

CITY OF OELWEIN, IOWA

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

JUNE 30, 2019

DRAFT

**T. P. ANDERSON & COMPANY, P.C.
Certified Public Accountants**

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City of Oelwein, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Peggy Sherrets	Mayor	December 2019
Matt Weber	Council Member	December 2019
Warren Fisk	Council Member	December 2021
Lou Ann Milks	Council Member	December 2019
Renee Cantrell	Council Member	December 2021
Matt Derifield	Council Member	December 2021
Darin Christensen	Council Member	December 2019
Dylan Mulfinger	City Administrator	Indefinite
Barb Rigdon	Deputy City Clerk	Indefinite
Patrick Dillion	Attorney	Indefinite

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T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Oelwein, as of June 30, 2019, and the respective changes in its cash basis financial position for the year then ended, in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described 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'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 years ended June 30, 2018 and 2017, and other auditors previously audited in accordance with standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2016 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedules of the City's Proportionate Share of the Net Pension Liability and the Schedules of City Contributions on pages 4 through 10 and 30 through 37, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2019 on our consideration of the City'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 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 City's internal control over financial reporting and compliance.

T.P. Anderson & Company, P.C.

November 25, 2019
Humboldt, Iowa

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Oelwein, Iowa, provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2019. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 6.9%, or approximately \$474,000, from fiscal 2018 to fiscal 2019. The decrease in receipts was primarily a result of an Iowa Department of Transportation grant received in the prior year for the Industrial Park 3rd Addition that was not received in the current year.
- Disbursements in the City's governmental activities decreased 12.7%, or approximately \$925,000, in fiscal 2019 from fiscal 2018. The decrease in disbursements was primarily a result of capital projects having reached completion in the prior year, as well as a reduction in scheduled debt service payments being made during the year.
- The City's total cash basis net position increased approximately \$1,236,000 from June 30, 2018 to June 30, 2019. Of this amount, the assets of the governmental activities increased approximately \$469,000 and the assets of the business-type activities increased approximately \$767,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains fourteen Enterprise Funds to provide separate information for the City. The Sewer, Water, Water Infrastructure, Sewer Bond Sinking, and 42 Well Rehabilitation are considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$5.0 million to \$5.5 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

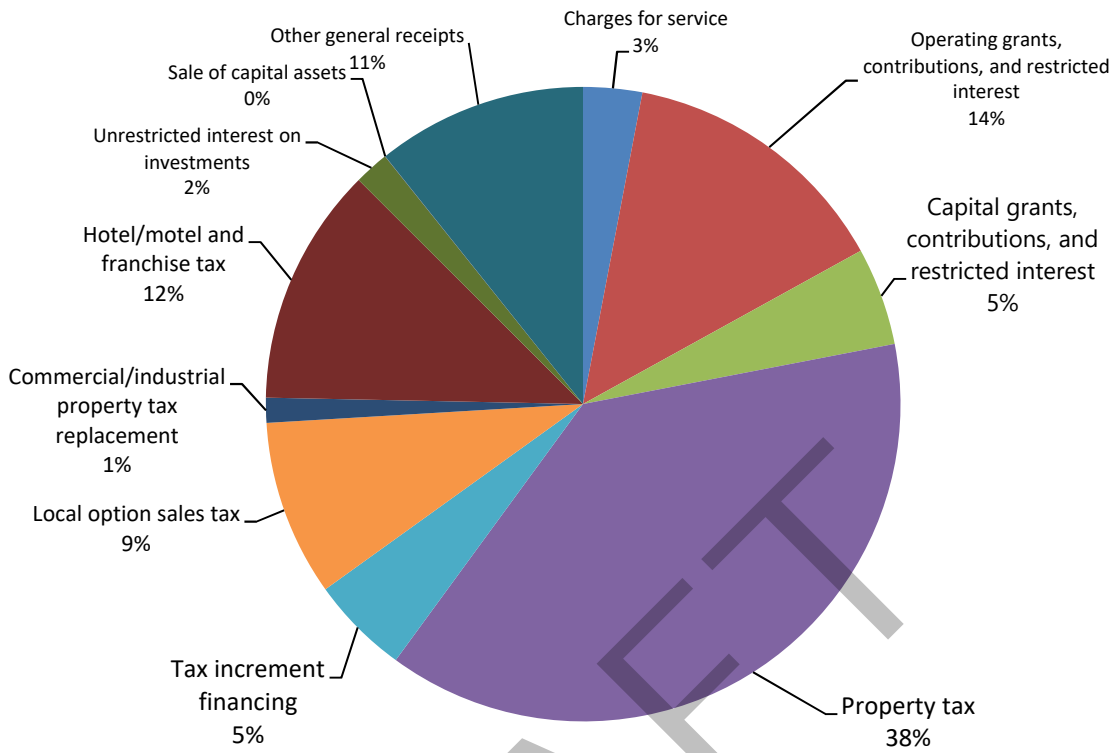
Changes in Cash Basis Net Position of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2019	2018
Receipts:		
Program receipts:		
Charges for service	\$ 191	152
Operating grants, contributions, and restricted interest	891	891
Capital grants, contributions, and restricted interest	319	751
General receipts:		
Property tax	2,430	2,624
Tax increment financing	321	69
Local option sales tax	572	381
Commercial/industrial property tax replacement	81	68
Hotel/motel and franchise tax	776	553
Unrestricted interest on investments	74	108
Loan proceeds	60	-
Sale of capital assets	1	304
Other general receipts	676	965
Total receipts	<u>6,392</u>	<u>6,866</u>
Disbursements:		
Public safety	1,682	1,545
Public works	755	730
Health and social services	18	21
Culture and recreation	930	812
Community and economic development	784	894
General government	419	389
Debt service	1,118	1,874
Capital projects	667	1,033
Total disbursements	<u>6,373</u>	<u>7,298</u>
Change in cash basis net position before transfers	19	(432)
Transfers, net	<u>450</u>	<u>294</u>
Change in cash basis net position	469	(138)
Cash basis net position, beginning of year	<u>5,010</u>	<u>5,148</u>
Cash basis net position, end of year	<u>\$ 5,479</u>	<u>5,010</u>

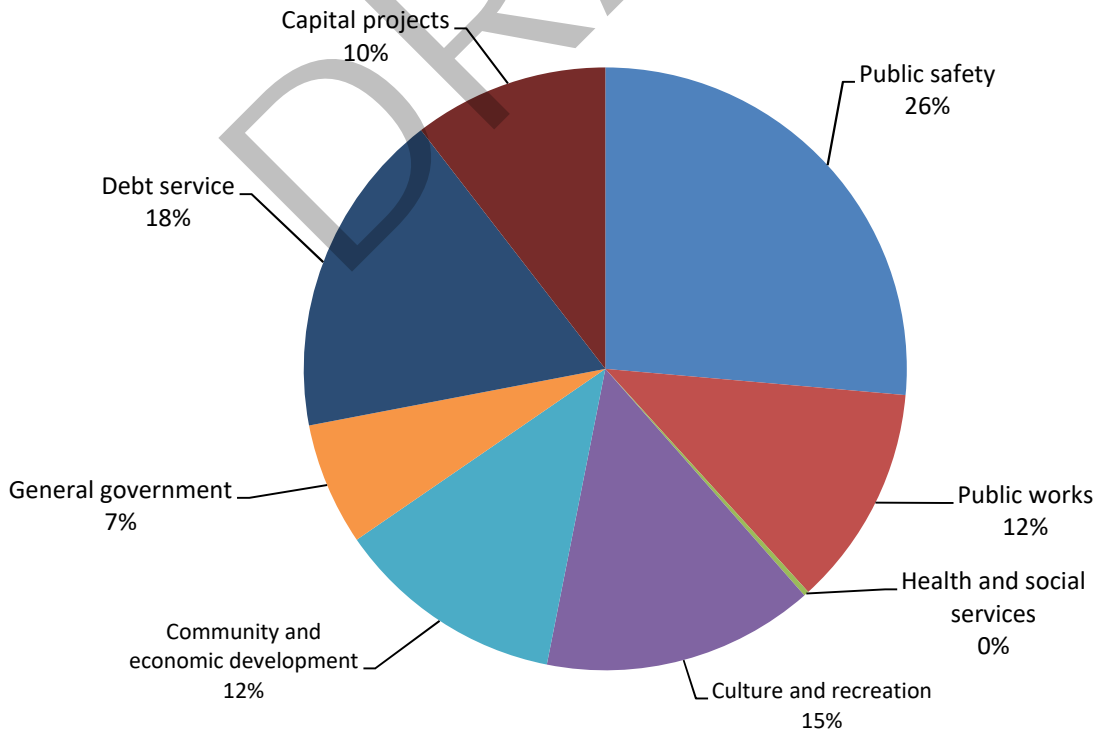
The City's total receipts for governmental activities decreased by 6.9%, or approximately \$474,000, from the prior year. The total cost of all programs and services decreased by approximately \$925,000, or 12.7%, with no new programs added this year. The decrease in receipts was primarily the result of less intergovernmental receipts in the current year compared to the previous year.

The cost of all governmental activities this year was approximately \$6.4 million compared to approximately \$7.3 million last year. However, as shown in the Statement of Activities and Net Position on pages 11 and 12, the amount taxpayers ultimately financed for these activities was only \$5.0 million because some of the cost was paid by those directly benefited from the programs (\$190,880) or by other governments and organizations which subsidized certain programs with grants, contributions, and restricted interest (\$1,210,033). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax, and miscellaneous receipts.

