



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

January 23, 2020

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$15,402,100 for the year ended June 30, 2019, a 42% increase over the prior year. Disbursements for the year ended June 30, 2019 totaled \$14,253,006, a 25.0% increase over the prior year. The significant increase in receipts and disbursements is primarily due to note proceeds received to fund water, sewer, and storm water improvement projects.

AUDIT FINDINGS:

Sand reported three findings related to the receipt and disbursement of taxpayer funds. They are found on pages 59 through 61 of this report. The findings address issues such as a lack of segregation of duties and disbursements exceeding budgeted amounts prior to the budget amendment. Sand provided the City with recommendations to address each of the findings.

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

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

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CITY OF ADEL

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

JUNE 30, 2019

City of Adel



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January 7, 2020

Officials of the City of Adel
Adel, Iowa

Dear Honorable Mayor and Members of the City Council:

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

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

Sincerely,

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

Rob Sand
Auditor of State

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City of Adel

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James F. Peters	Mayor	Jan 2020
Shirley McAdon	Mayor Pro tem	Jan 2020
Dan Miller (Appointed Jul 2018)	Council Member	Nov 2019
Bob Ockerman	Council Member	Jan 2020
Rob Christensen	Council Member	Jan 2022
Jodi Selby	Council Member	Jan 2022
Anthony Brown	Administrator	Indefinite
Angela Leopard	City Clerk	Indefinite
Brittany Sandquist	Finance Director	Indefinite
Kristine Stone	Attorney	Indefinite

City of Adel



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel 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

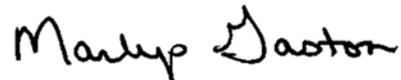
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Adel's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the year ended June 30, 2010 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 34 through 40, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 7, 2020 on our consideration of the City of Adel'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 effectiveness of the City's 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 the City of Adel's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

January 7, 2020

City of Adel

Basic Financial Statements

City of Adel

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
Functions/Programs:			
Primary Government:			
Governmental activities:			
Public safety	\$ 1,154,591	338,540	94,275
Public works	566,463	-	475,662
Culture and recreation	1,197,179	273,702	56,601
Community and economic development	86,001	-	-
General government	274,190	27,600	58,158
Debt service	968,368	-	-
Capital projects	679,764	37,152	-
Total governmental activities	4,926,556	676,994	684,696
Business type activities:			
Water	3,050,597	1,265,696	-
Sewer	4,144,750	1,094,581	-
Garbage/recycling	332,348	346,573	-
Storm water	1,798,755	291,852	-
Total business type activities	9,326,450	2,998,702	-
Total Primary Government	\$ 14,253,006	3,675,696	684,696
Component Units:			
South Dallas County Landfill Agency	\$ 1,177,547	2,033,607	-
Friends of Adel Library Foundation	42,659	-	21,240
Total component units	\$ 1,220,206	2,033,607	21,240
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales and services tax			
Unrestricted interest on investments			
Note proceeds (net of fees of \$5,000)			
Commercial/industrial tax replacement			
Sale of capital assets			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			
Cash Basis Net Position			
Restricted:			
Streets			
Local option sales tax			
Debt service			
Capital projects			
Closure and postclosure care			
Library Foundation			
Other purposes			
Unrestricted			
Total cash basis net position			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position				
Primary Government			Component Units	
Governmental Activities	Business Type Activities	Total	South Dallas County Landfill Agency	Friends of Adel Library Foundation
(721,776)	-	(721,776)		
(90,801)	-	(90,801)		
(866,876)	-	(866,876)		
(86,001)	-	(86,001)		
(188,432)	-	(188,432)		
(968,368)	-	(968,368)		
(642,612)	-	(642,612)		
(3,564,866)	-	(3,564,866)		
-	(1,784,901)	(1,784,901)		
-	(3,050,169)	(3,050,169)		
-	14,225	14,225		
-	(1,506,903)	(1,506,903)		
-	(6,327,748)	(6,327,748)		
(3,564,866)	(6,327,748)	(9,892,614)		
			856,060	-
			-	(21,419)
			856,060	(21,419)
1,595,651	-	1,595,651	-	-
308,954	-	308,954	-	-
661,815	-	661,815	-	-
742,152	-	742,152	-	-
92,352	-	92,352	255,747	-
-	7,390,285	7,390,285	-	-
44,760	-	44,760	-	-
20,927	-	20,927	-	-
184,221	591	184,812	5,294	-
(103,987)	103,987	-	-	-
3,546,845	7,494,863	11,041,708	261,041	-
(18,021)	1,167,115	1,149,094	1,117,101	(21,419)
3,141,351	2,060,197	5,201,548	7,864,040	84,901
\$ 3,123,330	3,227,312	6,350,642	8,981,141	63,482
\$ 359,411	-	359,411	-	-
676,642	-	676,642	-	-
107,899	96,711	204,610	-	-
120,390	892,803	1,013,193	-	-
-	-	-	2,430,051	-
-	-	-	-	63,482
160,958	153,985	314,943	5,127	-
1,698,030	2,083,813	3,781,843	6,545,963	-
\$ 3,123,330	3,227,312	6,350,642	8,981,141	63,482

