

CITY OF SHELDON

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

JUNE 30, 2018

CITY OF SHELDON

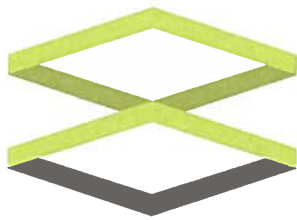
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CITY OF SHELDON

CITY OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Katricia Meendering	Mayor	January 2022
Brad Hindt	Council Member	January 2020
Greg Geels	Council Member	January 2020
Randy Fonkert	Council Member to January 2018	
Zach Sawyer	Council Member to January 2018	
Pete Hamill	Council Member	January 2020
Shawn Broesder	Council Member from January 2018	January 2022
Tom Eggers	Council Member from January 2018	January 2022
Sean Hutchison	City Manager to June 28, 2018	
Angela Beckman	Clerk/Treasurer	
Micah Schreurs	Attorney	



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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Sheldon
Sheldon, IA 51201

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Sheldon, Iowa, as of and for the year ended June 30, 2018, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but

not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Sheldon as of June 30, 2018 and the respective changes in 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 accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As discussed in Note 7 to the financial statements, the City adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City of Sheldon'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 nine years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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, included in Schedules 5 through 7, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018 on our consideration of the City of Sheldon'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 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 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 Sheldon's internal control over financial reporting and compliance.

Wintner, Stave & Co., LLP

November 28, 2018
Spencer, Iowa

BASIC FINANCIAL STATEMENTS

CITY OF SHELDON
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

			Program Receipts	
	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 1,771,371	\$ 859,369	\$ 20,439	\$ 4,185
Public works	1,577,367	449,829	661,981	187,144
Culture and recreation	953,790	431,070	133,476	1,250
Community and economic development	608,047	81,260	80,921	-
General government	474,723	68,139	-	-
Debt service	1,454,401	-	-	-
Capital projects	<u>2,227,833</u>	<u>-</u>	<u>-</u>	<u>763,250</u>
Total governmental activities	<u>9,067,532</u>	<u>1,889,667</u>	<u>896,817</u>	<u>955,829</u>
Business type activities:				
Water	1,525,565	1,503,830	-	-
Sewer	<u>2,046,915</u>	<u>1,293,002</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>3,572,480</u>	<u>2,796,832</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 12,640,012</u>	<u>\$ 4,686,499</u>	<u>\$ 896,817</u>	<u>\$ 955,829</u>

General receipts and transfers:

Property and other city taxes levied for:	
General purposes	
Debt Service	
Commerical and industrial replacement ..	
Tax increment financing	
Local option sales tax	
Unrestricted investment earnings	
Bond proceeds - including net premium....	
Miscellaneous	
Operating 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, expendable for:	
Urban renewal purposes	
Community betterment	
Debt Service	
Capital projects	
Other purposes	
Unrestricted	

TOTAL CASH BASIS NET POSITION

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (887,378)	\$ -	\$ (887,378)
(278,413)	-	(278,413)
(387,994)	-	(387,994)
(445,866)	-	(445,866)
(406,584)	-	(406,584)
(1,454,401)	-	(1,454,401)
(1,464,583)	-	(1,464,583)
<u>(5,325,219)</u>	<u>-</u>	<u>(5,325,219)</u>
-	(21,735)	(21,735)
-	(753,913)	(753,913)
-	(775,648)	(775,648)
<u>(5,325,219)</u>	<u>(775,648)</u>	<u>(6,100,867)</u>
1,624,869	-	1,624,869
243,192	-	243,192
100,187	-	100,187
2,609,759	-	2,609,759
631,263	-	631,263
7,374	4,427	11,801
2,915,714	11,008,634	13,924,348
19,261	-	19,261
15,620	(15,620)	-
<u>8,167,239</u>	<u>10,997,441</u>	<u>19,164,680</u>
2,842,020	10,221,793	13,063,813
<u>5,021,627</u>	<u>2,131,759</u>	<u>7,153,386</u>
<u>\$ 7,863,647</u>	<u>\$ 12,353,552</u>	<u>\$ 20,217,199</u>
\$ 2,973,998	\$ -	\$ 2,973,998
423,092	-	423,092
70,870	491,750	562,620
2,692,518	-	2,692,518
641,586	106,879	748,465
<u>1,061,583</u>	<u>11,754,923</u>	<u>12,816,506</u>
<u>\$ 7,863,647</u>	<u>\$ 12,353,552</u>	<u>\$ 20,217,199</u>