Receipts by Source



Disbursements by Function



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

	Year ended June 30,	
	2019	2018
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,102	996
Sewer	1,447	1,386
Other	1,273	935
General receipts:		
Unrestricted interest on investments	39	29
Bond proceeds	1,469	9
Other general receipts	9	8
Total receipts	<u>5,339</u>	<u>3,363</u>
Disbursements:		
Water	749	673
Sewer	785	682
Other	2,588	2,045
Total disbursements	<u>4,122</u>	<u>3,400</u>
Change in cash basis net position before transfers	1,217	(37)
Transfers, net	<u>(450)</u>	<u>(294)</u>
Change in cash basis net position	767	(331)
Cash basis net position, beginning of year	<u>1,814</u>	<u>2,145</u>
Cash basis net position, end of year	<u>\$ 2,581</u>	<u>1,814</u>

Total business-type activities receipts for the fiscal year were approximately \$5.3 million compared to approximately \$3.4 million last year. The increase is primarily due to the bond proceeds having been received in the current year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Oelwein completed the year, its governmental funds reported a combined fund balance of \$5,479,243, an increase of \$468,634 from last year's total of \$5,010,609. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$76,289 from the prior year to \$638,976. The increase was due to planned operations of the fund.
- The Special Revenue, Road Use Tax Fund cash balance increased \$240,049 to \$609,228 from the prior year. This was due to having no capital expenditures in the current year.
- The Special Revenue, Employee Benefits Fund cash balance decreased \$165,896 to \$819,355 from the prior year. The decrease was due to a decrease in the property tax levy due to excess funds accumulated in prior years.
- The Special Revenue, Gas-Electric Franchise Fees cash balance decreased \$40,670 to \$543,799. This was due to more capital expenditures being made in the current year.
- The Debt Service Fund cash balance increased \$46,002 to \$106,064. This was due to planned operations of the fund and paying debt according to debt schedules.

- The Capital Projects, Economic Development Fund cash balance decreased \$13,164 to \$845,042 from the prior year. This was due to a decrease in miscellaneous receipts as well as interest receipts.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$313,577 from the prior year to \$440,993, due primarily to planned operations of the fund and higher transfers out during the year.
- The Sewer Fund cash balance increased \$30,607 from the prior year to \$843,873, due primarily to planned operations of the fund.
- The Water Infrastructure Fund cash balance increased \$194,904 from the prior year to \$797,752, due primarily to minimal expenditures being made from this fund during the year. The City will continue to accumulate funds in this fund until planned infrastructure projects are executed.
- The Sewer Sinking Fund cash balance increased \$12,849 from the prior year to \$91,867, due primarily to planned operations of the fund.
- The 42 Well Rehabilitation Fund deficit cash balance increased \$486,275 from the prior year to a deficit of \$32,458, due primarily capital expenses exceeding bond proceeds received during the year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved May 28, 2019 and resulted in increases to various categories of revenues and expenditures. The most significant increase was to budget for additional intergovernmental receipts and business-type expenditures. During the year ended June 30, 2019, disbursements exceeded the amounts budgeted in the debt service function.

DEBT ADMINISTRATION

At June 30, 2019, the City had \$17 million in bonds and other long-term debt outstanding, compared to \$17 million last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30,	
	2019	2018
General obligation bonds	\$ 9,100	9,810
Revenue notes	7,080	6,360
Other long-term debt	866	824
Total	\$ 17,046	16,994

Debt increased primarily due to issuance of new revenue notes.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$9.1 million is below its constitutional debt limit for the current fiscal year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Oelwein's elected and appointed officials and citizens considered many factors when setting the fiscal year 2020 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the City now stands at 3.1% versus 2.8% a year ago. This compares with the State's unemployment rate of 2.6% and the national rate of 3.7%.

These indicators were taken into account when adopting the budget for fiscal year 2020. Amounts available for appropriation in the operating budget are approximately \$14.4 million, an increase of 17% over the final fiscal year 2019 budget. The increase is due to the City budgeting more for TIF revenues, intergovernmental receipts and charges for fees and services in the next fiscal year. Budgeted disbursements increased approximately \$3.9 million, or 34% over the prior fiscal year. The increase is due to an increase in capital expenditures relating to the construction on water and sewer system upgrades being completed in the next fiscal year as well as more planned community and economic development projects. The City has added no major new programs or initiatives to the fiscal year 2020 budget.

If the estimates are realized, the City's cash balance is expected to decrease approximately \$800,000 by the close of fiscal year 2020.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City of Oelwein's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Dylan Mulfinger, City Administrator, 20 Second Avenue SW, Oelwein, Iowa 50662.

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Basic Financial Statements

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City of Oelwein, Iowa
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2019

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 1,682,373	76,245	29,806	-
Public works	755,382	6,228	828,726	-
Health and social services	18,117	-	-	-
Culture and recreation	929,980	108,407	32,894	5,000
Community and economic development	783,959	-	-	42,633
General government	418,572	-	-	-
Debt service	1,117,626	-	-	-
Capital projects	666,989	-	-	270,974
Total governmental activities	6,372,998	190,880	891,426	318,607
Business-type activities:				
Water	749,244	1,102,170	-	-
Sewer	784,570	1,447,141	-	-
Water infrastructure	4,950	199,854	-	-
Sewer bond sinking	632,702	-	-	-
Well rehabilitation	774,935	-	-	-
Landfill	553,089	590,501	-	-
Other business-type activities	622,570	482,783	-	-
Total business-type activities	4,122,060	3,822,449	-	-
Total functions/programs	\$ 10,495,058	4,013,329	891,426	318,607
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Commercial/industrial property tax replacement				
Hotel/motel and franchise tax				
Unrestricted interest on investments				
Loan proceeds				
Miscellaneous				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position, beginning of year				
Cash basis net position, end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Employee benefits				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business-Type Activities	Total
(1,576,322)	-	(1,576,322)
79,572	-	79,572
(18,117)	-	(18,117)
(783,679)	-	(783,679)
(741,326)	-	(741,326)
(418,572)	-	(418,572)
(1,117,626)	-	(1,117,626)
(396,015)	-	(396,015)
<u>(4,972,085)</u>	<u>-</u>	<u>(4,972,085)</u>
-	352,926	352,926
-	662,571	662,571
-	194,904	194,904
-	(632,702)	(632,702)
-	(774,935)	(774,935)
-	37,412	37,412
-	(139,787)	(139,787)
-	<u>(299,611)</u>	<u>(299,611)</u>
<u>(4,972,085)</u>	<u>(299,611)</u>	<u>(5,271,696)</u>
1,861,670	-	1,861,670
568,381	-	568,381
320,501	-	320,501
572,156	-	572,156
81,192	-	81,192
776,358	-	776,358
73,809	39,375	113,184
59,400	1,469,097	1,528,497
676,402	8,092	684,494
1,249	-	1,249
449,601	(449,601)	-
<u>5,440,719</u>	<u>1,066,963</u>	<u>6,507,682</u>
468,634	767,352	1,235,986
<u>5,010,609</u>	<u>1,813,784</u>	<u>6,824,393</u>
<u>\$ 5,479,243</u>	<u>2,581,136</u>	<u>8,060,379</u>
\$ 288,341	-	288,341
609,228	-	609,228
819,355	-	819,355
106,064	197,591	303,655
1,658,622	118,311	1,776,933
1,997,633	2,265,234	4,262,867
<u>\$ 5,479,243</u>	<u>2,581,136</u>	<u>8,060,379</u>

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

As of and for the year ended June 30, 2019

	Special Revenue				
	General	Road Use Tax	Employee Benefits	Gas-Electric Franchise Fees	Debt Service
Receipts:					
Property tax	\$ 1,131,426	-	752,916	-	568,381
Tax increment financing	-	-	-	-	-
Other city tax	77,580	-	22,118	711,811	15,789
Licenses and permits	72,679	-	-	-	-
Use of money and property	73,721	-	9,297	8,208	6,365
Intergovernmental	62,700	828,726	-	15,676	-
Charges for service	190,880	-	-	-	-
Special assessments	-	-	-	-	-
Miscellaneous	99,788	-	24,392	-	-
Total receipts	<u>1,708,774</u>	<u>828,726</u>	<u>808,723</u>	<u>735,695</u>	<u>590,535</u>
Disbursements:					
Operating:					
Public safety	1,113,753	-	504,286	-	-
Public works	64,314	558,677	132,391	-	-
Health and social services	-	-	-	-	-
Culture and recreation	766,045	-	131,366	-	-
Community and economic development	-	-	11,211	-	-
General government	223,207	-	195,365	-	-
Debt service	-	-	-	-	1,092,407
Capital projects	-	-	-	372,988	-
Total disbursements	<u>2,167,319</u>	<u>558,677</u>	<u>974,619</u>	<u>372,988</u>	<u>1,092,407</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(458,545)</u>	<u>270,049</u>	<u>(165,896)</u>	<u>362,707</u>	<u>(501,872)</u>
Other financing sources (uses):					
Sale of capital assets	-	-	-	-	-
Loan proceeds	-	-	-	-	-
Transfers in	545,834	-	-	-	547,874
Transfers out	(11,000)	(30,000)	-	(403,377)	-
Net other financing sources (uses)	<u>534,834</u>	<u>(30,000)</u>	<u>-</u>	<u>(403,377)</u>	<u>547,874</u>
Change in cash balances	76,289	240,049	(165,896)	(40,670)	46,002
Cash balances, beginning of year	<u>562,687</u>	<u>369,179</u>	<u>985,251</u>	<u>584,469</u>	<u>60,062</u>
Cash balances, end of year	<u>\$ 638,976</u>	<u>609,228</u>	<u>819,355</u>	<u>543,799</u>	<u>106,064</u>
Cash Basis Fund Balances					
Nonspendable	\$ -	-	-	-	-
Restricted for:					
Streets	-	609,228	-	-	-
Employee benefits	-	-	819,355	-	-
Debt service	-	-	-	-	106,064
Other purposes	-	-	-	-	-
Committed	-	-	-	543,799	-
Assigned	-	-	-	-	-
Unassigned	638,976	-	-	-	-
Total cash basis fund balances	<u>\$ 638,976</u>	<u>609,228</u>	<u>819,355</u>	<u>543,799</u>	<u>106,064</u>

See notes to financial statements.

