<u>(2,598,314)</u>	
<u>(4,222,381)</u>	<u>-</u>	<u>(4,222,381)</u>	
-	248,912	248,912	
-	21,057	21,057	
-	7,558	7,558	
<u>-</u>	<u>277,527</u>	<u>277,527</u>	
<u>(4,222,381)</u>	<u>277,527</u>	<u>(3,944,854)</u>	
			<u>39,988</u>
1,065,217	-	1,065,217	-
549,185	-	549,185	-
678,938	-	678,938	-
21,201	-	21,201	-
23,412	-	23,412	4,179
4,513,309	-	4,513,309	-
46,132	13,190	59,322	50,358
108,265	(108,265)	-	-
<u>7,005,659</u>	<u>(95,075)</u>	<u>6,910,584</u>	<u>54,537</u>
2,783,278	182,452	2,965,730	94,525
2,132,772	791,129	2,923,901	493,158
<u>\$ 4,916,050</u>	<u>973,581</u>	<u>5,889,631</u>	<u>587,683</u>
463,611	-	463,611	-
114,362	-	114,362	-
2,468,238	-	2,468,238	-
287,311	-	287,311	-
-	-	-	119,297
<u>1,582,528</u>	<u>973,581</u>	<u>2,556,109</u>	<u>468,386</u>
<u>\$ 4,916,050</u>	<u>973,581</u>	<u>5,889,631</u>	<u>587,683</u>

City of Evansdale

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

As of and for the year ended June 30, 2021

	Special Revenue			
	General	Road Use Tax	Employee Benefits	Local Option Sales Tax
<b>Receipts:</b>				
Property tax	\$ 825,750	-	205,315	-
Tax increment financing	-	-	-	-
Local option sales tax	-	-	-	678,938
Other city tax	34,152	-	-	-
Licenses and permits	84,232	-	-	-
Use of money and property	37,088	-	-	-
Intergovernmental	312,252	711,045	4,240	-
Charges for service	583,754	-	-	-
Special assessments	-	-	-	-
Miscellaneous	182,670	-	8,021	-
<b>Total receipts</b>	<b>2,059,898</b>	<b>711,045</b>	<b>217,576</b>	<b>678,938</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	1,063,075	-	296,790	-
Public works	-	419,869	-	-
Health and social services	18,994	-	-	-
Culture and recreation	514,223	-	19,616	-
Community and economic development	4,941	-	-	-
General government	252,689	-	56,966	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
<b>Total disbursements</b>	<b>1,853,922</b>	<b>419,869</b>	<b>373,372</b>	<b>-</b>
Excess (deficiency) of receipts over (under) disbursements	205,976	291,176	(155,796)	678,938
<b>Other financing sources (uses):</b>				
General obligation bond proceeds, net of \$47,043 premium and \$33,734 issuance costs	-	-	-	-
Transfers in	139,633	-	163,602	-
Transfers out	-	-	-	(698,168)
<b>Total other financing sources (uses)</b>	<b>139,633</b>	<b>-</b>	<b>163,602</b>	<b>(698,168)</b>
Change in cash balances	345,609	291,176	7,806	(19,230)
Cash balances beginning of year	1,236,919	172,435	179,424	19,230
Cash balances end of year	\$ 1,582,528	463,611	187,230	-
<b>Cash Basis Fund Balances</b>				
<b>Restricted for:</b>				
Streets	\$ -	463,611	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	187,230	-
Assigned for capital improvements	54,992	-	-	-
Unassigned	1,527,536	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 1,582,528</b>	<b>463,611</b>	<b>187,230</b>	<b>-</b>

See notes to financial statements.

Tax Increment Financing	Debt Service	Capital Projects	Nonmajor	Total
-	-	-	-	1,031,065
549,185	-	-	-	549,185
-	-	-	-	678,938
-	-	-	-	34,152
-	-	-	-	84,232
1,246	-	-	-	38,334
-	-	217	-	1,027,754
-	-	236	-	583,990
-	-	1,637	-	1,637
-	103,142	11,226	-	305,059
550,431	103,142	13,316	-	4,334,346
-	-	-	-	1,359,865
-	-	-	-	419,869
-	-	-	-	18,994
-	-	-	-	533,839
-	-	-	-	4,941
-	-	-	45,849	355,504
-	880,863	-	-	880,863
-	-	2,598,767	-	2,598,767
-	880,863	2,598,767	45,849	6,172,642
550,431	(777,721)	(2,585,451)	(45,849)	(1,838,296)
-	-	4,513,309	-	4,513,309
-	767,252	349,084	45,849	1,465,420
(536,324)	-	(122,663)	-	(1,357,155)
(536,324)	767,252	4,739,730	45,849	4,621,574
14,107	(10,469)	2,154,279	-	2,783,278
71,467	39,257	313,959	100,081	2,132,772
85,574	28,788	2,468,238	100,081	4,916,050
-	-	-	-	463,611
85,574	28,788	-	-	114,362
-	-	2,468,238	-	2,468,238
-	-	-	100,081	287,311
-	-	-	-	54,992
-	-	-	-	1,527,536
85,574	28,788	2,468,238	100,081	4,916,050