City of Adel

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	Urban Renewal Tax Increment	Local Sales and Services Tax
Receipts:				
Property tax	\$ 1,128,321	-	-	-
Tax increment financing	-	-	661,815	-
Other city tax	2,489	-	-	742,152
Licenses and permits	295,343	-	-	-
Use of money and property	150,162	-	-	-
Intergovernmental	181,026	475,662	-	-
Charges for service	214,295	-	-	-
Special assessments	-	-	-	-
Miscellaneous	134,032	-	-	-
Total receipts	2,105,668	475,662	661,815	742,152
Disbursements:				
Operating:				
Public safety	904,932	-	-	-
Public works	69,536	497,856	-	-
Culture and recreation	1,015,167	-	-	-
Community and economic development	77,919	-	-	-
General government	257,411	-	-	-
Debt service	-	-	-	-
Capital projects	51,523	-	-	-
Total disbursements	2,376,488	497,856	-	-
Excess (deficiency) of receipts over (under) disbursements	(270,820)	(22,194)	661,815	742,152
Other financing sources (uses):				
Transfers in	421,323	143,982	-	-
Transfers out	(243,592)	(20,185)	(641,069)	(437,888)
Sale of capital assets	20,927	-	-	-
Total other financing sources (uses)	198,658	123,797	(641,069)	(437,888)
Change in cash balances	(72,162)	101,603	20,746	304,264
Cash balances beginning of year	1,767,439	257,808	37,648	372,378
Cash balances end of year	\$ 1,695,277	359,411	58,394	676,642
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	359,411	-	-
Local option sales tax	-	-	-	676,642
Debt service	-	-	58,394	-
Capital projects	-	-	-	-
Other purposes	12,035	-	-	-
Unassigned	1,683,242	-	-	-
Total cash basis fund balances	\$ 1,695,277	359,411	58,394	676,642

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
308,954	-	464,766	1,902,041
-	-	-	661,815
-	-	-	744,641
-	-	-	295,343
-	-	-	150,162
-	-	13,758	670,446
-	-	-	214,295
-	37,152	-	37,152
-	147,910	33,758	315,700
308,954	185,062	512,282	4,991,595
-	-	251,365	1,156,297
-	-	-	567,392
-	-	182,189	1,197,356
-	-	8,572	86,491
-	-	17,144	274,555
968,368	-	-	968,368
-	628,241	-	679,764
968,368	628,241	459,270	4,930,223
(659,414)	(443,179)	53,012	61,372
666,311	-	31,227	1,262,843
-	(24,096)	-	(1,366,830)
-	-	-	20,927
666,311	(24,096)	31,227	(83,060)
6,897	(467,275)	84,239	(21,688)
42,608	587,665	64,684	3,130,230
49,505	120,390	148,923	3,108,542
-	-	-	359,411
-	-	-	676,642
49,505	-	-	107,899
-	120,390	-	120,390
-	-	148,923	160,958
-	-	-	1,683,242
49,505	120,390	148,923	3,108,542

City of Adel

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2019

Total governmental funds cash balances (page 13) \$ 3,108,542

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Funds are used by management to charge the costs of building replacement and partial self-funding of the City's flexible benefits plan to individual funds. A portion of the cash balance of the Internal Service Funds is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

14,788

Cash basis net position of governmental activities (page 11) \$ 3,123,330

Change in cash balances (page 13) \$ (21,688)

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Funds are used by management to charge the costs of building replacement and partial self-funding of the City's flexible benefits plan to individual funds. A portion of the change in the cash balance of the Internal Service Funds is reported in governmental activities in the Cash Basis Statement of Activities and Net Position.

3,667

Change in cash basis net assets of governmental activities (page 11) \$ (18,021)

See notes to financial statements.

City of Adel

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

As of and for the year ended June 30, 2019

	Enterprise				Total	Internal Service
	Water	Sewer	Garbage/ Recycling	Storm Water		
Operating receipts:						
Charges for service	\$ 1,250,895	1,094,581	346,573	291,852	2,983,901	13,068
Operating disbursements:						
Governmental activities:						
Public safety	-	-	-	-	-	1,505
Public works	-	-	-	-	-	873
Culture & Recreation	-	-	-	-	-	15
General government	-	-	-	-	-	1,566
Business type activities	712,845	570,940	332,348	106,531	1,722,664	2,988
Total operating disbursements	712,845	570,940	332,348	106,531	1,722,664	6,947
Excess (deficiency) of operating receipts over (under) operating disbursements	538,050	523,641	14,225	185,321	1,261,237	6,121
Non-operating receipts (disbursements):						
Capital projects	(2,255,529)	(3,523,267)	-	(618,841)	(6,397,637)	-
Debt service	(83,338)	(51,827)	-	(1,073,439)	(1,208,604)	-
Miscellaneous	14,801	303	-	288	15,392	-
Note proceeds (net of fees of \$5,000)	2,642,428	3,124,667	-	1,623,190	7,390,285	-
Net non-operating receipts (disbursements)	318,362	(450,124)	-	(68,802)	(200,564)	-
Excess of receipts over disbursements	856,412	73,517	14,225	116,519	1,060,673	6,121
Transfers in	-	226,912	-	-	226,912	-
Transfers out	(4,390)	(102,610)	(15,000)	(925)	(122,925)	-
Total transfers in (out)	(4,390)	124,302	(15,000)	(925)	103,987	-
Change in cash balances	852,022	197,819	(775)	115,594	1,164,660	6,121
Cash balances beginning of year	683,943	932,390	101,536	317,476	2,035,345	35,973
Cash balances end of year	\$ 1,535,965	1,130,209	100,761	433,070	3,200,005	42,094
Cash Basis Fund Balances						
Restricted for:						
Debt service	\$ 87,238	6,001	-	3,472	96,711	-
Capital improvements	379,534	359,057	-	154,212	892,803	-
Water deposits	153,985	-	-	-	153,985	-
Unrestricted	915,208	765,151	100,761	275,386	2,056,506	42,094
Total cash basis fund balances	\$ 1,535,965	1,130,209	100,761	433,070	3,200,005	42,094

See notes to financial statements.

City of Adel

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position –
Proprietary Funds

As of and for the year ended June 30, 2019

Total enterprise funds cash balances (page 15) \$ 3,200,005

***Amounts reported for business type activities in the Cash Basis Statement
of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of building replacement and partial self-funding of the City's flexible benefits plan to individual funds. A portion of the cash balances of the Internal Service Funds is included in business type activities in the Cash Basis Statement of Activities and Net Position.