<u>Capital Projects</u>		
<u>Economic</u>		
<u>Development</u>	<u>Nonmajor</u>	<u>Total</u>
-	58,520	2,511,243
-	320,501	320,501
-	638,431	1,465,729
-	-	72,679
8,639	18,420	124,650
-	302,931	1,210,033
-	-	190,880
-	392	392
29,445	281,650	435,275
<u>38,084</u>	<u>1,620,845</u>	<u>6,331,382</u>
-	64,334	1,682,373
-	-	755,382
-	18,117	18,117
-	32,569	929,980
209,157	563,591	783,959
-	-	418,572
-	25,219	1,117,626
40,705	253,296	666,989
<u>249,862</u>	<u>957,126</u>	<u>6,372,998</u>
<u>(211,778)</u>	<u>663,719</u>	<u>(41,616)</u>
-	1,249	1,249
-	59,400	59,400
474,580	319,965	1,888,253
(275,966)	(718,309)	(1,438,652)
<u>198,614</u>	<u>(337,695)</u>	<u>510,250</u>
(13,164)	326,024	468,634
<u>858,206</u>	<u>1,590,755</u>	<u>5,010,609</u>
<u>845,042</u>	<u>1,916,779</u>	<u>5,479,243</u>
-	288,341	288,341
-	-	609,228
-	-	819,355
-	-	106,064
-	1,658,622	1,658,622
-	9,207	553,006
845,042	-	845,042
-	(39,391)	599,585
<u>845,042</u>	<u>1,916,779</u>	<u>5,479,243</u>

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

As of and for the year ended June 30, 2019

	Enterprise			
	Water	Sewer	Water Infrastructure	Sewer Bond Sinking
Operating receipts:				
Charges for service	\$ 1,102,170	1,447,141	199,854	-
Miscellaneous	-	-	-	-
Total operating receipts	1,102,170	1,447,141	199,854	-
Operating disbursements:				
Business-type activities	749,244	759,570	-	-
Excess (deficiency) of operating receipts over (under) operating disbursements	352,926	687,571	199,854	-
Non-operating receipts (disbursements):				
Interest on investments	19,418	11,036	-	4,051
Loan proceeds	-	-	-	-
Debt service	-	-	-	(632,702)
Capital projects	-	(25,000)	(4,950)	-
Net non-operating receipts (disbursements)	19,418	(13,964)	(4,950)	(628,651)
Excess (deficiency) of receipts over (under) disbursements	372,344	673,607	194,904	(628,651)
Transfers in	-	18,500	-	641,500
Transfers out	(685,921)	(661,500)	-	-
Net transfers in (out)	(685,921)	(643,000)	-	641,500
Change in cash balances	(313,577)	30,607	194,904	12,849
Cash balances, beginning of year	754,570	813,266	602,848	79,018
Cash balances, end of year	\$ 440,993	843,873	797,752	91,867
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 67,500	-	-	91,867
Other purposes	-	-	-	-
Unrestricted	373,493	843,873	797,752	-
Total cash basis fund balances	\$ 440,993	843,873	797,752	91,867

See notes to financial statements.

	Enterprise			
42 Well Rehabilitation	Landfill	Nonmajor	Total	
-	590,501	482,783	3,822,449	
-	-	8,092	8,092	
-	590,501	490,875	3,830,541	
-	553,089	422,790	2,484,693	
-	37,412	68,085	1,345,848	
-	-	4,870	39,375	
1,198,586	-	270,511	1,469,097	
-	-	(180,775)	(813,477)	
(774,935)	-	(19,005)	(823,890)	
423,651	-	75,601	(128,895)	
423,651	37,412	143,686	1,216,953	
62,624	-	225,696	948,320	
-	(32,000)	(18,500)	(1,397,921)	
62,624	(32,000)	207,196	(449,601)	
486,275	5,412	350,882	767,352	
(518,733)	25,316	57,499	1,813,784	
(32,458)	30,728	408,381	2,581,136	
-	-	38,224	197,591	
-	-	118,311	118,311	
(32,458)	30,728	251,846	2,265,234	
(32,458)	30,728	408,381	2,581,136	

CITY OF OELWEIN, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(1) Summary of Significant Accounting Policies

The City of Oelwein is a political subdivision of the State of Iowa located in Fayette County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer services to its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Fayette County's Assessor's Conference Board, Fayette County Homeland Security/Emergency Management Commission, Fayette County Compensation Board, Fayette County E911, Fayette County Local Emergency Planning Committee, Fayette County Solid Waste Management Commission, Bremer County/City of Oelwein Law Enforcement Mutual Aid, Fayette County Firemen's Association, Buchanan County Firemen's Association, Iowa Firemen's Association, Iowa Fire Chief's Association, Iowa Arson Investigators Association, International Fire Chief's Association, Oelwein Change and Area Development, Northeast Iowa City Managers, Northeast Iowa Regional League, Iowa League of Cities, Iowa City Management Association, Iowa Water Pollution Control Association, Northeast Iowa Clerks Association, Iowa Municipal Finance Officers Association, Iowa Police Chiefs Association, Peace Officers Association, International Association of Police Chiefs, Iowa Crime Prevention Association, Governors Inoperability Board, Iowa Association of Municipal Utilities, Iowa Rural Water Association, Iowa Municipal Workers Compensation Association, Trees Forever, National Arbor Day Foundation, Iowa Concrete Association, Iowa Asphalt Association, National Swimming Pool Association, Law Enforcement Intelligence Network, Upper Explorerland Regional Planning Commission, International City Management Association, Senior Human Resource Management, National City Manager Association, National Junior City Manager Association, Midwest Organized Crime Information Center, Fayette County Library Association, American Public Works Association and the Iowa Library Association.

CITY OF OELWEIN, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

B. Basis of Presentation

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

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

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

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

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on resources 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 that are 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.

CITY OF OELWEIN, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The Employee Benefits Fund is used to account for the property tax receipts and disbursements received and paid for employee's pension and benefit costs.

The Gas-Electric Franchise Fees Fund is used to account for Alliant Energy and Interstate Power and Light franchise fees collected to be used for related equipment purchases.

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 obligation debt.

Capital Projects:

The Economic Development Fund accounts for rental and other miscellaneous receipts and disbursements from the acquisition and sale of real estate for economic development purposes.

The City reports the following major proprietary funds:

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

The Sewer Fund accounts for operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Water Infrastructure Fund accounts for the receipts the City is collecting to prepare for a water infrastructure renovation project.

The Sewer Bond Sinking Fund accounts for the required transfers and payments for the City's sewer revenue note principal and interest payments.

The 42 Well Rehabilitation Fund is used to track the activity and progress of the 42 Well Rehabilitation Project.

The Landfill Fund accounts for operation and maintenance of the City's landfill 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 the accounting principles generally accepted in the United States.

Under 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 assets 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.

CITY OF OELWEIN, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

Committed – Amounts restricted to specific purposes when constraints placed on the use of resources are internally imposed in formal action by the City Council.

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

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2019, disbursements exceeded the amounts budgeted for debt service.

F. Property Taxes

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2017, to compute the amounts which became liens on property on July 1, 2018. These taxes were due and payable in two installments on September 30, 2018 and March 31, 2019, at the Fayette County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

G. Subsequent Events

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through November 25, 2019, the date the financial statements were available to be issued.

CITY OF OELWEIN, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(2) Cash and Investments

The City's deposits in banks at June 30, 2019 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure 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; and 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.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for Oelwein's general obligation bonds, revenue bonds and other long-term debt are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Notes		Other Long-Term Debt		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$1,215,000	264,458	768,000	142,335	33,794	8,656	2,016,794	415,449
2021	1,250,000	236,558	788,000	127,828	34,132	8,318	2,072,132	372,704
2022	840,000	205,825	813,000	112,925	34,473	7,976	1,687,473	326,726
2023	755,000	186,975	835,000	97,450	34,819	7,632	1,624,819	292,057
2024	695,000	169,275	857,000	81,538	35,167	7,283	1,587,167	258,096
2025-2029	3,430,000	503,088	2,288,000	191,853	181,179	31,069	5,899,179	726,010
2030-2034	915,000	93,200	640,000	74,920	190,422	21,830	1,745,422	189,950
2035-2039	-	-	91,407	6,124	178,798	12,386	270,205	18,510
2040-2044	-	-	-	-	100,987	5,137	100,987	5,137
2045-2046	-	-	-	-	41,754	626	41,754	626
	<u>\$ 9,100,000</u>	<u>1,659,379</u>	<u>7,080,407</u>	<u>834,973</u>	<u>865,525</u>	<u>110,913</u>	<u>17,045,932</u>	<u>2,605,265</u>

Revenue Notes

The City has pledged future water customer receipts, net of specific operating disbursements to repay \$3,837,000 in revenue bonds issued in September 2010, September 2016 and April 2018. Proceeds from the notes provided financing for the improvements to the water distribution system. The notes are payable solely from water customer net receipts and are payable through 2035. The total principal and interest remaining to be paid on the notes is \$2,872,925. For the current year, principal and interest paid and total customer net receipts were \$260,382 and \$352,926, respectively.