**City of Evansdale**

City of Evansdale

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

As of and for the year ended June 30, 2021

	Enterprise			Total
	Sewer	Sanitation/ Recycling	Storm Water	
Operating receipts:				
Charges for service	\$ 685,959	276,431	26,506	988,896
Miscellaneous	4,008	9,182	-	13,190
Total operating receipts	689,967	285,613	26,506	1,002,086
Operating disbursements:				
Business type activities	437,047	274,378	18,948	730,373
Excess of operating receipts over operating disbursements	252,920	11,235	7,558	271,713
Non-operating receipts				
Intergovernmental	-	19,004	-	19,004
Excess of receipts over disbursements	252,920	30,239	7,558	290,717
Transfers out	(108,265)	-	-	(108,265)
Change in cash balances	144,655	30,239	7,558	182,452
Cash balances beginning of year	485,167	262,600	43,362	791,129
Cash balances end of year	\$ 629,822	292,839	50,920	973,581
<b>Cash Basis Fund Balances</b>				
Unrestricted	\$ 629,822	292,839	50,920	973,581

See notes to financial statements.

City of Evansdale

Notes to Financial Statements

June 30, 2021

**(1) Summary of Significant Accounting Policies**

The City of Evansdale is a political subdivision of the State of Iowa located in Black Hawk County. It was first incorporated in 1947 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer, sanitation/recycling and storm water utilities for its citizens.

A. Reporting Entity

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

These financial statements present the City of Evansdale (the primary government) and the Evansdale Water Works (a component unit).

Discretely Presented Component Unit

The Evansdale Water Works was established pursuant to Chapter 388 of the Code of Iowa for the operation of the City's Water Works facilities. The Water Works is governed by a three-member Board of Trustees appointed by the City Council. A financial benefit/burden exists between the City and the Water Works in that the City is authorized by statute to issue general obligation debt for a city utility and may certify taxes for the payment of the debt. Complete financial statements can be obtained from the Evansdale Water Works, 123 N Evans Road, Evansdale, Iowa 50707.

Excluded Blended Component Unit

The Evansdale Volunteer Fire Department Association is incorporated under Chapter 504 of the Code of Iowa. Its mission is to prevent and control fires, to provide emergency services and to perform such duties in connection therewith as may be required of it under the control of the Evansdale City Council and such officers that may be elected by the Fire Department from year to year. Contributions are used for training and to purchase items which are not included in the City's budget. The Evansdale Volunteer Fire Department Association is not presented in these financial statements because the information was not made available.

## Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Black Hawk County Assessor's Conference Board, Black Hawk County 911 Joint Service Board, Black Hawk County Emergency Management Agency, Iowa Northland Regional Council of Governments, Criminal Justice Information Systems, Black Hawk Consolidated Public Safety Communications Board and the Black Hawk County Solid Waste Management Commission.

### B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Employee Benefits Fund is used to account for the collection and use of property tax for pension, retirement and insurance benefits.

The Local Option Sales Tax Fund is used to account for the collection and use of local option sales tax.

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

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

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

The Enterprise, Sanitation/Recycling Fund accounts for the operation and maintenance of the City's garbage system.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in the governmental 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, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the debt service function prior to a budget amendment. At June 30, 2021, disbursement exceeded the amounts budgeted in the capital projects function.

**(2) Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

**(3) Bonds and Notes Payable**

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,640,000	4,500,000	745,000	7,395,000	650,000
Business-type activities - Direct borrowing					
Sewer revenue loan anticipation note	\$ 110,945	-	-	110,945	-

## General Obligation Bonds

A summary of the City's June 30, 2021 general obligation bonds payable is as follows:

Year Ending June 30,	Essential Corporate Purpose Issued Jul 2, 2013			Essential Corporate Purpose Issued May 15, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.15%	\$ 140,000	3,010	2.50%	\$ 210,000	31,662
2023		-	-	2.50	215,000	26,413
2024		-	-	2.75	225,000	21,037
2025		-	-	3.00	225,000	14,850
2026		-	-	3.00	200,000	8,100
2027-2029		-	-	3.00	70,000	3,150
<b>Total</b>		<b>\$ 140,000</b>	<b>3,010</b>		<b>\$ 1,145,000</b>	<b>105,212</b>