27,307

Cash basis net position of business type activities (page 11) \$ 3,227,312

Change in cash balances (page 15) \$ 1,164,660

***Amounts reported for business type activities in the Cash Basis Statement
of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of building replacement and partial self-funding of the City's flexible benefits plan to individual funds. A portion of the change in the cash balances of the Internal Service Funds is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

2,455

Change in cash basis net position of business type activities (page 11) \$ 1,167,115

See notes to financial statements.

City of Adel

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

As of and for the year ended June 30, 2019

	Agency							Total
	Oakdale Pride	Library Friends/ Foundation	Historic Preservation Plaques	Rotary Bike Rack	Kinnick Feller Monument	Holiday Lights	Nile Kinnick Addition	
Additions:								
Donations	\$ 210	14,879	30	-	2,495	17,620	12,418	47,652
Deductions:								
Maintenance and repairs	609	19,299	2,180	3,212	2,495	466	4,382	32,643
Change in cash balance	(399)	(4,420)	(2,150)	(3,212)	-	17,154	8,036	15,009
Cash balance beginning of year	556	16,158	2,240	3,212	-	-	-	22,166
Cash balance end of year	\$ 157	11,738	90	-	-	17,154	8,036	37,175

City of Adel

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies

The City of Adel is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1877 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer, garbage/recycling and storm water utilities to its citizens.

A. Reporting Entity

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

These financial statements present the City of Adel (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. The individual component unit financial statements can be obtained at City Hall, Adel, Iowa 50003.

Discretely Presented Component Units

The South Dallas County Landfill Agency (Landfill Agency) and Friends of Adel Library Foundation (Foundation) are presented in separate columns to emphasize they are legally separate from the City but are financially accountable to the City or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Landfill Agency is governed by a one-member board appointed by the City Council. A financial benefit/burden relationship exists between the City and the Landfill Agency in that the Landfill Agency's operating budget is subject to the approval of the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Landfill meets the definition of a component unit which should be discretely presented.

The Friends of Adel Library Foundation is an entity which is legally separate from the City. The Foundation collects donations which are used to purchase items to support the City Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Friends of Adel Library Foundation meets the definition of a component unit which should be discretely presented.

Blended Component Unit

Pursuant to Chapter 501B of Code of Iowa, the City of Adel Fire Association (Fire Association) is an unincorporated nonprofit association. The Fire Association exists for charitable purposes in support of the City's Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Fire Association meets the definition of a component unit which should be blended. Based on these criteria, the Fire Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. The Fire Association is reported as part of the City and blended into the nonmajor governmental funds.

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: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission, Dallas County Joint 911 Service Board, Central Iowa Regional Transportation and Planning Alliance (CIRTPA), Adel Enterprises, Adel Partners, Metropolitan Advisory Council and the Greater Dallas County Development Alliance.

B. Basis of Presentation

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

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

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. At June 30, 2019, \$871,303 is restricted by enabling legislation.

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

The Enterprise, Garbage/Recycling Fund accounts for the operation and maintenance of the City's solid waste collection and recycling system.

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

The City also reports the following additional proprietary funds:

Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

Additionally, the City reports fiduciary funds to account for assets held by the City as an agent for certain organizations.

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2019, disbursements in the capital projects and culture and recreation functions exceeded the budget prior to the budget amendment.

(2) Cash and Pooled Investments

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

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

At June 30, 2019, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$375,292. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

Component Unit

The South Dallas County Landfill Agency (Landfill Agency) categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs. The recurring fair value of the U.S. Treasury Securities Stripped of Interest (Securities) at June 30, 2019 was \$8,376,841 and was determined using the last reported sales price at current exchange rates. (Level 1 inputs). The carrying amount of the Securities at June 30, 2019 was \$7,354,551 and the maturity dates ranged from November 15, 2019 to November 15, 2028.

(3) Notes Payable

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

Year Ending June 30,	General Obligation					
	Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 750,000	221,593	84,722	44,504	834,722	266,097
2021	880,000	201,580	85,120	42,806	965,120	244,386
2022	685,000	178,220	85,526	41,099	770,526	219,319
2023	690,000	159,915	85,940	39,060	775,940	198,975
2024	705,000	140,878	91,363	37,012	796,363	177,890
2025-2029	2,670,000	479,060	488,460	147,405	3,158,460	626,465
2030-2034	1,765,000	111,379	205,383	88,758	1,970,383	200,137
2035-2039	-	-	138,558	72,882	138,558	72,882
2040-2044	-	-	153,117	58,323	153,117	58,323
2045-2049	-	-	169,206	42,234	169,206	42,234
2050-2054	-	-	186,986	24,454	186,986	24,454
2055-2059	-	-	147,820	5,558	147,820	5,558
Total	\$ 8,145,000	1,492,625	1,922,201	644,094	10,067,201	2,136,719

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,400,000 of water revenue notes issued in June 2013. Proceeds from the notes provided financing for water capital project construction. The notes are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the notes are expected to require 15% of net receipts. The total principal and interest remaining to be paid on the notes is \$932,838. For the current year, principal and interest paid and total customer net receipts were \$82,838 and \$548,461 (net of transfers out for operating purposes), respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,163,000 of sewer revenue notes issued in February 2018. Proceeds from the notes provided financing for the construction of improvements to the sewer utility system. The notes are payable solely from sewer customer net receipts and are payable through 2058. Annual principal and interest payments on the notes are expected to require 8.2% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,633,457. For the current year, principal and interest paid and total customer net receipts were \$42,288 and \$518,031 (net of transfers out for operating purposes), respectively.

On December 11, 2018, the City authorized the issuance of up to \$1,635,000 of storm water capital loan notes with interest at 2.00% per annum. At June 30, 2019, the City had drawn \$1,047,705 on the note. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the costs of improvements and extensions of the storm water utility. The notes are payable solely from storm water customer net receipts and the City has pledged future storm water customer receipts, net of specified operating disbursements to repay the notes. The notes are payable through 2058. For the current year, principal and interest paid and total customer net receipts were \$29,730 and \$184,396 (net of transfers out for operating purposes), respectively. A final payment schedule has not yet been adopted for these notes.