CITY OF OELWEIN, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

The City has pledged future sewer customer receipts, net of specific operating disbursements to repay \$10,192,000 in revenue bonds issued in May 2005, October 2012 and April 2018. Proceeds from the notes provided financing for the construction and improvements to the sewer treatment system. The notes are payable solely from sewer customer net receipts and are payable through 2040. The total principal and interest remaining to be paid on the notes is \$5,153,507. For the current year, principal and interest paid and total customer net receipts were \$620,472 and \$687,571, respectively.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers shall be made to a water reserve account within the Enterprise Funds until a specific minimum balance has been accumulated in the account. This account is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
- (d) The notes require the system generate sewer and water net revenues sufficient to 110% of the current year principal and interest installment.

Other Long-Term Debt

The City has entered into two loan agreements with the United States Department of Agriculture (USDA) in April 2008 and September 2015 to administer an Intermediary Relending Program (IRP) with a maximum limit of \$500,000 for each loan. The IRP loans are used to help finance businesses in Oelwein that will create permanent employment, diversification of the local economy, or increase the local tax base of the City. Community development projects are also eligible for IRP loans. The total principal and interest remaining to be paid on the notes is \$976,438. For the current year, principal and interest paid to the USDA by the City were \$25,219 and payments received from businesses to the City were \$124,065.

(4) Pension Plan

Iowa Public Employees Retirement System (IPERS)

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 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 50306-7117 or at www.ipers.org.

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

CITY OF OELWEIN, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

- 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.

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 that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that 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 that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2019, pursuant to the required rate, regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%.

The City's contributions to IPERS for the year ended June 30, 2019 totaled \$145,440.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$1,168,796 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2018, the City's proportion was 0.018470%, which was a decrease of 0.001083% from its proportion measured as of June 30, 2017.

CITY OF OELWEIN, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

For the year ended June 30, 2019, the City's pension expense, deferred outflows of resources, and deferred inflows of resources totaled \$158,362, \$309,329 and \$194,716, respectively.

There were no non-employer contributing entities to IPERS.

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

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

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

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	6.01 %
International equity	14.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
	<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 that employee contributions will be made at the contractually required rate and that 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.

CITY OF OELWEIN, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 1,983,682	1,168,796	485,228

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.

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 #201, West Des Moines, Iowa 50266 or at 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 document 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 members signs a contract stating the member will retire at the end of the selected DROP period. During the DROP period, the member's

CITY OF OELWEIN, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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 to 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 and 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, 2019.

Employer contribution rates are based upon an actuarially determined normal contribution rate and 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 such 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 26.02% for the year ended June 30, 2019.

The City's contributions to MFPRSI for the year ended June 30, 2019 totaled \$164,308.

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 nonemployer 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, 2019.

CITY OF OELWEIN, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$1,208,210 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to the MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2018, the City’s proportion was 0.202923%, which was a decrease of 0.023521% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$182,225, \$314,099 and \$145,418, respectively.

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

Rate of inflation	3.00% per annum.
Rates of salary increase	4.50 to 15.00% average, including inflation.
Investment rate of return	7.50%, net of investment expense, including inflation.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2007 through 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 2017.

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	5.5%
Small cap	5.8
International large cap	7.3
Emerging markets	9.0
Emerging markets debt	6.3
Private non-core real estate	8.0
Master limited partnerships	9.0
Private equity	9.0
Core plus fixed income	3.3
Private core real estate	6.0
Tactical asset allocation	6.4

CITY OF OELWEIN, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City’s proportionate share of the net pension liability	\$ 2,015,858	1,208,210	539,506

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.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees, and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2019, the City contributed \$513,864 and plan members eligible for benefits contributed \$63,604 to the plan. At June 30, 2019, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2019, there were 36 active and no retired members covered by the benefit terms.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination. Earned vacation is paid when used or when employment is terminated upon retirement or death. These accumulations are not recognized as expenditures by the City until they are used or paid.

CITY OF OELWEIN, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Certain unused sick leave, while not payable to a City employee upon retirement, may be credited to a “benefit account.” Amounts credited to the “benefit account” are based on an employee’s pay rate, their accumulated sick leave hours, and their years of service. Funds deposited to these accounts may be used by a former employee for certain health care related expenses.

The City’s approximate liability for earned vacation and sick leave payable at June 30, 2019, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 95,227
Sick Leave	633,235
Total	<u>\$ 728,462</u>

This liability has been computed based on rates of pay in effect at July 1, 2019.

(7) Deficit Balances

At June 30, 2019, the following funds had deficit balances:

Capital Projects:	
10th Street Paving Fund	\$ (38,955)
West Water Tower	(436)
Enterprise:	
42 Well Rehabilitation Fund	\$ (32,458)

The City is aware of these deficits and is actively working to eliminate them.

(8) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 30,000
	Emergency	38,644
	Local Option Sales Tax	172,575
	Hotel-Motel Tax	32,118
	Gas-Electric Franchise	145,497
	Capital Projects:	
	Economic Development	55,000
	Enterprise:	
	Water	20,000
	Landfill	32,000
Sewer	<u>20,000</u>	
		545,834

CITY OF OELWEIN, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Capital Projects: Economic Development	Special Revenue: Local Option Sales Tax Downtown TIF	402,675 71,905 <hr/> 474,580
Debt Service	Special Revenue: Gas-Electric Franchise Special Assessments	257,880 392
	Enterprise: Water	<hr/> 289,602 547,874
Enterprise: Water Bond Sinking	Enterprise: Water	<hr/> 198,200
Enterprise: Sewer Bond Sinking	Enterprise: Sewer	<hr/> 641,500
Enterprise: 42 Well Rehabilitation	Enterprise: Water	<hr/> 62,624
Capital Projects: Neighborhood Stabilization	Capital Projects: Economic Development	<hr/> 6,870
Capital Projects: Airport Grant	Capital Projects: Economic Development	<hr/> 36,600
Capital Projects: Railroad Viaduct	Enterprise: Water	<hr/> 115,495
Enterprise: Sewer	Enterprise: Sewer Infrastructure Fee	<hr/> 18,500
Enterprise: Wellness Center	Capital Projects: Economic Development	<hr/> 27,496
Special Revenue: Downtown Business Grants	Capital Projects: Economic Development	<hr/> 150,000
Special Revenue: Fire Department	General	<hr/> 11,000
		<hr/> <hr/> \$ 2,836,573

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

CITY OF OELWEIN, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Contracts/Commitments

In 2016, the City agreed to contribute \$350,000 to the Oelwein Community School District over a period of ten years for the College and Career Ready Program. The amount remaining on this commitment is \$280,000 at June 30, 2019.

The City has contracted with Fayette County Solid Waste Management Commission for solid waste disposal. Total payments by the City under this agreement for the year ended June 30, 2019 were \$213,856. This agreement is perpetual unless otherwise terminated or dissolved. The City is assessed a fee based on tonnage received at the landfill. The fee is adjusted annually.

The City has contracted with Black Hawk Waste Disposal for the collection and hauling of residential solid waste. The City bills and collects the fees for this service according to the rates prescribed in the agreement. Total payments by the City under this agreement for the year ended June 30, 2019 were \$337,133. This agreement extends through April 1, 2023.

(11) Developer Agreement

The City has entered into a development agreement with Forsyth Management Company, LLC (developer) for the construction of an industrial facility with a current assessed value of approximately \$1,500,000. The City agreed to pay the developer an amount not to exceed \$750,000 subject to annual appropriation by the City Council. The agreement requires up to ten annual payments, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2019, the City rebated \$46,789 of incremental property tax to the developer. At June 30, 2019 the remaining balance to be paid on the agreement was approximately \$464,000.

The City has entered into a development agreement with Motorcycles Midwest, Inc./Dean's Honda (developer) for the construction of a retail facility with a current assessed value of approximately \$420,000. The City agreed to pay the developer an amount not to exceed \$130,000 subject to annual appropriation by the City Council. The agreement requires up to seven annual payments, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2019, the City rebated \$14,085 of incremental property tax to the developer. At June 30, 2019 the remaining balance to be paid on the agreement was approximately \$89,230.

CITY OF OELWEIN, IOWA
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

(12) Tax Abatements

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

City Tax Abatements

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

For the year ended June 30, 2019, the City abated \$132,779 of property tax under the urban renewal and economic development projects.

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Other Information

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

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 2,511,243	-
Tax increment financing	320,501	-
Other city tax	1,465,729	-
Licenses and permits	72,679	-
Use of money and property	124,650	39,375
Intergovernmental	1,210,033	-
Charges for service	190,880	3,822,449
Special assessments	392	-
Miscellaneous	435,275	8,092
Total receipts	<u>6,331,382</u>	<u>3,869,916</u>
Disbursements:		
Public safety	1,682,373	-
Public works	755,382	-
Health and social services	18,117	-
Culture and recreation	929,980	-
Community and economic development	783,959	-
General government	418,572	-
Debt service	1,117,626	-
Capital projects	666,989	-
Business-type activities	-	4,122,060
Total disbursements	<u>6,372,998</u>	<u>4,122,060</u>
Excess (deficiency) of receipts over (under) disbursements	(41,616)	(252,144)
Other financing sources (uses), net	<u>510,250</u>	<u>1,019,496</u>
Excess of receipts and other financing sources over disbursements and other financing sources	468,634	767,352
Balances, beginning of year	<u>5,010,609</u>	<u>1,813,784</u>
Balances, end of year	<u>\$ 5,479,243</u>	<u>2,581,136</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,511,243	2,396,368	2,396,368	114,875
320,501	281,935	281,935	38,566
1,465,729	1,537,808	1,537,808	(72,079)
72,679	102,200	102,200	(29,521)
164,025	94,155	147,155	16,870
1,210,033	1,871,178	2,291,519	(1,081,486)
4,013,329	3,830,800	3,937,800	75,529
392	1,930	1,930	(1,538)
443,367	110,400	211,388	231,979
10,201,298	10,226,774	10,908,103	(706,805)
1,682,373	1,759,728	1,794,228	111,855
755,382	768,610	768,610	13,228
18,117	40,000	40,000	21,883
929,980	945,681	1,003,618	73,638
783,959	747,202	998,202	214,243
418,572	403,000	470,000	51,428
1,117,626	1,092,312	1,093,312	(24,314)
666,989	1,177,980	1,177,980	510,991
4,122,060	4,592,425	5,148,425	1,026,365
10,495,058	11,526,938	12,494,375	1,999,317
(293,760)	(1,300,164)	(1,586,272)	1,292,512
1,529,746	10,000	10,000	1,519,746
1,235,986	(1,290,164)	(1,576,272)	2,812,258
6,824,393	6,020,169	6,020,169	804,224
8,060,379	4,730,005	4,443,897	3,616,482

City of Oelwein, Iowa

Notes to Other Information – Budgetary Reporting

June 30, 2019

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds, the Permanent Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$967,437. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements exceeded the amounts budgeted in the debt service function.