Year Ending June 30,	Essential Corporate Purpose Issued Jun 28, 2016			Essential Corporate Purpose Issued Aug 29, 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	1.45%	\$ 95,000	2,928	2.00%	\$ 130,000	23,775
2023	1.55	100,000	1,550	2.00	135,000	21,175
2024		-	-	2.00	135,000	18,475
2025		-	-	2.00	140,000	15,775
2026		-	-	2.05	140,000	12,975
2027-2029		-	-	2.20-2.50	430,000	20,645
<b>Total</b>		<b>\$ 195,000</b>	<b>4,478</b>		<b>\$ 1,110,000</b>	<b>112,820</b>

Year Ending June 30,	Essential Corporate Purpose Issued Aug 29, 2017			Essential Corporate Purpose Issued Sep 30, 2020		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.40%	\$ 75,000	7,940	0.70%	\$ -	34,795
2023	2.40	75,000	6,140	0.70	-	34,795
2024	2.80	75,000	4,340	0.70	15,000	34,795
2025	2.80	80,000	2,240	0.70	15,000	34,690
2026		-	-	0.70	20,000	34,585
2027-2031		-	-	0.70-1.10	770,000	159,985
2032-2036		-	-	1.50-2.00	875,000	107,550
2037-2039		-	-	2.00	570,000	23,000
<b>Total</b>		<b>\$ 305,000</b>	<b>20,660</b>		<b>\$ 2,265,000</b>	<b>464,195</b>

Year Ending June 30,	Essential Corporate Purpose Issued Sep 30, 2020			Total	
	Interest Rates	Principal	Interest	Principal	Interest
2022	0.75%	\$ -	39,003	\$ 650,000	143,113
2023	0.75	30,000	39,002	555,000	129,075
2024	0.75	30,000	38,778	480,000	117,425
2025	0.75	30,000	38,553	490,000	106,108
2026	0.75	30,000	38,327	390,000	93,987
2027-2031	0.90-1.50	675,000	176,983	1,945,000	360,763
2032-2036	1.60-2.10	870,000	119,852	1,745,000	227,402
2037-2039	2.25-2.50	570,000	27,907	1,140,000	50,907
<b>Total</b>		<b>\$ 2,235,000</b>	<b>518,405</b>	<b>\$ 7,395,000</b>	<b>1,228,780</b>

On January 3, 2012, the City issued \$310,000 of general obligation corporate purpose bonds to provide funds for constructing water system improvements, acquiring water meter reading equipment, acquiring a utility vehicle and acquiring an ambulance and equipment for the fire department. The bonds bear interest ranging from 1.00% to 2.20% per annum. During fiscal year 2021, the City paid principal of \$40,000 and interest of \$880 on the bonds. The bonds were retired as of June 30, 2021.

On July 2, 2013, the City issued \$1,730,000 of general obligation refunding bonds to currently refund the outstanding balance of the City's 2002 general obligation sewer improvement notes. The bonds bear interest at 1.00% to 2.15% per annum and mature on June 1, 2022. During fiscal year 2021, the City paid principal of \$200,000 and interest of \$6,910 on the bonds. The outstanding principal balance at June 30, 2021 was \$140,000.

On May 5, 2015, the City issued \$2,200,000 of general obligation corporate purpose and refunding bonds to provide funds for constructing street, water system, water tower, sanitary sewer system, sidewalk and storm water drainage extensions and improvements, to provide funds for constructing bike trail improvements and to currently refund the outstanding balance of the City's 2007 general obligation economic development bonds. The bonds bear interest at 2.00% to 3.00% per annum and mature on June 1, 2028. During fiscal year 2021, the City paid principal of \$210,000 and interest of \$35,863 on the bonds. The outstanding principal balance at June 30, 2021 was \$1,145,000.

On June 28, 2016, the City issued \$575,000 of general obligation corporate purpose bonds to provide funds for the purchase of a jet truck and a street sweeper for use by the public works department and for constructing improvements and extensions to the Water Works' utility system. The bonds bear interest at 0.90% to 1.55% per annum and mature on June 1, 2023. During fiscal year 2021, the City paid principal of \$95,000 and interest of \$4,163 on the bonds. The outstanding principal balance at June 30, 2021 was \$195,000.

On August 29, 2017, the City issued \$1,500,000 of general obligation corporate purpose bonds to provide funds to pay the costs of constructing street and sanitary sewer system improvements, water system improvements and storm water draining improvements. The bonds bear interest at 1.20% to 2.50% per annum and mature on June 1, 2029. During fiscal year 2021, the City paid principal of \$130,000 and interest of \$26,375 on the bonds. The outstanding principal balance at June 30, 2021 was \$1,110,000.