The resolutions providing for the issuance of the revenue notes 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 funds.
- (b) Sufficient monthly transfers shall be made to separate water, sewer and storm water 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 to a water reserve account, a sewer revenue reserve account, and a storm water reserve account within the Enterprise Funds shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the respective systems.
- (d) User rates shall be established at a level which produces and maintains net receipts at a level not less than 100% for the water revenue notes and 110% for the sewer and storm water revenue notes of the amount of principal and interest on the notes falling due in the same year.
- (e) Sufficient monthly transfers shall be made to a separate water improvement account within the Enterprise Funds until a balance of \$50,000 has been accumulated.

Revenue Capital Loan Anticipation Project Notes

On January 5, 2018, the City issued a Water Revenue Capital loan and disbursement agreement interim project anticipation note to the Iowa Finance Authority for up to \$1,025,000 to pay the costs of acquisition, construction, repairing and equipping all or part of the municipal water system. The note was issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and a corresponding issuance of water revenue notes in an amount sufficient to repay the note. At June 30, 2019, the City had drawn down \$1,011,937 of the authorized amount.

On January 5, 2018, the City issued an interest free sewer revenue loan and disbursement agreement interim project anticipation note to the Iowa Finance Authority for up to \$580,050 to pay the costs of acquisition, construction, repairing and equipping all or part of the municipal sewer system. The note was issued pursuant to the provisions of Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and a corresponding issuance of sewer revenue notes in an amount sufficient to repay the note. At June 30, 2019, the City had drawn down \$580,023 of the authorized amount.

On October 24, 2018, the City issued a Water Revenue Capital Loan Note Anticipation Project Note to CoBank for up to \$16,603,000 to pay the costs of improvements and extensions to the municipal water utility, including construction of a new water treatment plant, two wells, raw meter transmission line, 8" transmission main, Highway 169 ground storage reservoir with booster station, South 14th street booster station upgrades, water main replacement on Highway 169 and Rapids Street, Old Portland Road water main extension, and related site improvements. The note was issued pursuant to the provisions of Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and a corresponding issuance of water revenue notes in an amount sufficient to repay the note. At June 30, 2019, the City had drawn down \$2,074,828 of the authorized amount.

On October 24, 2018, the City issued a Sewer Revenue Capital Loan Note Anticipation Project Note to CoBank for up to \$6,041,000 to pay the costs of improvements and extensions to the municipal sewer utility, including acquisition, construction, and installation of a lift station, force main and gravity sewer, related site improvements. The note was issued pursuant to the provisions of Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and a corresponding issuance of sewer revenue notes in an amount sufficient to repay the note. At June 30, 2019, the City had drawn down \$2,867,758 of the authorized amount.

On December 11, 2018, the City issued sewer revenue capital loan notes to the Iowa Finance Authority for up to \$1,200,000 to pay the costs of acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping all or part of the municipal sewer system. The note was issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa and is payable solely from sewer net receipts. At June 30, 2019, the City had not drawn on this note.

(4) Pension Plan

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

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

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

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

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

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

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

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

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

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

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

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

The City's contributions to IPERS for the year ended June 30, 2019 were \$143,131.

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 for \$743,004 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 0.011741%, which was an increase of 0.000652% over 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 \$144,900, \$299,420 and \$196,376, respectively.

There were no non-employee contributing entities to IPERS.

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

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

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

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

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

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

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 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	\$ 1,553,747	743,004	63,350

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

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug and dental 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 \$255,221 and plan members eligible for benefits contributed \$58,177 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 of Adel and are eligible to participate in the group health and dental plan are eligible to continue healthcare and dental benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug and dental 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, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>24</u>
Total	<u>24</u>

(6) Compensated Absences

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

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 70,000
Compensatory time	<u>23,000</u>
Total	<u>\$ 93,000</u>

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

(7) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 255,371
	Urban Renewal Tax Increment	138,549
	Road Use Tax	785
	Capital Projects	693
	Enterprise:	
	Garbage/Recycling	15,000
	Water	4,390
	Sewer	5,610
	Stormwater	925
		<u>421,323</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Urban Renewal Tax Increment	25,000
	General	21,982
	Enterprise:	
	Sewer	97,000
		<u>143,982</u>
Special Revenue:		
Employee Benefit	General	14,098
	Special Revenue:	
	Local Option Sales Tax	17,129
		<u>31,227</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	477,520
	Local Sales and Services Tax	165,388
	Capital Projects	23,403
		<u>666,311</u>
Enterprise:		
Sewer	General	207,512
	Special Revenue:	
	Road Use Tax	19,400
		<u>226,912</u>
Total		<u>\$ 1,489,755</u>

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

(8) Interfund Loans

On July 25, 2012, the City agreed to advance \$150,000 from the Special Revenue, Road Use Tax Fund to the Special Revenue, Urban Renewal Tax Increment Fund for the purpose of paying for the 12th Street paving project, an urban renewal project. The City approved a repayment schedule of \$25,000 each fiscal year, starting with fiscal year 2014, for the borrowing from the Special Revenue, Road Use Tax Fund. During the year ended June 30, 2019, the Special Revenue, Urban Renewal Tax Increment Fund repaid \$25,000 to the Special Revenue, Road Use Tax Fund. The loan was paid in full at June 30, 2019.

On December 9, 2014, the City agreed to advance \$292,512 from the Enterprise, Sewer Fund to the General Fund, which then advanced the same amount to the Special Revenue, Urban Renewal Tax Increment Fund, for costs associated with the City's urban renewal projects. This loan will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Fund to the General Fund, which will then transfer to the Enterprise, Sewer Fund, as funds become available in the Special Revenue, Urban Renewal Tax Increment Fund. During the year ended June 30, 2019, the General Fund repaid \$207,512 to the Enterprise, Sewer Fund. The balance on the loan at June 30, 2019 was zero.