City of Oelwein, Iowa

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

Iowa Public Employee's Retirement System
For the Last Five Years*

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.018470%	0.019729%	0.019687%	0.020411%	0.021437%
City's proportionate share of the net pension liability	\$ 1,168,796	\$ 1,302,445	\$ 1,227,741	\$ 1,008,417	\$ 850,164
City's covered payroll	\$ 1,388,152	\$ 1,459,501	\$ 1,400,014	\$ 1,398,359	\$ 1,404,691
City's proportionate share of the net pension liability as a percentage of its covered payroll	84.20%	89.24%	87.69%	72.11%	60.52%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

City of Oelwein, Iowa
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
Other Information

	2019	2018	2017	2016
Statutorily required contribution	145,440	123,962	130,333	124,971
Contribution in relation to the statutorily required contribution	(145,440)	(123,962)	(130,333)	(124,971)
Contribution deficiency (excess)	-	-	-	-
Commission's covered-employee payroll	1,540,678	1,388,152	1,459,501	1,400,014
Contribution as a percentage of covered-employee payroll	9.44%	8.93%	8.93%	8.93%

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See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
124,873	125,439	114,057	99,359	85,697	78,769
(124,873)	(125,439)	(114,057)	(99,359)	(85,697)	(78,769)
-	-	-	-	-	-
1,398,359	1,404,691	1,315,534	1,231,834	1,232,259	1,183,821
8.93%	8.93%	8.67%	8.07%	6.95%	6.65%

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City of Oelwein, Iowa

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

Municipal Fire and Police Retirement System of Iowa
For the Last Five Years*

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.202923%	0.226444%	0.221144%	0.230028%	0.234671%
City's proportionate share of the net pension liability	\$ 1,208,210	\$ 1,328,038	\$ 1,382,721	\$ 1,080,705	\$ 833,848
City's covered payroll	\$ 547,200	\$ 641,429	\$ 599,281	\$ 603,240	\$ 599,280
City's proportionate share of the net pension liability as a percentage of its covered payroll	220.09%	207.04%	230.73%	179.15%	139.14%
MFPRSI's net position as a percentage of the total pension liability	81.07%	80.60%	78.20%	83.04%	86.27%

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

See accompanying independent auditor's report.

City of Oelwein, Iowa
Schedule of the City Contributions
Municipal Fire and Police Retirement System of Iowa
For the Last Ten Years

Other Information

	2019	2018	2017	2016
Statutorily required contribution	164,308	151,465	166,258	166,420
Contribution in relation to the statutorily required contribution	(164,308)	(151,465)	(166,258)	(166,420)
Contribution deficiency (excess)	-	-	-	-
City's covered-employee payroll	631,467	547,200	641,429	599,281
Contribution as a percentage of covered-employee payroll	26.02%	27.68%	25.92%	27.77%

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2015	2014	2013	2012	2011	2010
183,445	180,503	151,744	152,225	117,159	98,527
(183,445)	(180,503)	(151,744)	(152,225)	(117,159)	(98,527)
-	-	-	-	-	-
603,240	599,280	580,950	614,803	588,737	579,573
30.41%	30.12%	26.12%	24.76%	19.90%	17.00%

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City of Oelwein, Iowa

Notes to Other Information – Pension Liability

Year Ended June 30, 2019

IPERS

Changes of benefit terms:

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

Changes of assumptions:

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

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

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

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

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL beginning June 30, 2015. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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

City of Oelwein, Iowa

Notes to Other Information – Pension Liability

Year Ended June 30, 2019

MFPRSI

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 post-retirement 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.

Supplementary Information

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City of Oelwein, Iowa

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

As of and for the year ended June 30, 2019

	Special Revenue	Capital Projects	Permanent Cemetery Perpetual Care	Total
Receipts:				
Property tax	\$ 58,520	-	-	58,520
Tax increment financing	320,501	-	-	320,501
Other city tax	638,431	-	-	638,431
Use of money and property	10,397	8,023	-	18,420
Intergovernmental	5,000	297,931	-	302,931
Special assessments	392	-	-	392
Miscellaneous	181,297	100,353	-	281,650
Total receipts	<u>1,214,538</u>	<u>406,307</u>	-	<u>1,620,845</u>
Disbursements:				
Public safety	64,334	-	-	64,334
Health and social services	18,117	-	-	18,117
Culture and recreation	32,569	-	-	32,569
Community and economic development	551,398	12,193	-	563,591
Debt service	25,219	-	-	25,219
Capital projects	31,341	221,955	-	253,296
Total disbursements	<u>722,978</u>	<u>234,148</u>	-	<u>957,126</u>
Excess of receipts over disbursements	<u>491,560</u>	<u>172,159</u>	-	<u>663,719</u>
Other financing sources (uses):				
Sale of capital assets	-	-	1,249	1,249
Loan proceeds	59,400	-	-	59,400
Transfers in	161,000	158,965	-	319,965
Transfers out	(718,309)	-	-	(718,309)
Net other financing sources (uses)	<u>(497,909)</u>	<u>158,965</u>	<u>1,249</u>	<u>(337,695)</u>
Change in cash balance	(6,349)	331,124	1,249	326,024
Cash balances, beginning of year	<u>938,088</u>	<u>365,575</u>	<u>287,092</u>	<u>1,590,755</u>
Cash balances, end of year	<u>\$ 931,739</u>	<u>696,699</u>	<u>288,341</u>	<u>1,916,779</u>
Cash Basis Fund Balances				
Nonspendable	\$ -	-	288,341	288,341
Restricted for other purposes	922,532	736,090	-	1,658,622
Committed	9,207	-	-	9,207
Unassigned	-	(39,391)	-	(39,391)
Total cash basis fund balances	<u>\$ 931,739</u>	<u>696,699</u>	<u>288,341</u>	<u>1,916,779</u>

See accompanying independent auditor's report.

City of Oelwein, Iowa
Schedule of Cash Receipts, Disbursements,
and Changes in Cash Balances
Nonmajor Governmental Special Revenue Funds
As of and for the year ended June 30, 2019

	Special Revenue							
	County Emergency Management	Flex Spending	Emergency	Local Option Sales Tax	Hotel-Motel Tax	Library Bequest	Downtown TIF	Industrial Park TIF
Receipts:								
Property tax	20,862	-	37,658	-	-	-	-	-
Tax increment financing	-	-	-	-	-	-	71,905	60,874
Other city tax	616	-	1,112	572,156	64,547	-	-	-
Use of money and property	-	-	-	3,767	586	4,558	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Miscellaneous	-	18,897	-	-	-	8,080	-	-
Total receipts	21,478	18,897	38,770	575,923	65,133	12,638	71,905	60,874
Disbursements:								
Public safety	20,528	-	-	-	-	-	-	-
Health and social services	-	18,117	-	-	-	-	-	-
Culture and recreation	-	-	-	-	24,140	8,429	-	-
Community and economic development	-	-	-	-	-	-	-	60,874
Debt service	-	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-
Total disbursements	20,528	18,117	-	-	24,140	8,429	-	60,874
Excess (deficiency) of receipts over (under) disbursements	950	780	38,770	575,923	40,993	4,209	71,905	-
Other financing sources (uses):								
Loan proceeds	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(38,644)	(575,250)	(32,118)	-	(71,905)	-
Net other financing sources (uses)	-	-	(38,644)	(575,250)	(32,118)	-	(71,905)	-
Change in cash balance	950	780	126	673	8,875	4,209	-	-
Cash balances, beginning of year	4,693	1,364	648	44,167	25,603	360,782	-	-
Cash balances, end of year	\$ 5,643	2,144	774	44,840	34,478	364,991	-	-
Cash Basis Fund Balances								
Restricted for other purposes	\$ 5,643	2,144	774	44,840	34,478	364,991	-	-
Committed	-	-	-	-	-	-	-	-
Total cash basis fund balances	\$ 5,643	2,144	774	44,840	34,478	364,991	-	-

See accompanying independent auditor's report.