On August 29, 2017, the City issued \$510,000 of taxable general obligation corporate purpose bonds to provide funds for undertaking the acquisition, demolition and restoration of abandoned, dilapidated and dangerous buildings and properties. The bonds bear interest at 1.90% to 2.80% per annum and mature on June 1, 2025. During fiscal year 2021, the City paid principal of \$70,000 and interest of \$9,270 on the bonds. The outstanding principal balance at June 30, 2021 was \$305,000.

On September 30, 2020, the City issued \$2,265,000 of taxable general obligation corporate purpose bonds to provide funds for the undertaking of an urban renewal project in the East Heights Urban Renewal Area. The bonds bear interest at 0.70% to 2.00% per annum and mature on June 1, 2039. During fiscal year 2021, interest of \$23,293 was paid on the bonds. The outstanding principal balance at June 30, 2021 was \$2,265,000.

On September 30, 2020, the City issued \$2,235,000 of taxable general obligation corporate purpose bonds to provide funds for the undertaking of an urban renewal project in the East Heights Urban Renewal Area. The bonds bear interest at 0.75% to 2.50% per annum and mature on June 1, 2039. During fiscal year 2021, interest of \$26,110 was paid on the bonds. The outstanding principal balance at June 30, 2021 was \$2,235,000.



## Sewer Revenue Capital Loan and Disbursement Agreement Anticipation Project Note – Direct Borrowing

On April 5, 2020, the City entered into a sewer revenue loan and disbursement anticipation project note with the Iowa Finance Authority to borrow up to \$550,000 to pay the costs of planning, designing and constructing improvements and extensions to the City's Municipal Sanitary Sewer System. The note is interest free and matures on April 5, 2022. The City made no draws and paid no principal or interest on the notes during the year ended June 30, 2021. The outstanding principal balance at June 30, 2021 was \$110,945.

### **(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](http://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 2021, 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 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$58,688.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$515,118 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 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, 2020, the City's proportion was 0.007333%, which was a decrease of 0.000189% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$87,944, \$111,994 and \$60,461, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

The actuarial assumptions used in the June 30, 2020 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 2020 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 geometric 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%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100.0%</u>	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 902,074	515,118	190,717

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](http://www.ipers.org).

**Municipal Fire and Police Retirement System of Iowa (MFPRSI)**

Plan Description – MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the Code of Iowa. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at [www.mfprsi.org](http://www.mfprsi.org).

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full-service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed to years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member’s highest 3 years of compensation. The average of these 3 years becomes the member’s average final compensation. The base benefit is 66% of the member’s average final compensation. Members who perform more than 22 years of service receive an additional 2% of the member’s average final compensation for each additional year of service, up to a maximum of 8 years. Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen, plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50% surviving spouse benefit.

Active members, at least 55 years of age, with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4 or 5 year DROP period. When electing to participate in DROP, the member signs a contract stating the member will retire at the end of the selected DROP period. During the DROP period, the member’s retirement benefit is frozen, and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes

the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

Disability and Death Benefits – Disability benefits may be either accidental or ordinary. Accidental disability is defined as a permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation, for those with 5 or more years of service or the member's service retirement benefit calculation amount plus 25% of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40% of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50% of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased annually in accordance with Chapter 411.6 of the Code of Iowa which provides a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

Contributions – Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2021.

Employer contribution rates are based upon an actuarially determined normal contribution rate and are set by State statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by State statute to be the actuarial liabilities of the plan less current plan assets, with the total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and State appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 25.31% for the year ended June 30, 2021.

The City's contributions to MFPRSI for the year ended June 30, 2021 was \$98,651.

If approved by the State Legislature, state appropriations may further reduce the City's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa, therefore, is considered to be a non-employer contributing entity in accordance with the provisions of Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans.

There were no state appropriations to MFPRSI during the year ended June 30, 2021.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$1,023,656 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2020, the City’s proportion was 0.130000%, which did not change from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021 the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$190,141, \$229,775 and \$32,463, respectively.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation	3.00%.
Salary increases	3.75 to 15.11%, including inflation.
Investment rate of return	7.50%, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2007 to June 30, 2017.

Postretirement mortality rates were based on the RP-2014 Blue Collar Combined Healthy Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2018.

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

Asset Class	Long-Term Expected Real Rate of Return
Large cap	7.49%
Small cap	8.10
International large cap	7.20
Emerging markets	7.90
Global infrastructure	7.50
Private non-core real estate	11.50
Private credit	6.40
Private equity	10.80
Core plus fixed income	4.00
Private core real estate	7.20

Discount Rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed contributions will be made at 9.40% of covered payroll and the City’s contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, MFPRSI’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on MFPRSI’s investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 1,570,089	1,023,656	571,036

MFPRSI’s Fiduciary Net Position – Detailed information about MFPRSI’s fiduciary net position is available in the separately issued MFPRSI financial report which is available on MFPRSI’s website at [www.mfprsi.org](http://www.mfprsi.org).