On November 14, 2017, the City agreed to advance \$240,647 from the General Fund to the Special Revenue, Urban Renewal Tax Increment Fund for the purpose of paying for improvements consistent with the promotion of economic development and blight remediation, an urban renewal purpose. This loan will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Fund to the General Fund, as funds become available. During the year ended June 30, 2019, the Special Revenue, Urban Renewal Tax Increment Fund repaid \$138,549 to the General Fund. The amount due to the General Fund at June 30, 2019 is zero.

On June 12, 2018, the City agreed to advance \$97,000 from the Enterprise, Sewer Fund to the Special Revenue, Road Use Tax Fund, for costs associated with the purchase of a 2009 John Deere Road Grader. The advance was made in fiscal year 2019. This loan will be repaid through transfers over the next five years from the Special Revenue, Road Use Tax Fund, as funds become available. During the year ended June 30, 2019, the Special Revenue, Road Use Tax Fund repaid \$19,400 to the Enterprise, Sewer Fund. The amount due to the Enterprise, Sewer Fund at June 30, 2019 is \$77,600.

On November 27, 2018, the City agreed to advance \$36,000 from the General Fund to the Special Revenue, Urban Renewal Tax Increment Fund for the purpose of paying for improvements consistent with the promotion of economic development and blight remediation, an urban renewal purpose. This loan will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Fund to the General Fund, as funds become available. During the year ended June 30, 2019, no transfers were made to repay this loan. The amount due to the General Fund at June 30, 2019 is \$36,000.

On April 9, 2019, the City agreed to advance \$100,000 from the General Fund to the Special Revenue, Local Sales and Services Tax Fund for the purchase of land. This loan will be repaid through transfers over the next three years from the Special Revenue, Local Option Sales Tax Fund to the General Fund as funds become available. During the year ended June 30, 2019, the Special Revenue, Local Option Sales Tax Fund made no payments to the General Fund on this loan. The amount due to the General Fund at June 30, 2019 is \$100,000.

(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) Rebate Agreements

The City has entered into a rebate agreement to assist in certain urban renewal projects. The City agreed to rebate incremental property tax paid by the participating company with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating company will be rebated for a period of up to five years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. During the year ended June 30, 2019, the City did not rebate any incremental property tax to the participating company.

(11) Subsequent Events

On October 8, 2019, the City approved issuing general obligation refunding capital loan notes in an amount not to exceed \$4,200,000.

On October 21, 2019, the City authorized the redemption of outstanding general obligation refunding capital loan notes, series 2011C, dated September 27, 2011.

On October 21, 2019, the City authorized the redemption of outstanding general obligation urban renewal bonds, series 2012A, dated August 8, 2012.

On October 21, 2019, the City authorized the redemption of outstanding general obligation refunding capital loan notes, series 2012B, dated August 8, 2012.

On October 21, 2019, the City authorized the redemption of outstanding general obligation capital loan notes, series 2014, dated July 1, 2014.

(12) Prospective Accounting Change

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

City of Adel

Other Information

City of Adel

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

Other Information

Year ended June 30, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 1,902,041	-	-
Tax increment financing	661,815	-	-
Other city tax	744,641	-	-
Licenses and permits	295,343	-	-
Use of money and property	150,162	-	-
Intergovernmental	670,446	-	-
Charges for service	214,295	2,996,969	13,068
Special assessments	37,152	-	-
Miscellaneous	315,700	15,392	18,751
Total receipts	<u>4,991,595</u>	<u>3,012,361</u>	<u>31,819</u>
Disbursements:			
Public safety	1,156,297	1,505	25,315
Public works	567,392	873	873
Culture and recreation	1,197,356	15	15
Community and economic development	86,491	-	-
General government	274,555	1,566	1,566
Debt service	968,368	-	-
Capital projects	679,764	-	-
Business type activities	-	9,331,893	2,988
Total disbursements	<u>4,930,223</u>	<u>9,335,852</u>	<u>30,757</u>
Excess (deficiency) of receipts over (under) disbursements	61,372	(6,323,491)	1,062
Other financing sources (uses), net	<u>(83,060)</u>	<u>7,494,272</u>	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(21,688)	1,170,781	1,062
Balances beginning of year	<u>3,130,230</u>	<u>2,071,318</u>	<u>46,897</u>
Balances end of year	<u>\$ 3,108,542</u>	<u>3,242,099</u>	<u>47,959</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,902,041	1,860,423	1,860,423	41,618
661,815	641,069	641,069	20,746
744,641	636,909	755,909	(11,268)
295,343	304,300	304,300	(8,957)
150,162	64,650	64,650	85,512
670,446	652,449	667,449	2,997
3,198,196	2,928,095	3,125,773	72,423
37,152	23,403	23,403	13,749
312,341	38,135	61,416	250,925
7,972,137	7,149,433	7,504,392	467,745
1,132,487	1,207,797	1,308,290	175,803
567,392	568,737	636,352	68,960
1,197,356	1,013,231	1,291,051	93,695
86,491	83,409	99,159	12,668
274,555	328,039	317,614	43,059
968,368	968,168	968,368	-
679,764	195,834	908,320	228,556
9,328,905	12,369,555	13,364,862	4,035,957
14,235,318	16,734,770	18,894,016	4,658,698
(6,263,181)	(9,585,337)	(11,389,624)	5,126,443
7,411,212	10,105,000	11,265,232	(3,854,020)
1,148,031	519,663	(124,392)	1,272,423
5,154,651	4,077,714	5,165,574	(10,923)
6,302,682	4,597,377	5,041,182	1,261,500

City of Adel

Notes to Other Information – Budgetary Reporting

June 30, 2019

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the component units and the Internal Service and Agency 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects 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 \$2,159,246. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements in the capital projects and culture and recreation functions exceeded the amounts budgeted prior to the budget amendment.