Special Revenue										
East Penn TIF	DARE	Trees Forever	First Time Home Buyer Program	IRP Revolving Loan	Downtown Business Grant	Forfeited Assets	Special Assessments	Municipal Trust	Fire Department	Total
-	-	-	-	-	-	-	-	-	-	58,520
187,722	-	-	-	-	-	-	-	-	-	320,501
-	-	-	-	-	-	-	-	-	-	638,431
-	-	-	16	1,263	-	-	-	202	5	10,397
-	-	5,000	-	-	-	-	-	-	-	5,000
-	-	-	-	-	-	-	392	-	-	392
-	1,625	-	-	124,065	-	18,889	-	-	9,741	181,297
187,722	1,625	5,000	16	125,328	-	18,889	392	202	9,746	1,214,538
-	2,725	-	-	-	-	19,432	-	-	21,649	64,334
-	-	-	-	-	-	-	-	-	-	18,117
-	-	-	-	-	-	-	-	-	-	32,569
-	-	-	-	490,524	-	-	-	-	-	551,398
-	-	-	-	25,219	-	-	-	-	-	25,219
-	-	-	-	-	-	-	-	31,341	-	31,341
-	2,725	-	-	515,743	-	19,432	-	31,341	21,649	722,978
187,722	(1,100)	5,000	16	(390,415)	-	(543)	392	(31,139)	(11,903)	491,560
-	-	-	-	59,400	-	-	-	-	-	59,400
-	-	-	-	-	150,000	-	-	-	11,000	161,000
-	-	-	-	-	-	-	(392)	-	-	(718,309)
-	-	-	-	59,400	150,000	-	(392)	-	11,000	(497,909)
187,722	(1,100)	5,000	16	(331,015)	150,000	(543)	-	(31,139)	(903)	(6,349)
-	4,886	13,288	4,759	421,465	-	4,975	-	31,139	20,319	938,088
187,722	3,786	18,288	4,775	90,450	150,000	4,432	-	-	19,416	931,739
187,722	3,786	18,288	-	90,450	150,000	-	-	-	19,416	922,532
-	-	-	4,775	-	-	4,432	-	-	-	9,207
187,722	3,786	18,288	4,775	90,450	150,000	4,432	-	-	19,416	931,739

City of Oelwein, Iowa

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

As of and for the year ended June 30, 2019

	Capital Projects				
	Neighborhood Stabilization	CDBG Housing Rehabilitation	2009 Bond Sale	Airport Grant	Tri-Park Trail Extension
Receipts:					
Use of money and property	\$ -	255	144	-	1,616
Intergovernmental	-	42,633	-	43,226	-
Miscellaneous	-	-	-	-	100,353
Total receipts	-	42,888	144	43,226	101,969
Disbursements:					
Community and economic development	-	12,193	-	-	-
Capital projects	-	37,125	17,384	18,037	26,303
Total disbursements	-	49,318	17,384	18,037	26,303
Excess (deficiency) of receipts over (under) disbursements	-	(6,430)	(17,240)	25,189	75,666
Other financing sources (uses):					
Operating transfers in	6,870	-	-	36,600	-
Net other financing sources	6,870	-	-	36,600	-
Change in cash balance	6,870	(6,430)	(17,240)	61,789	75,666
Cash balances, beginning of year	(6,870)	26,265	17,290	(57,699)	73,237
Cash balances, end of year	\$ -	19,835	50	4,090	148,903
Cash Basis Fund Balances					
Restricted for other purposes	\$ -	19,835	50	4,090	148,903
Unassigned	-	-	-	-	-
Total cash basis fund balances	\$ -	19,835	50	4,090	148,903

See accompanying independent auditor's report.

Capital Projects				
Industrial Park 3rd Addition	West Water Tower	10th Street Paving	Railroad Viaduct	Total
6,008	-	-	-	8,023
-	-	212,072	-	297,931
-	-	-	-	100,353
6,008	-	212,072	-	406,307
-	-	-	-	12,193
-	436	103,041	19,629	221,955
-	436	103,041	19,629	234,148
6,008	(436)	109,031	(19,629)	172,159
-	-	-	115,495	158,965
-	-	-	115,495	158,965
6,008	(436)	109,031	95,866	331,124
479,012	-	(147,986)	(17,674)	365,575
485,020	(436)	(38,955)	78,192	696,699
485,020	-	-	78,192	736,090
-	(436)	(38,955)	-	(39,391)
485,020	(436)	(38,955)	78,192	696,699

City of Oelwein, Iowa
Schedule of Cash Receipts, Disbursements,
and Changes in Cash Balances
Nonmajor Proprietary Funds
As of and for the year ended June 30, 2019

	Sewer Infrastructure	Water Bond Sinking	Customer Deposits	Fuel
Operating receipts:				
Charges for service	\$ 65,855	-	37,100	78,945
Miscellaneous	-	-	-	8,092
Total operating receipts	65,855	-	37,100	87,037
Operating disbursements:				
Business-type activities	-	-	35,312	80,758
Excess (deficiency) of operating receipts over (under) operating disbursements	65,855	-	1,788	6,279
Non-operating receipts (disbursements):				
Interest on investments	-	1,002	2,990	-
Loan proceeds	-	-	-	-
Debt service	-	(180,775)	-	-
Capital projects	-	-	-	-
Net non-operating disbursements	-	(179,773)	2,990	-
Excess (deficiency) of receipts over (under) disbursements	65,855	(179,773)	4,778	6,279
Transfers in	-	198,200	-	-
Transfers out	(18,500)	-	-	-
Net transfers	(18,500)	198,200	-	-
Change in cash balance	47,355	18,427	4,778	6,279
Cash balances, beginning of year	58,589	19,797	113,533	15,902
Cash balances, end of year	105,944	38,224	118,311	22,181
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	38,224	-	-
Other purposes	-	-	118,311	-
Unassigned	105,944	-	-	22,181
Total cash basis fund balances	\$ 105,944	38,224	118,311	22,181

See accompanying independent auditor's report.

Recycling	Tree	Wellness Center	Wellness Center Reserve	Sewer Main Construction	Total
80,502	37,563	182,818	-	-	482,783
-	-	-	-	-	8,092
80,502	37,563	182,818	-	-	490,875
81,525	14,881	210,314	-	-	422,790
(1,023)	22,682	(27,496)	-	-	68,085
-	-	-	-	878	4,870
-	-	-	-	270,511	270,511
-	-	-	-	-	(180,775)
-	-	-	(11,478)	(7,527)	(19,005)
-	-	-	(11,478)	263,862	75,601
(1,023)	22,682	(27,496)	(11,478)	263,862	143,686
-	-	27,496	-	-	225,696
-	-	-	-	-	(18,500)
-	-	27,496	-	-	207,196
(1,023)	22,682	-	(11,478)	263,862	350,882
7,435	-	-	11,478	(169,235)	57,499
6,412	22,682	-	-	94,627	408,381
-	-	-	-	-	38,224
-	-	-	-	-	118,311
6,412	22,682	-	-	94,627	251,846
6,412	22,682	-	-	94,627	408,381

City of Oelwein, Iowa
Schedule of Indebtedness
Year ended June 30, 2019

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Capital Loan Notes 2009	May 01, 2009	1.25-4.00%	\$ 1,190,000
Capital Loan Notes 2011A	Sep 01, 2011	2.00-2.90	2,885,000
Urban Renewal Notes 2014	May 01, 2014	2.00-4.00	3,455,000
Urban Renewal Notes 2016A	Feb 16, 2016	2.00-4.00	4,300,000
Capital Loan Notes, Series 2016B	Sep 22, 2016	1.00-2.10	1,100,000
Revenue notes:			
Sewer Revenue Series 2005	May 23, 2005	3.00%	\$ 8,954,000
Water Revenue Series 2010	Sep 15, 2010	3.00	1,700,000
Sewer Revenue Series 2012	Oct 05, 2012	2.00	900,000
Water Revenue Series 2016	Sep 22, 2016	1.40-2.15	675,000
Sewer Revenue SRF Series 2018	Apr 13, 2018	2.00	338,000
Water Revenue SRF Series 2018	Apr 13, 2018	2.00	1,462,000
US Department of Agriculture:			
Intermediary Relending Program #1	Apr 25, 2008	1.00%	\$ 500,000
Intermediary Relending Program #2	Sep 23, 2015	1.00	500,000

See accompanying independent auditor's report.

Balance, Beginning of Year	Issued During Year	Redeemed During Year	Balance, End of Year	Interest Paid
\$ 480,000	-	155,000	325,000	18,260
1,125,000	-	330,000	795,000	28,923
2,875,000	-	155,000	2,720,000	99,875
4,300,000	-	-	4,300,000	133,670
1,030,000	-	70,000	960,000	15,508
<u>\$ 9,810,000</u>	<u>-</u>	<u>710,000</u>	<u>9,100,000</u>	<u>296,236</u>
\$ 4,225,000	-	475,000	3,750,000	73,938
786,000	-	88,000	698,000	23,580
667,000	-	42,000	625,000	11,673
675,000	-	70,000	605,000	11,573
-	270,511	14,000	256,511	3,862
7,310	1,198,586	60,000	1,145,896	7,230
<u>\$ 6,360,310</u>	<u>1,469,097</u>	<u>749,000</u>	<u>7,080,407</u>	<u>131,856</u>
\$ 382,921	-	17,396	365,525	3,829
440,600	59,400	-	500,000	3,994
<u>\$ 823,521</u>	<u>59,400</u>	<u>17,396</u>	<u>865,525</u>	<u>7,823</u>

City of Oelwein, Iowa
Bond and Note Maturities

June 30, 2019

Year Ending June 30,	General Obligation Bonds					
	Capital Loan Notes 2009		Capital Loan Notes 2011A		Urban Renewal Notes 2014	
	Issued May 1, 2009		Issued Sep 1, 2011		Issued May 1, 2014	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2020	3.80%	\$ 160,000	2.55%	\$ 340,000	3.00%	\$ 155,000
2021	4.00%	165,000	2.75%	355,000	3.00%	160,000
2022	-	-	2.90%	100,000	3.00%	165,000
2023	-	-	-	-	3.00%	170,000
2024	-	-	-	-	3.00%	175,000
2025	-	-	-	-	3.25%	180,000
2026	-	-	-	-	3.25%	190,000
2027	-	-	-	-	3.75%	195,000
2028	-	-	-	-	3.75%	205,000
2029	-	-	-	-	4.00%	210,000
2030	-	-	-	-	4.00%	215,000
2031	-	-	-	-	4.00%	225,000
2032	-	-	-	-	4.00%	235,000
2033	-	-	-	-	4.00%	240,000
		<u>\$ 325,000</u>		<u>\$ 795,000</u>		<u>\$ 2,720,000</u>

See accompanying independent auditor's report.