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan, which includes employees of the Evansdale Water Works and provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$156,010 and plan members eligible for benefits contributed \$20,125 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>16</u>
Total	<u><u>17</u></u>

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation, compensatory time and sick leave payable to employees at June 30, 2021, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 38,000
Compensatory time	19,000
Sick leave	72,000
Total	<u>\$ 129,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2021.

**(7) Intrafund Loans**

During the year ended June 30, 2016, the Special Revenue Fund, Home Acres Tax Increment Financing District account within the Special Revenue, Tax Increment Financing Fund advanced/loaned \$26,758 to the New Housing Tax Increment Financing District account, also within the Special Revenue, Tax Increment Financing Fund, for the purpose of making interest payments on the District debt during fiscal years 2016 through 2019. During the fiscal year ended June 30, 2021, one repayment of \$20,951 was made leaving a balance of \$1,163 at June 30, 2021.

During the year ended June 30, 2019, the Special Revenue Fund, East Heights Tax Increment Financing District account within the Special Revenue, Tax Increment Financing Fund advanced/loaned \$22,264 to the New Housing Tax Increment Financing District account, also within the Special Revenue, Tax Increment Financing Fund, for the purpose of making interest payments on the District Debt during fiscal year 2019. As of June 30, 2021, no repayments of the loan have been made.

**(8) Interfund Loan**

During the year ended June 30, 2021, the City loaned \$49,403 from the Capital Projects Fund to the Special Revenue, East Heights Tax Increment Financing Fund (TIF Fund) to provide financing for the Eagles Landing project. The loan is to be repaid from tax increment financing receipts transferred from the Special Revenue, East Heights Tax Increment Financing Fund to the Capital Projects fund, as receipts become available. As of June 30, 2021, no repayments of the loan have been made.



**(9) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	<u>\$ 139,633</u>
Special Revenue:	Special Revenue:	
Employee Benefits	Local Option Sales Tax	<u>163,602</u>
Special Revenue:	Local Option Sales Tax	<u>45,849</u>
Tort Liability		
Debt Service	Special Revenue:	
	Tax Increment Financing	536,324
	Capital Projects	122,663
	Enterprise:	
	Sewer	<u>108,265</u>
		<u>767,252</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	<u>349,084</u>
		<u>\$ 1,465,420</u>

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

**(10) 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 785 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, 2021 were \$63,411.

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, 2021, 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 and employee blanket bond in the amount of \$1,000,000 and \$100,000 respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(11) Industrial Development Revenue Bonds**

The City has issued a total of \$12,910,051 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$10,537,714 is outstanding at June 30, 2021. The bonds and related interest are payable solely from the revenues generated by these entities, and the bond principal and interest do not constitute liabilities of the City.

**(12) 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 that of the City of Evansdale, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Evansdale. 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 Evansdale.

**(13) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ended June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

## **Other Information**

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

Other Information

Year ended June 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 1,031,065	-	1,031,065
Tax increment financing	549,185	-	549,185
Other city tax	713,090	-	713,090
Licenses and permits	84,232	-	84,232
Use of money and property	38,334	-	38,334
Intergovernmental	1,027,754	19,004	1,046,758
Charges for service	583,990	988,896	1,572,886
Special assessments	1,637	-	1,637
Miscellaneous	305,059	13,190	318,249
Total receipts	4,334,346	1,021,090	5,355,436
Disbursements:			
Public safety	1,359,865	-	1,359,865
Public works	419,869	-	419,869
Health and social services	18,994	-	18,994
Culture and recreation	533,839	-	533,839
Community and economic development	4,941	-	4,941
General government	355,504	-	355,504
Debt service	880,863	-	880,863
Capital projects	2,598,767	-	2,598,767
Business type activities	-	730,373	730,373
Total disbursements	6,172,642	730,373	6,903,015
Change in balances	(1,838,296)	290,717	(1,547,579)
Other financing sources, net	4,621,574	(108,265)	4,513,309
Changes in balances	2,783,278	182,452	2,965,730
Balances beginning of year	2,132,772	791,129	2,923,901
Balances end of year	\$ 4,916,050	973,581	5,889,631