City of Adel

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

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

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.011741%	0.011089%	0.010890%	0.008788%	0.007337%
City's proportionate share of the net pension liability	\$ 743	739	685	434	291
City's covered payroll	\$ 1,362	1,269	1,100	1,100	1,070
City's proportionate share of the net pension liability as a percentage of its covered payroll	54.55%	58.23%	62.27%	39.45%	27.20%
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 Adel

Schedule of City Contributions

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

Other Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 143	126	118	106
Contributions in relation to the statutorily required contribution	<u>(143)</u>	<u>(126)</u>	<u>(118)</u>	<u>(106)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 1,477	1,362	1,269	1,100
Contributions as a percentage of covered payroll	9.68%	9.25%	9.30%	9.64%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
103	100	89	86	86	76
(103)	(100)	(89)	(86)	(86)	(76)
-	-	-	-	-	-
1,100	1,070	935	965	1,028	1,002
9.36%	9.35%	9.52%	8.91%	8.37%	7.58%

City of Adel

Notes to Other Information – Pension Liability

Year ended June 30, 2019

Changes of benefit terms:

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

Changes of assumptions:

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

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

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

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

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

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

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

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

Supplementary Information

City of Adel

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

As of and for the year ended June 30, 2019

	Library Memorial	Employee Benefits	Special Police DARE
Receipts:			
Property tax	\$ -	464,766	-
Intergovernmental	-	13,758	-
Miscellaneous	14,354	75	578
Total receipts	14,354	478,599	578
Disbursements:			
Operating:			
Public safety	-	227,157	398
Culture and recreation	6,464	175,725	-
Community and economic development	-	8,572	-
General government	-	17,144	-
Total disbursements	6,464	428,598	398
Excess (deficiency) of receipts over (under) disbursements	7,890	50,001	180
Other financing sources (uses):			
Transfers in	-	31,227	-
Change in cash balances	7,890	81,228	180
Cash balances beginning of year	10,385	42,607	516
Cash balances end of year	\$ 18,275	123,835	696
Cash Basis Fund Balances			
Restricted for other purposes	\$ 18,275	123,835	696

See accompanying independent auditor's report.

Revenue			
Historical Museum	Fire Association	Police Forfeiture	Total
-	-	-	464,766
-	-	-	13,758
-	18,751	-	33,758
-	18,751	-	512,282
-	23,810	-	251,365
-	-	-	182,189
-	-	-	8,572
-	-	-	17,144
-	23,810	-	459,270
-	(5,059)	-	53,012
-	-	-	31,227
-	(5,059)	-	84,239
16	10,924	236	64,684
16	5,865	236	148,923
16	5,865	236	148,923

City of Adel

City of Adel

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Internal Service Funds

Year ended June 30, 2019

	Building Replacement	Flex Benefits	Total
Operating receipts:			
Charges for service	\$ -	13,068	13,068
Operating disbursements:			
Governmental activities:			
Public safety	-	1,505	1,505
Public works	-	873	873
Culture and recreation	-	15	15
General government	-	1,566	1,566
Business type activities:			
Water	-	1,334	1,334
Sewer	-	1,653	1,653
Storm water	-	1	1
Total operating disbursements	-	6,947	6,947
Change in cash balances	-	6,121	6,121
Cash balances beginning of year	41,841	(5,868)	35,973
Cash balances end of year	\$ 41,841	253	42,094
Cash Basis Fund Balances			
Unrestricted	\$ 41,841	253	42,094

See accompanying independent auditor's report.

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Refunding capital loan notes	Sep 27, 2011	0.50-3.15%	\$ 2,165,000
Capital loan notes	Aug 8, 2012	2.40-3.25	3,500,000
Refunding capital loan notes	Aug 8, 2012	3.00	1,130,000
Capital loan notes	Jul 1, 2014	1.20-2.75	440,000
Refunding capital loan notes	Jun 28, 2017	2.00-3.00	3,935,000
Total			
Revenue notes:			
Water	Jun 25, 2013	0.75-3.38%	\$ 1,400,000
Sewer	Feb 28, 2018	2.00	1,163,000
Storm water	Dec 11, 2018	2.00	1,047,705
Total			
Interim revenue project notes:			
Storm water	Dec 7, 2017	2.00%	\$ 1,033,126
Water	Jan 5, 2018	0.00	1,011,937
Sewer	Jan 5, 2018	0.00	580,023
Water	Oct 24, 2018 *	variable	2,074,828
Sewer	Oct 24, 2018 *	variable	2,867,758
Total			

* Amounts issued include \$2,500 fee paid to issuer on initial draw.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
940,000	-	150,000	790,000	25,230
3,185,000	-	80,000	3,105,000	84,888
615,000	-	200,000	415,000	18,450
330,000	-	40,000	290,000	8,100
3,800,000	-	255,000	3,545,000	104,000
<u>\$ 8,870,000</u>	<u>-</u>	<u>725,000</u>	<u>8,145,000</u>	<u>240,668</u>
845,000	-	60,000	785,000	22,838
1,156,535	-	19,334	1,137,201	22,954
-	1,047,705	19,422	1,028,283	10,308
<u>\$ 2,001,535</u>	<u>1,047,705</u>	<u>98,756</u>	<u>2,950,484</u>	<u>56,100</u>
457,641	575,485	1,033,126	-	9,082
441,837	570,100	-	1,011,937	-
320,614	259,409	-	580,023	9,539
-	2,074,828	-	2,074,828	-
-	2,867,758	-	2,867,758	-
<u>\$ 1,220,092</u>	<u>6,347,580</u>	<u>1,033,126</u>	<u>6,534,546</u>	<u>18,621</u>