General Obligation Bonds				
Urban Renewal Notes 2016A		Capital Loan Notes, Series 2016B		
Issued Feb 16, 2016		Issued Sep 22, 2016		
Interest		Interest		
Rates	Amount	Rates	Amount	Total
2.00%	\$ 425,000	1.10%	\$ 135,000	\$ 1,215,000
2.20%	435,000	1.20%	135,000	1,250,000
2.50%	440,000	1.30%	135,000	840,000
2.80%	450,000	1.40%	135,000	755,000
3.10%	460,000	1.65%	60,000	695,000
3.40%	470,000	1.65%	75,000	725,000
3.60%	485,000	2.00%	75,000	750,000
3.80%	550,000	2.00%	40,000	785,000
4.00%	585,000	2.00%	40,000	830,000
-	-	2.10%	130,000	340,000
-	-	-	-	215,000
-	-	-	-	225,000
-	-	-	-	235,000
-	-	-	-	240,000
	<u>\$ 4,300,000</u>		<u>\$ 960,000</u>	<u>\$ 9,100,000</u>

City of Oelwein, Iowa
Bond and Note Maturities
(continued)
June 30, 2019

Year Ending June 30,	Revenue Notes					
	Sewer Series 2005		Water Series 2010		Sewer Series 2012	
	Issued May 23, 2005		Issued Sep 15, 2010		Issued Oct 5, 2012	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2020	3.00%	\$ 490,000	3.00%	\$ 90,000	2.00%	\$ 43,000
2021	3.00%	504,000	3.00%	93,000	2.00%	43,000
2022	3.00%	519,000	3.00%	96,000	2.00%	44,000
2023	3.00%	535,000	3.00%	100,000	2.00%	45,000
2024	3.00%	551,000	3.00%	103,000	2.00%	46,000
2025	3.00%	567,000	3.00%	106,000	2.00%	47,000
2026	3.00%	584,000	3.00%	110,000	2.00%	48,000
2027		-		-	2.00%	49,000
2028		-		-	2.00%	50,000
2029		-		-	2.00%	51,000
2030		-		-	2.00%	52,000
2031		-		-	2.00%	53,000
2032		-		-	2.00%	54,000
2033		-		-		-
2034		-		-		-
2035		-		-		-
		<u>\$ 3,750,000</u>		<u>\$ 698,000</u>		<u>\$ 625,000</u>

See accompanying independent auditor's report.

Revenue Notes						
Water Series 2016		Sewer Series 2018		Water Series 2018		
Issued Sep 22, 2016		Issued Apr 14, 2018		Issued Apr 14, 2018		
Interest		Interest		Interest		Total
Rates	Amount	Rates	Amount	Rates	Amount	
1.40%	\$ 70,000	2.00%	\$ 14,000	2.00%	\$ 61,000	\$ 768,000
1.40%	70,000	2.00%	15,000	2.00%	63,000	788,000
1.55%	75,000	2.00%	15,000	2.00%	64,000	813,000
1.55%	75,000	2.00%	15,000	2.00%	65,000	835,000
1.85%	75,000	2.00%	16,000	2.00%	66,000	857,000
1.85%	80,000	2.00%	16,000	2.00%	68,000	884,000
2.15%	80,000	2.00%	16,000	2.00%	69,000	907,000
2.15%	80,000	2.00%	17,000	2.00%	71,000	217,000
-	-	2.00%	17,000	2.00%	72,000	139,000
-	-	2.00%	17,000	2.00%	73,000	141,000
-	-	2.00%	18,000	2.00%	75,000	145,000
-	-	2.00%	18,000	2.00%	76,000	147,000
-	-	2.00%	18,000	2.00%	78,000	150,000
-	-	2.00%	19,000	2.00%	79,000	98,000
-	-	2.00%	19,000	2.00%	81,000	100,000
-	-	2.00%	6,511	2.00%	84,896	91,407
	<u>\$ 605,000</u>		<u>\$ 256,511</u>		<u>\$ 1,145,896</u>	<u>\$ 7,080,407</u>

City of Oelwein, Iowa

Bond and Note Maturities
(continued)

June 30, 2019

Year Ending June 30,	Other Long-Term Debt					Total
	USDA IRP #1		USDA IRP #2			
	Issued Apr 25, 2008		Issued Sep 23, 2015			
	Interest		Interest			
	Rates	Amount	Rates	Amount		
2020	1.00%	\$ 17,569	1.00%	\$ 16,225	33,794	
2021	1.00%	17,745	1.00%	16,387	34,132	
2022	1.00%	17,922	1.00%	16,551	34,473	
2023	1.00%	18,102	1.00%	16,717	34,819	
2024	1.00%	18,283	1.00%	16,884	35,167	
2025	1.00%	18,466	1.00%	17,053	35,519	
2026	1.00%	18,650	1.00%	17,223	35,873	
2027	1.00%	18,837	1.00%	17,395	36,232	
2028	1.00%	19,025	1.00%	17,569	36,594	
2029	1.00%	19,215	1.00%	17,745	36,960	
2030	1.00%	19,407	1.00%	17,922	37,329	
2031	1.00%	19,602	1.00%	18,102	37,704	
2032	1.00%	19,798	1.00%	18,283	38,081	
2033	1.00%	19,996	1.00%	18,466	38,462	
2034	1.00%	20,196	1.00%	18,650	38,846	
2035	1.00%	20,397	1.00%	18,837	39,234	
2036	1.00%	20,601	1.00%	19,025	39,626	
2037	1.00%	20,807	1.00%	19,215	40,022	
2038	1.00%	20,907	1.00%	19,407	40,314	
2039	-	-	1.00%	19,602	19,602	
2040	-	-	1.00%	19,798	19,798	
2041	-	-	1.00%	19,996	19,996	
2042	-	-	1.00%	20,196	20,196	
2043	-	-	1.00%	20,397	20,397	
2044	-	-	1.00%	20,601	20,601	
2045	-	-	1.00%	20,807	20,807	
2046	-	-	1.00%	20,947	20,947	
		<u>\$ 365,525</u>		<u>\$ 500,000</u>	<u>\$ 865,525</u>	

See accompanying independent auditor's report.

City of Oelwein, Iowa
Schedule of Receipts by Source and Disbursements by Function
Governmental Funds
For the Last Ten Years

	2019	2018	2017	2016
Receipts				
Property tax	\$ 2,511,243	2,446,809	2,622,915	2,550,327
Tax increment financing	320,501	68,956	53,616	69,105
Other city tax	1,465,729	1,179,371	869,807	878,525
Licenses and permits	72,679	109,853	82,788	53,257
Use of money and property	124,650	219,825	347,083	143,177
Intergovernmental	1,210,033	1,641,704	2,820,235	1,011,483
Charges for service	190,880	151,896	190,692	141,082
Special assessments	392	30,590	41,301	37,582
Miscellaneous	435,275	712,839	324,901	1,105,087
	<u>\$ 6,331,382</u>	<u>6,561,843</u>	<u>7,353,338</u>	<u>5,989,625</u>
Disbursements				
Public safety	\$ 1,682,373	1,544,804	1,598,188	1,602,959
Public works	755,382	729,542	732,688	695,231
Health and social services	18,117	21,603	24,733	27,428
Culture and recreation	929,980	811,850	818,311	780,172
Community and economic development	783,959	893,869	622,087	1,463,655
General government	418,572	389,086	374,222	378,446
Debt service	1,117,626	1,873,831	1,034,354	780,858
Capital projects	666,989	1,033,130	2,529,927	4,959,048
	<u>\$ 6,372,998</u>	<u>\$ 7,297,715</u>	<u>7,734,510</u>	<u>10,687,797</u>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
2,433,871	2,265,317	2,225,651	2,088,591	2,193,856	1,924,356
73,362	106,380	92,163	100,755	77,819	152,164
1,051,291	1,082,086	975,105	980,861	796,829	504,753
80,539	98,623	86,826	80,746	90,508	82,745
286,659	289,316	283,043	237,050	211,957	182,723
987,685	1,260,775	1,542,206	2,064,616	1,655,035	1,451,034
91,439	95,180	147,190	169,503	178,473	157,251
43,223	60,791	78,338	121,720	140,773	125,985
479,997	352,787	407,739	332,566	255,986	416,260
5,528,066	5,611,255	5,838,261	6,176,408	5,601,236	4,997,271
1,645,848	1,740,553	1,990,153	1,736,134	1,657,381	1,612,823
785,430	779,828	753,365	845,566	721,848	699,846
37,232	40,204	41,012	40,195	36,096	26,342
844,486	818,383	765,827	832,448	734,580	709,608
918,572	1,198,140	868,849	1,044,115	1,113,995	537,523
368,157	373,809	342,228	363,154	348,957	327,414
893,757	526,908	601,358	3,162,885	526,090	1,415,055
3,617,762	123,998	455,840	860,504	254,967	807,293
9,111,244	5,601,823	5,818,632	8,885,001	5,393,914	6,135,904



T.P. ANDERSON & COMPANY, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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 Oelwein, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 25, 2019. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings, we identified deficiencies in internal control we consider to be material weaknesses and 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's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-19 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 Part I of the accompanying Schedule of Findings as items I-B-19 through I-F-19 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an

objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Oelwein's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City'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 Oelwein 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.