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
989,110	989,110	41,955
557,276	557,276	(8,091)
688,469	764,331	(51,241)
59,450	59,450	24,782
39,946	39,946	(1,612)
906,389	1,019,114	27,644
1,438,431	1,545,431	27,455
1,038	1,038	599
328,790	328,790	(10,541)
5,008,899	5,304,486	50,950
1,437,463	1,503,463	143,598
939,859	939,859	519,990
19,759	19,759	765
664,601	684,601	150,762
5,324	5,324	383
524,011	524,011	168,507
831,661	881,566	703
-	2,500,000	(98,767)
2,866,989	2,866,989	2,136,616
7,289,667	9,925,572	3,022,557
(2,280,768)	(4,621,086)	3,073,507
2,000,000	6,500,000	(1,986,691)
(280,768)	1,878,914	1,086,816
2,351,643	4,703,286	(1,779,385)
2,070,875	6,582,200	(692,569)

**City of Evansdale**

City of Evansdale

Notes to Other Information – Budgetary Reporting

June 30, 2021

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$2,635,905. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the debt service function prior to a budget amendment. At June 30, 2021, disbursements exceeded the amounts budgeted in the capital projects function.



City of Evansdale

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

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

Other Information

**Iowa Public Employees' Retirement System**

	2021	2020	2019	2018
City's proportion of the net pension liability	0.007333%	0.007522%	0.006604%	0.006534%
City's proportionate share of the net pension liability	\$ 515	436	418	435
City's covered payroll	\$ 652	648	578	562
City's proportionate share of the net pension liability as a percentage of its covered payroll	78.99%	67.28%	72.32%	77.40%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

**Municipal Fire and Police Retirement System of Iowa**

	2021	2020	2019	2018
City's proportion of the net pension liability	0.130000%	0.130000%	0.119747%	0.120476%
City's proportionate share of the net pension liability	\$ 1,024	885	713	707
City's covered payroll	\$ 408	408	353	341
City's proportionate share of the net pension liability as a percentage of its covered payroll	250.98%	216.91%	201.98%	207.33%
Plan fiduciary net position as a percentage of the total pension liability	76.47%	79.94%	81.07%	80.60%

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

\*\* Effective July 1, 2015, the Evansdale Water Works was reclassified from a blended to a discretely presented component unit and, accordingly, is excluded from this Schedule.

See accompanying independent auditor's report.

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2017	2016**	2015
0.007596%	0.006674%	0.008365%
478	330	332
544	658	652
87.87%	50.15%	50.92%
81.82%	85.19%	87.61%

2017	2016	2015
0.122988%	0.105935%	0.103266%
769	498	374
333	278	263
230.93%	179.14%	142.21%
78.20%	83.04%	86.27%

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City of Evansdale

Schedule of City Contributions

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

Other Information

**Iowa Public Employee's Retirement System**

	2021	2020	2019	2018
Statutorily required contribution	\$ 58,688	61,884	61,657	52,369
Contributions in relation to the statutorily required contribution	(58,688)	(61,884)	(61,657)	(52,369)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 620,197	651,702	647,622	578,154
Contributions as a percentage of covered payroll	9.46%	9.50%	9.52%	9.06%

**Municipal Fire and Police Retirement System of Iowa**

	2021	2020	2019	2018
Statutorily required contribution	\$ 98,651	99,531	106,238	90,632
Contributions in relation to the statutorily required contribution	(98,651)	(99,531)	(106,238)	(90,632)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 390,486	407,746	408,374	352,928
Contributions as a percentage of covered payroll	25.26%	24.41%	26.01%	25.68%

\*\*Effective July 1, 2015, the Evansdale Water Works was reclassified from a blended to a discretely presented component unit and, accordingly, is excluded from this Schedule.

See accompanying independent auditor's report.

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2017	2016**	2015	2014	2013	2012
50,873	49,105	59,761	59,199	56,199	52,992
(50,873)	(49,105)	(59,761)	(59,199)	(56,199)	(52,992)
-	-	-	-	-	-
561,708	544,231	658,484	652,292	634,630	639,837
9.06%	9.02%	9.08%	9.08%	8.86%	8.28%

2017	2016	2015	2014	2013	2012
88,443	92,554	84,482	79,430	66,964	69,862
(88,443)	(92,554)	(84,482)	(79,430)	(66,964)	(69,862)
-	-	-	-	-	-
341,213	333,288	277,810	263,713	256,371	282,157
25.92%	27.77%	30.41%	30.12%	26.12%	24.76%

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City of Evansdale

Notes to Other Information – Pension Liability

Year ended June 30, 2021

**Iowa Public Employee’s Retirement System**

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.

City of Evansdale

Notes to Other Information – Pension Liability

Year ended June 30, 2021

**Municipal Fire and Police Retirement System of Iowa**

*Changes of benefit terms:*

There were no significant changes of benefit terms.

*Changes of assumptions:*

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

The 2017 valuation added five years projection of future mortality improvement with Scale BB.