CITY OF SHELDON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Local Option Sales Tax</u>
RECEIPTS:			
Property tax	\$ 979,222	\$ -	\$ -
Tax increment financing	-	2,609,759	-
Other city taxes	214,601	-	631,263
Licenses and permits	16,030	-	-
Use of money and property	188,708	2,288	313
Intergovernmental	276,722	1,917	5,000
Charges for service	454,541	-	-
Special assessments	19,649	-	-
Miscellaneous	373,816	-	2,699
TOTAL RECEIPTS	<u>2,523,289</u>	<u>2,613,964</u>	<u>639,275</u>
DISBURSEMENTS:			
Public safety	890,652	-	-
Public works	403,256	-	-
Culture and recreation	731,996	-	-
Community and economic development	167,950	294,631	25,520
General government	247,212	-	137,161
Debt service	-	-	-
Capital projects	-	-	152,966
TOTAL DISBURSEMENTS	<u>2,441,066</u>	<u>294,631</u>	<u>315,647</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>82,223</u>	<u>2,319,333</u>	<u>323,628</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	160,005	-	-
Operating transfers out	(82,428)	(1,179,938)	(317,085)
Bond proceeds, including \$45,714 net premium	-	33,200	-
Proceeds - sale of assets	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>77,577</u>	<u>(1,146,738)</u>	<u>(317,085)</u>
NET CHANGE IN CASH BALANCES	159,800	1,172,595	6,543
CASH BALANCES - BEGINNING OF YEAR	<u>859,998</u>	<u>1,801,403</u>	<u>416,549</u>
CASH BALANCES - END OF YEAR	<u>\$ 1,019,798</u>	<u>\$ 2,973,998</u>	<u>\$ 423,092</u>

<u>Road Use Tax</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total</u>
\$ -	\$ 239,621	\$ -	\$ 420,404	\$ 1,639,247
-	-	-	-	2,609,759
-	3,571	-	10,642	860,077
-	-	-	-	16,030
-	-	351	30	191,690
661,938	9,006	513,774	26,839	1,495,196
-	-	-	-	454,541
-	-	-	-	19,649
-	-	150,087	-	526,602
<u>661,938</u>	<u>252,198</u>	<u>664,212</u>	<u>457,915</u>	<u>7,812,791</u>
-	-	-	351,811	1,242,463
608,972	-	-	190,626	1,202,854
-	-	-	103,895	835,891
-	-	-	41,312	529,413
-	-	-	28,900	413,273
-	1,454,401	-	-	1,454,401
-	-	2,074,867	-	2,227,833
<u>608,972</u>	<u>1,454,401</u>	<u>2,074,867</u>	<u>716,544</u>	<u>7,906,128</u>
<u>52,966</u>	<u>(1,202,203)</u>	<u>(1,410,655)</u>	<u>(258,629)</u>	<u>(93,337)</u>
-	1,212,366	15,000	263,750	1,651,121
-	-	-	-	(1,579,451)
-	2,514	2,880,000	-	2,915,714
-	-	74,740	-	74,740
<u>-</u>	<u>1,214,880</u>	<u>2,969,740</u>	<u>263,750</u>	<u>3,062,124</u>
52,966	12,677	1,559,085	5,121	2,968,787
<u>504,214</u>	<u>58,193</u>	<u>1,133,433</u>	<u>79,285</u>	<u>4,853,075</u>
<u>\$ 557,180</u>	<u>\$ 70,870</u>	<u>\$ 2,692,518</u>	<u>\$ 84,406</u>	<u>\$ 7,821,862</u>

CITY OF SHELDON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS - Continued
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

	<u>General</u>	Tax Increment <u>Financing</u>	Local Option <u>Sales Tax</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Urban renewal purposes	\$ -	\$ 2,973,998	\$ -
Community betterment	-	-	423,092
Debt service	-	-	-
Capital projects	-	-	-
Community and economic development	-	-	-
Streets	-	-	-
Police purposes	-	-	-
Employee benefits	-	-	-
Committed for:			
Library purposes	165,075	-	-
Airport purposes	144,688	-	-
Park purposes	79,109	-	-
Museum purposes	122,898	-	-
Assigned for:			
Equipment purchases	20,900	-	-
Public safety purposes	209,174	-	-
Recreation trails maintenance	118,606	-	-
Cemetery purposes	5,000	-	-
Unassigned	<u>154,348</u>	<u>-</u>	<u>-</u>
 TOTAL CASH BASIS FUND BALANCES	 <u>\$ 1,019,798</u>	 <u>\$ 2,973,998</u>	 <u>\$ 423,092</u>