T.P. Anderson & Company, P.C.

November 25, 2019
Humboldt, Iowa

CITY OF OELWEIN, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2019

Part I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES

I-A-19 Segregation of Duties – Generally, we noted that from time to time one individual has control over each one of the following areas:

- 1) Cash – handling, reconciling and recording.
- 2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- 3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- 4) Payroll – entering rates and hours into the system, recordkeeping, preparing, signing and distributing.
- 5) Utilities – billing, collecting, depositing, posting, and entering rates into the system.
- 6) Financial Reporting and Budgeting – preparing and reconciling.
- 7) Journal entries – preparing and journalizing.

Criteria – A proper 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.

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

Effect – Inadequate segregation of duties could adversely affect the City's ability to prevent or detect and correct misstatements, errors, or misappropriation on a timely basis.

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances.

Response – We will continue to work toward improving segregation of duties.

Conclusion – Response accepted.

I-B-19 Financial Reporting – The City's management does not possess the expertise to select and apply accounting principles and to prepare full-disclosure financial statements in accordance with the cash basis of accounting.

Criteria – A proper system of internal controls assumes that management is able to select and apply appropriate accounting principles in order to present financial statements in accordance with the cash basis of accounting.

CITY OF OELWEIN, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2019

Cause – The City has a strong staff capable of performing duties such as billing, bookkeeping, and customer service and managing a smooth operating enterprise, however the benefit of having an employee on staff with the needed accounting expertise has been outweighed by the added cost.

Effect – Management is not able to, without assistance, prepare financial statements in accordance with the standards.

Recommendation – Management should consider obtaining professional education training specific to the accounting principles used by the City.

Response – City's with limited staff options cannot bring on professionals in the area of accounting and provide the needed compensation. While city employees cannot properly prepare an audit, they can successfully work with council to accomplish the goals and initiatives set fourth through city council policy.

Conclusion – Response accepted.

I-C-19

Wellness Center – The Wellness Center collects admission/membership fees and other payments each day and submits weekly remittances to the City for deposit. Documentation supporting these collections was inadequate to determine if the amounts that were remitted to the City for deposit were complete and accurate.

Criteria – An internal control system provides for internal control related to ensuring proper accounting for all Wellness Center receipts and for review of those records by someone independent of duties related to the Wellness Center. Proper accounting includes records from the admission system that include a description of the receipt and the date it was received. Independent review of these records should include comparing the system generated reporting to amounts deposited with the City.

Cause – Procedures have not been designed and implemented to ensure sufficient records are maintained to properly account for Wellness Center collections and to require independent review of those records.

Effect – This condition could result in unrecorded or misstated collections and the opportunity for misappropriation.

Recommendation – The Wellness Center employees should maintain a daily transaction log that can support and reconcile the deposits taken to the City. The City should review the log to ensure it does reconcile and obtain support from the system of record for the transaction log provided. The

CITY OF OELWEIN, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2019

City could also consider requiring all payments to the Wellness Center be made at the City's office, thereby segregating the collection procedure from the control over original source documents.

Response – The City has worked through fiscal year 2019 to determine the best approach to daily transactions at the wellness center. Accepting only card, and not accepting cash would hurt daily traffic and prevent some users from access. Staff has reached out to the auditor for recommendations and is working to implement them. We will consider the recommendation and take steps to address this issue. We have started an oversight committee that is made up of three members from the School District, three members from the City Council, and one member from the Community. The committee meets monthly and reviews budgets, revenues and expenses, and numbers of use.

Conclusion – Response accepted.

I-D-19

Separately Maintained Records – The Oelwein City Fire Department maintains a bank account for activity separate from the City's accounting records. The transactions and the resulting balances were not included in the City's accounting records and were not included in the City's annual budget or monthly financial reports.

Criteria – To appropriately account for and demonstrate accountability for all of the City's cash assets, procedures should be in place to ensure all bank accounts are included in the City's financial records. Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

Cause – There is no process implemented for consolidating all bank accounts with the City's records.

Effect – The bank accounts and related transactions were excluded from the City's records. This condition could result in unrecorded or misstated collections and the opportunity for misappropriation.

Recommendation – For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and reported to the City Council on a monthly basis. Supporting documentation should be maintained to support all disbursements.

Response – We will consider the recommendation and take steps to address this issue.

Conclusion – Response accepted.

CITY OF OELWEIN, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2019

I-E-19 Approval of Time Records – Although timesheets were prepared for all employees, there was no indication the timesheets were reviewed and approved prior to processing payroll.

Criteria – An effective internal control system provides for internal controls related to ensuring employee time is complete and accurate for proper accounting and for use of public funds. Wages and benefits paid should be subject to the same approval process as invoices and other payments made by the City.

Cause – Regular month-end practices do not include a formal review process of timesheets prior to processing payroll.

Effect – Failure to review timesheets could result in incorrect allocation of wages and benefits for proper accounting and even create an opportunity for misappropriation.

Recommendation – Employee time records, including vacation/comp time usage, should be reviewed and approved by their supervisor prior to processing payroll, with the supervisory approval being documented.

Response – City staff is working on an online time keeping program that will require approval by supervisors and department heads. This new system will ensure time cards are checked at each step. Currently, department heads review each time card then submit them to administration. While a standard checkoff is not required now, all time cards are thoroughly reviewed by department heads and administration.

Conclusion – Response accepted.

I-F-19 Utility Billing and Delinquent Accounts – The City charges landfill and recycling rates based upon the number of individual recipients per household. This number is obtained when the customer fills out an application for services; however, documentation to support the number per household was inadequate to determine if the amounts that the City was using for utility billing were complete and accurate. Additionally, the City does not have a policy for reviewing delinquent accounts and approving them for write-off.

Criteria – An effective internal control system provides for internal controls to ensure customers are being billed proper rates in accordance with rate ordinances as well as to ensure proper accounting and approval of delinquent accounts.

Cause – Policies have not been established and procedures have not been implemented to ensure sufficient records are maintained to properly account for and bill utility customers and approve

CITY OF OELWEIN, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2019

delinquent account write-offs.

Effect – This could result in improper utility billing or unauthorized write-offs of delinquent accounts.

Recommendation – The utility rates entered into the system should be properly supported by documentation that is periodically reviewed for changes that may be needed. Additionally, a listing of delinquent accounts should be prepared on a monthly basis and reviewed by the City Council for general monitoring and for approval of write-offs.

Response – Making changes to a system on the utility billing is a political nightmare regardless if the change could potentially save residents money. While the current method for landfill charges is outdated, the county is also outdated in how they charge and collect fees. The city is working on making this change when a rate increase will be needed from the county. The city anticipates changing this process in two to three years. A delinquent account and write off policy is being worked on and reviewed by city staff.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF OELWEIN, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2019

Part II: Other Findings Related to Required Statutory Reporting:

II-A-19 Certified Budget – Disbursements during the year ended June 30, 2019 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

II-B-19 Questionable Disbursements – We noted certain disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Fareway Stores*	Meal supplies for meetings	\$686
Mona's Fire Pit*	Annual awards banquet meals	\$864

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

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

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

Response – We will comply with this recommendation.

Conclusion – Response accepted.

II-C-19 Travel Expense – No disbursements of the City's money for travel expense of spouses of its officials or employees were noted.

II-D-19 Business Transactions – No business transactions between the City and its officials or employees were noted.

CITY OF OELWEIN, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2019

- II-E-19 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 that the coverage is adequate for current operations.
- II-F-19 Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not. All minutes were published within the appropriate time period.
- II-G-19 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-19 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
- II-I-19 Financial Condition – The Capital Projects –10th Street Paving and the West Water Tower funds had deficit balance of \$38,955 and \$436, respectively at June 30, 2019. The Enterprise, Well Rehabilitation fund had a deficit balance of \$32,458 at June 30, 2019.
- Recommendation – The City should investigate alternatives to eliminate this deficit in order to return these funds to a sound financial position.
- Response – The city works to ensure that all accounts do not carry a deficit. This can be difficult as the city works on a reimbursement basis for some projects. The problem with a reimbursement basis is that contractors do not finish on time and the city must wait to close out a project and carry the deficit of the project. 10th street had several delays and ended up being over a year behind because of contractor and Iowa DOT disputes. The west water tower had a deficit because the city is working with engineers on the project and applying for CDBG funds. Some cost of planning proceeds projects before they are funded. These deficits will be eliminated in the fiscal 2020 year.
- Conclusion – Response accepted.
- II-J-19 Employee Benefits Fund – The employee benefits levy funds benefits for City employees. The City levied more for the fiscal year than was necessary to pay allowable employee benefits.
- Recommendation – The City should reevaluate the employee benefits levy to ensure only the amount necessary to pay allowable employee benefits is levied.
- Response – We decreased the levy in the current year and will continue to do so in future years until the excess balance is decreased.
- Conclusion – Response accepted.
- II-K-19 Insurance Levy – Property tax levied for general liability insurance is recorded in the Employee Benefits Fund. As these funds are unrelated to the payment of employee benefits, they should instead be recorded in the General Fund.

CITY OF OELWEIN, IOWA

SCHEDULE OF FINDINGS

YEAR ENDED JUNE 30, 2019

Recommendation – The City should account for the receipt and expenditures for the tort liability insurance in the General Fund and rather than the Employee Benefits Fund.

Response – We will record this property tax in the General Fund going forward.

Conclusion – Response accepted.

DRAFT