The 2016 valuation changed postretirement mortality rates to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvement.

The 2015 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

The 2014 valuation phased in the 1994 Group Annuity Mortality Table for post-retirement mortality. This resulted in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

**City of Evansdale**

**Supplementary Information**



**City of Evansdale**

## City of Evansdale

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

As of and for the year ended June 30, 2021

	Special Revenue			Total
	Dental Insurance	Tort Liability	Police Retirement	
Receipts:				
None	\$ -	-	-	-
Disbursements:				
Operating:				
General government	-	45,849	-	45,849
Deficiency of receipts under disbursements	-	(45,849)	-	(45,849)
Other financing sources:				
Transfers in	-	45,849	-	45,849
Change in cash balances	-	-	-	-
Cash balances beginning of year	81	-	100,000	100,081
Cash balances end of year	\$ 81	-	100,000	100,081
<b>Cash Basis Fund Balances</b>				
Restricted for other purposes	\$ 81	-	100,000	100,081

See accompanying independent auditor's report.

City of Evansdale

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

For the Last Ten Years

	2021	2020	2019	2018
<b>Receipts:</b>				
Property tax	\$ 1,031,065	1,140,648	997,395	1,001,421
Tax increment financing	549,185	631,357	589,865	371,403
Local option sales tax	678,938	584,730	591,250	539,067
Other city tax	34,152	41,730	71,066	69,399
Licenses and permits	84,232	75,907	57,290	51,727
Use of money and property	38,334	38,282	41,117	36,001
Intergovernmental	1,027,754	805,604	815,613	951,934
Charges for service	583,990	391,655	354,775	367,072
Special assessments	1,637	1,272	477	1,616
Miscellaneous	305,059	165,604	83,352	88,763
<b>Total</b>	<b>\$ 4,334,346</b>	<b>3,876,789</b>	<b>3,602,200</b>	<b>3,478,403</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 1,359,865	1,354,366	1,189,544	1,189,544
Public works	419,869	528,167	1,182,647	1,182,647
Health and social services	18,994	18,516	18,248	18,248
Culture and recreation	533,839	210,266	398,495	398,495
Community and economic development	4,941	7,404	136,055	136,055
General government	355,504	382,686	641,148	641,148
Debt service	880,863	932,943	705,458	705,458
Capital projects	2,598,767	505,940	1,758,314	1,758,314
<b>Total</b>	<b>\$ 6,172,642</b>	<b>3,940,288</b>	<b>6,029,909</b>	<b>6,029,909</b>

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
906,943	882,178	867,615	779,245	832,750	707,966
507,973	236,021	228,966	252,905	316,678	432,122
609,966	547,464	549,321	576,948	543,696	569,902
72,952	65,474	63,655	77,665	50,270	78,561
62,357	52,000	65,507	54,907	55,603	45,854
32,894	37,789	29,015	27,648	31,604	32,988
2,523,755	745,551	574,125	676,683	599,223	923,676
341,178	267,039	280,943	265,205	283,424	283,594
245	261	2,602	2,673	9,111	1,922
138,409	131,091	101,484	85,383	96,225	241,253
<u>5,196,672</u>	<u>2,964,868</u>	<u>2,763,233</u>	<u>2,799,262</u>	<u>2,818,584</u>	<u>3,317,838</u>
1,229,513	1,107,970	1,046,834	1,047,850	1,006,111	1,008,844
821,050	814,385	652,722	898,838	655,573	594,387
18,049	17,183	17,133	16,787	15,705	-
301,618	228,203	239,664	229,918	272,425	318,416
27,653	26,022	31,598	2,500	4,632	217,338
518,991	317,752	337,484	347,148	304,788	325,253
625,872	468,188	682,115	2,489,309	844,973	608,018
2,777,114	876,337	8,512	-	-	-
<u>6,319,860</u>	<u>3,856,040</u>	<u>3,016,062</u>	<u>5,032,350</u>	<u>3,104,207</u>	<u>3,072,256</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, each major fund and the aggregate remaining fund information of the City of Evansdale, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 5, 2022. Our report expressed a qualified opinion on the governmental activities and the aggregate remaining fund information due to the omission of the Evansdale Volunteer Fire Department Association. Our report expressed unmodified opinions on the financial statements of the business type activities, the discretely presented component unit and each major fund of the City of Evansdale which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Evansdale's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. 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, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

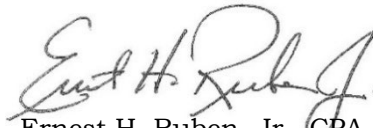
### City of Evansdale's Responses to the Findings

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

### Purpose of this Report

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

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

  
Ernest H. Ruben, Jr., CPA  
Deputy Auditor of State

May 5, 2022

City of Evansdale

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties Subsequent to June 30, 2021

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 – Subsequent to June 30, 2021, the City Clerk position became vacant in February 2022. Because the City has not hired a replacement City Clerk, all accounting functions are handled by one or two individuals without adequate compensating controls.