Schedule 4

City of Adel
 Note Maturities
 June 30, 2019

General Obligation Notes											
Year Ending June 30,	Refunding Capital Loan Notes		Aquatic Center Capital Loan Notes		Refunding Capital Loan Notes		Fire Truck Capital Loan Notes		Refunding Capital Loan Notes		Total
	Issued Sept 27, 2011		Issued Aug 8, 2012		Issued Aug 8, 2012		Issued July 1, 2014		Issued Jun 28, 2017		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2020	2.35%	\$ 150,000	1.75%	\$ 85,000	3.00%	\$ 205,000	2.00%	\$ 45,000	3.00%	\$ 265,000	750,000
2021	2.60	160,000	2.00	195,000	3.00	210,000	2.00	45,000	3.00	270,000	880,000
2022	2.80	160,000	2.10	200,000		-	2.75	50,000	3.00	275,000	685,000
2023	3.00	160,000	2.25	205,000		-	2.75	50,000	3.00	275,000	690,000
2024	3.15	160,000	2.40	215,000		-	2.75	50,000	2.00	280,000	705,000
2025		-	2.50	220,000		-	2.75	50,000	3.00	280,000	550,000
2026		-	2.60	230,000		-		-	2.30	285,000	515,000
2027		-	2.70	240,000		-		-	2.40	285,000	525,000
2028		-	2.80	245,000		-		-	2.50	290,000	535,000
2029		-	2.90	255,000		-		-	2.60	290,000	545,000
2030		-	3.00	265,000		-		-	2.70	295,000	560,000
2031		-	3.10	275,000		-		-	3.00	295,000	570,000
2032		-	3.25	475,000		-		-	3.00	160,000	635,000
Total		<u>\$ 790,000</u>		<u>\$ 3,105,000</u>		<u>\$ 415,000</u>		<u>\$ 290,000</u>		<u>\$ 3,545,000</u>	<u>8,145,000</u>

City of Adel
 Note Maturities
 June 30, 2019

Year Ending June 30,	Revenue Notes					Total
	Water		Sewer			
	Issued June 25, 2013		Issued Feb 28, 2018			
	Interest Rates	Amount	Interest Rates	Amount		
2020	2.00%	\$ 65,000	2.00%	\$ 19,722		84,722
2021	2.00	65,000	2.00	20,120		85,120
2022	2.50	65,000	2.00	20,526		85,526
2023	2.50	65,000	2.00	20,940		85,940
2024	2.75	70,000	2.00	21,363		91,363
2025	2.75	70,000	2.00	21,794		91,794
2026	3.00	75,000	2.00	22,234		97,234
2027	3.00	75,000	2.00	22,683		97,683
2028	3.25	75,000	2.00	23,141		98,141
2029	3.25	80,000	2.00	23,608		103,608
2030	3.38	80,000	2.00	24,084		104,084
2031		-	2.00	24,571		24,571
2032		-	2.00	25,067		25,067
2033		-	2.00	25,572		25,572
2034		-	2.00	26,089		26,089
2035		-	2.00	26,615		26,615
2036		-	2.00	27,152		27,152
2037		-	2.00	27,700		27,700
2038		-	2.00	28,260		28,260
2039		-	2.00	28,830		28,830
2040		-	2.00	29,412		29,412
2041		-	2.00	30,006		30,006
2042		-	2.00	30,611		30,611
2043		-	2.00	31,229		31,229
2044		-	2.00	31,859		31,859
2045		-	2.00	32,502		32,502
2046		-	2.00	33,159		33,159
2047		-	2.00	33,828		33,828
2048		-	2.00	34,511		34,511
2049		-	2.00	35,207		35,207
2050		-	2.00	35,918		35,918
2051		-	2.00	36,643		36,643
2052		-	2.00	37,382		37,382
2053		-	2.00	38,137		38,137
2054		-	2.00	38,907		38,907
2055		-	2.00	39,692		39,692
2056		-	2.00	40,493		40,493
2057		-	2.00	41,310		41,310
2058		-	2.00	26,324		26,324
Total		<u>\$ 785,000</u>		<u>\$ 1,137,201</u>		<u>1,922,201</u>

See accompanying independent auditor's report.

City of Adel

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

For the Last Ten Years

	2019	2018	2017	2016
Receipts:				
Property tax	\$ 1,902,041	1,742,444	1,665,068	1,670,133
Tax increment financing	661,815	633,628	641,589	641,828
Other city tax	744,641	590,302	650,926	585,532
Licenses and permits	295,343	625,038	438,980	323,835
Use of money and property	150,162	90,934	71,563	65,676
Intergovernmental	670,446	625,025	635,487	921,402
Charges for service	214,295	276,472	293,010	287,947
Special assessments	37,152	113,311	42,259	99,632
Miscellaneous	315,700	97,912	83,056	123,488
Total	\$ 4,991,595	4,795,066	4,521,938	4,719,473
Disbursements:				
Operating:				
Public safety	\$ 1,156,297	1,153,221	1,060,923	982,568
Public works	567,392	543,980	473,198	521,863
Culture and recreation	1,197,356	937,383	904,520	737,885
Community and economic development	86,491	100,203	91,359	78,755
General government	274,555	228,980	328,325	197,023
Debt service	968,368	992,771	3,051,954	981,923
Capital projects	679,764	1,301,061	91,687	689,989
Total	\$ 4,930,223	5,257,599	6,001,966	4,190,006

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
1,617,400	1,688,888	1,679,872	1,611,593	1,561,144	1,539,578
535,382	488,325	495,028	465,346	467,273	473,457
534,081	422,345	551,408	237,001	136,256	5,301
226,345	158,078	86,289	72,196	35,522	20,082
52,308	57,055	56,394	49,356	56,996	48,251
696,892	651,655	564,582	496,700	542,442	425,202
216,148	234,828	123,499	124,546	132,885	130,725
123,670	29,388	66,146	178,916	43,819	8,553
106,969	158,029	118,376	84,591	124,221	131,813
<u>4,109,195</u>	<u>3,888,591</u>	<u>3,741,594</u>	<u>3,320,245</u>	<u>3,100,558</u>	<u>2,782,962</u>
953,757	1,008,083	841,419	805,808	782,863	775,402
505,985	352,358	340,004	325,110	366,024	345,804
692,654	655,554	529,000	514,599	577,657	531,748
67,539	145,296	110,994	94,243	89,977	120,609
237,023	288,799	172,477	235,204	212,663	230,178
914,828	2,079,458	877,907	816,684	704,716	705,798
1,406,425	741,327	3,605,883	636,067	2,365,269	604,318
<u>4,778,211</u>	<u>5,270,875</u>	<u>6,477,684</u>	<u>3,427,715</u>	<u>5,099,169</u>	<u>3,313,857</u>

City of Adel

City of Adel

Schedule of Expenditures of Federal Awards

Year ended June 30, 2019

Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760		<u>\$ 6,354,817</u>

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Adel under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Adel, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Adel.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate – The City of Adel has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel, 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 January 7, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Adel's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item II-A-19, we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Adel's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that 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 IV of the accompanying Schedule of Findings and Questioned Costs.

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

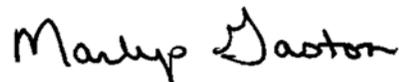
The City of Adel's Responses to the Findings

The City of Adel's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Adel'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 Adel during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Marlys K. Gaston, CPA
Deputy Auditor of State

January 7, 2020



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Adel, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Adel's major federal program for the year ended June 30, 2019. The City of Adel's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Adel's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Adel's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Adel's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Adel complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

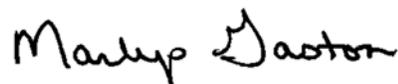
Report on Internal Control Over Compliance

The management of the City of Adel is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Adel's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Adel's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Marlys K. Gaston, CPA
Deputy Auditor of State

January 7, 2020

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 10.760 – Water and Waste Disposal Systems for Rural Communities.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Adel did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-19 Segregation of Duties

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

Condition – Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Investments – recordkeeping, investing and reconciling earnings.
- (3) Long-term debt – recordkeeping and debt payment processing.
- (4) Receipts – collecting, preparing deposits and reconciling. In addition, the mail is not opened and distributed by someone other than accounting personnel and an initial listing of receipts is not prepared by the mail opener.
- (6) Receipts for Parks and Recreation – collecting, depositing and reconciling.

For the Friends of Adel Library Foundation (Library Foundation), one individual has control over each of the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements – preparing, recording and reconciling.

For the Fire Association, one individual has control over each of the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements – preparing, recording and reconciling.

Cause – The City, Library Foundation and Fire Association have 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.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, the Library Foundation and the Fire Association should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

City Response – The City continues to explore ways to maximize segregation of duties with limited staff. We recognize the importance of this issue.

Library Response – As the Library Foundation has no employees, segregation of duties is difficult. The Foundation does have separate people (officers and volunteers) taking care of step (1) Cash – handling, while the same person (Library Assistant Director) handles step (2) Receipts. Step (3) Disbursements is currently split between two people, the Foundation officers (Treasurer and a second officer as needed) prepare any disbursements, while the Library Assistant Director records and reconciles the disbursements. This procedure ensures the people who approve expenditures are not the same people who reconcile those expenditures. Everything the Assistant Director does is checked by the Foundation Treasurer and/or the Library Director. The findings will be shared with the Board to determine any changes that better align with the criteria for segregation of duties.

Fire Association Response – The Adel Fire Association maintains dual control on disbursement activities per the Association's Financial and Accounting Policies. Furthermore, account balances are reported at every monthly Association business meeting to our membership. Documentation is provided at that meeting if any member would like to review the monthly transactions or account balances. The Association will continue to ensure proper policies are maintained given our staffing levels and transaction volumes.

Conclusion – Responses acknowledged. The City, Library Foundation and Fire Association should continue to review control procedures to obtain the maximum control possible, including utilizing City personnel to add additional oversight through review of transactions and reconciliations.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

No material weaknesses in internal control over the major program were noted.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-19 Certified Budget – Disbursements in the capital projects and culture and recreation functions exceeded the amounts budgeted prior to the budget amendment. 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 capital project disbursements exceeded amounts budgeted prior to the amendment due to professional fees (legal/engineering) for a potential highway project as well as project costs associated with street overlays. The culture and recreation disbursements exceeded amounts budgeted prior to the amendment due to a land purchase that took place to expand an existing park. If the City determines that funds are available, there have been occasions where projects/purchases will move forward prior to an amendment. In the future, we will stress the importance of amendments taking place prior to these large unbudgeted disbursements occurring.

Conclusion – Response accepted.

IV-B-19 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-19 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-19 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Doug Cook, Public Works Employee, Owner of Cooks Construction	Caterpillar rental	\$ 1,440

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction with Cooks Construction does not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

IV-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 the coverage is adequate for current operations.

IV-F-19 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

IV-G-19 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2019

- IV-H-19 Revenue Notes – No instances of non-compliance with the revenue note requirements for the year ended June 30, 2019 were noted.
- IV-I-19 Annual Urban Renewal Report – No instances of non-compliance with the Annual Urban Renewal Report requirements for the year ended June 30, 2019 were noted.
- IV-J-19 Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks outstanding for more than two years, to the Office of Treasurer of State annually. The City did not remit these obligations as required.

Recommendation – Outstanding checks should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State, as required.

Response – The City had obligations totaling \$197.37 that were not remitted as required. The Great Iowa Treasure Hunt process has been reviewed and required funds will be remitted to the Office of Treasurer of State annually.

Conclusion – Response accepted.

City of Adel

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Lesley R. Geary, CPA, Manager
Tiffany M. Ainger, CPA, Senior Auditor II
Jason J. Miller, Staff Auditor
April R. Davenport, Assistant Auditor
Valerie R. Davis, Assistant Auditor