Cause – The City has not replaced the position of City Clerk and the City has a limited number of staff 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 individuals in the normal course of performing their assigned functions.

Recommendation – The City Council should take action to fill the City Clerk position. Until that position is filled, the City Council should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available employees and elected officials.

Response – The City Council, at their May 3, 2022, City Council meeting appointed an acting City Clerk that will be reviewing general ledger entries and segregating duties between the Mayor and herself. We will continue to be diligent in finding replacements for both the Deputy and City Clerk as soon as possible.

Conclusion – Response accepted.

(B) Friends of the Evansdale Library (Friends)

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 Friends’ financial statements.

Condition – All accounting functions are handled by one or two individuals without adequate compensating controls.

City of Evansdale

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

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

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

Recommendation – We realize segregation of duties is difficult with a limited number of individuals. However, the Friends should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available volunteers and Board members.

Response – The Friends of the Evansdale Library Board has been discontinued.

Conclusion – Response accepted.

(C) Bank Reconciliation – Friends of the Evansdale Library

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances.

Condition – For the Friends of the Evansdale Library, bank reconciliations were not performed on a monthly basis.

Cause – Procedures have not been designed and implemented to ensure all bank and investment accounts are reconciled to book balances and the amounts recorded in the books and bank accounts are complete and accurate to ensure proper accounting.

Effect – The lack of bank to book reconciliation and a lack of independent review of the reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – Monthly bank reconciliations should be performed and reconciled to book balances. In addition, the reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the independent reviewer and the date of review.

Response – The Friends of the Evansdale Library has been discontinued.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



City of Evansdale

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements in the debt service function exceeded the amount budgeted prior to the budget amendment and in the capital projects function at June 30, 2021. 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 – A payment became due before the budget amendment was processed. We will ensure that expenditures are not made before an amendment is processed.

Conclusion – Response accepted.

- (2) Donation – During the year ended June 30, 2021, the City donated \$2,500 to the Boys and Girls Club and \$2,500 to Operation Threshold.

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

At least six official Iowa Attorney General Opinions since 1972 have consistently concluded that “a governmental body may not donate public funds to a private entity, even if the entity is established for charitable educational purposes and performs work which the government can’t perform directly.” The Opinions further state, “Even if the function of a private non-profit corporation fits within the scope of activities generally recognized as serving a public purpose, a critical question exists regarding whether funds or property transferred to a private entity will indeed be used for those public purposes.”

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

Recommendation – We are not aware of any statutory authority for the City to provide public funds to private non-profit organizations. The City should immediately cease making such future donations.

Response – The City Council has been advised and approved the disbursement. In Fiscal Year 2022, an agreement was put into place to support the Operation Threshold service to our community.

Conclusion – Response acknowledged. The City should cease making donations to private non-profit organizations.

City of Evansdale

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – There were no business transactions between the City and City officials.
- (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 – No transactions were found that we believe should have been approved in the City Council minutes but were not. However, Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings to be published within fifteen days of the meeting and include total disbursements from each fund and a summary of receipts. During the fiscal year, the City did not publish a summary of receipts, as required.

Recommendation – The City should comply with the Code of Iowa by publishing a summary of receipts as required.

Response – The City became aware of the requirement to publish a summary of receipts in December 2020 and the City is in compliance with the requirement after that date.

Conclusion – Response accepted.

- (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) Annual Urban Renewal Report – The Annual Urban Renewal Report (AURR) was certified to the Iowa Department of Management on or before December 1.
- (10) Transfers – Rule 545-2.2 of the Iowa Administrative Code requires transfers between funds be passed by resolution and include a clear statement of the reason or purpose for the transfer, the name of the affected funds and the dollar amount to be transferred. Transfers from the Special Revenue, Local Option Sales Tax Fund to each of the following funds: General, Special Revenue, Employee Benefits Fund, Special Revenue, Tort Liability Fund and Capital Projects fund was not approved by resolution.

Recommendation – All transfer resolutions should be prepared according to Rule 545-2.2 of the Iowa Administrative Code and approved by the City Council.

Response – This was an oversight by the City Clerk; however, the City will ensure that it is completed in the future to ensure all transfers are documented and made as approved.

Conclusion – Response accepted.

City of Evansdale

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy  
Gwen D. Fangman, CPA, Manager  
William R. Bamber, Staff Auditor  
William J. Sallen CPA, Staff Auditor  
Enoch Duval, Assistant Auditor