<u>Road Use</u> <u>Tax</u>	<u>Debt</u> <u>Service</u>	<u>Capital</u> <u>Projects</u>	<u>Total Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,973,998
-	-	-	-	423,092
-	70,870	-	-	70,870
-	-	2,692,518	-	2,692,518
-	-	-	78,098	78,098
557,180	-	-	-	557,180
-	-	-	5,365	5,365
-	-	-	943	943
-	-	-	-	165,075
-	-	-	-	144,688
-	-	-	-	79,109
-	-	-	-	122,898
-	-	-	-	20,900
-	-	-	-	209,174
-	-	-	-	118,606
-	-	-	-	5,000
-	-	-	-	154,348
<u>\$ 557,180</u>	<u>\$ 70,870</u>	<u>\$ 2,692,518</u>	<u>\$ 84,406</u>	<u>\$ 7,821,862</u>

CITY OF SHELDON
 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, 2018

TOTAL GOVERNMENTAL FUNDS CASH BALANCES PER EXHIBIT B \$ 7,821,862

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE
 DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self
 funding the City's health insurance benefit plan to the individual funds. A
 portion of the cash balance of the internal service fund is included in
 governmental activities in the Cash Basis Statement of Activities and
 Net Position. 41,785

CASH BASIS NET POSITION OF GOVERNMENTAL
 ACTIVITIES PER EXHIBIT A \$ 7,863,647

NET CHANGE IN CASH BALANCES PER EXHIBIT B \$ 2,968,787

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE
 DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self
 funding the City's health insurance benefit plan to the individual funds. A
 portion of the change in the cash balance of the internal service fund is
 reported with governmental activities in the Cash Basis Statement of Activities
 and Net Position. (126,767)

CHANGE IN CASH BASIS NET POSITION OF GOVERNMENTAL
 ACTIVITIES PER EXHIBIT A \$ 2,842,020

CITY OF SHELDON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

	Enterprise Funds			Internal Service
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Self-Insurance</u>
OPERATING RECEIPTS:				
Charges for services	\$ 1,063,738	\$ 930,456	\$ 1,994,194	\$ -
Reimbursements from operating funds	-	-	-	688,217
Reimbursements from employees and insurance	-	-	-	1,847,166
Miscellaneous	33,715	11,585	45,300	-
TOTAL OPERATING RECEIPTS	<u>1,097,453</u>	<u>942,041</u>	<u>2,039,494</u>	<u>2,535,383</u>
OPERATING DISBURSEMENTS:				
Business type activities:				
Cost of sales and services	804,695	702,728	1,507,423	-
Insurance charges and claims	-	-	-	2,651,961
TOTAL OPERATING DISBURSEMENTS	<u>804,695</u>	<u>702,728</u>	<u>1,507,423</u>	<u>2,651,961</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	<u>292,758</u>	<u>239,313</u>	<u>532,071</u>	<u>(116,578)</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	2,234	1,596	3,830	1,456
Purchase of capital assets	(127,747)	(974,331)	(1,102,078)	-
Bond proceeds including \$368,634 net premium..	-	11,008,634	11,008,634	-
Debt service payments:				
Revenue note principal	(142,390)	-	(142,390)	-
Revenue note interest	(18,249)	-	(18,249)	-
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(286,152)</u>	<u>10,035,899</u>	<u>9,749,747</u>	<u>1,456</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>6,606</u>	<u>10,275,212</u>	<u>10,281,818</u>	<u>(115,122)</u>
OPERATING TRANSFERS IN	100,000	-	100,000	-
OPERATING TRANSFERS OUT	<u>(38,335)</u>	<u>(38,335)</u>	<u>(76,670)</u>	<u>(95,000)</u>
NET CHANGE IN CASH BALANCES	68,271	10,236,877	10,305,148	(210,122)
CASH BALANCES - BEGINNING OF YEAR	<u>680,535</u>	<u>1,272,871</u>	<u>1,953,406</u>	<u>346,905</u>
CASH BALANCES - END OF YEAR	<u>\$ 748,806</u>	<u>\$ 11,509,748</u>	<u>\$ 12,258,554</u>	<u>\$ 136,783</u>

CITY OF SHELDON
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES - PROPRIETARY FUNDS - Continued
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

	<u>Enterprise Funds</u>			<u>Internal Service</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Self-Insurance</u>
CASH BASIS FUND BALANCES:				
Restricted, expendable for:				
Debt Service.....	-	491,750	491,750	-
Water deposits	106,879	-	106,879	-
Unrestricted	<u>641,927</u>	<u>11,017,998</u>	<u>11,659,925</u>	<u>136,783</u>
 TOTAL CASH BASIS FUND BALANCES	 <u>\$ 748,806</u>	 <u>\$ 11,509,748</u>	 <u>\$ 12,258,554</u>	 <u>\$ 136,783</u>

CITY OF SHELDON
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF
 ACTIVITIES AND NET POSITION - ENTERPRISE FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

TOTAL ENTERPRISE FUNDS CASH BALANCES PER EXHIBIT D \$12,258,554

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE
 DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self
 funding the City's health insurance benefit plan to the individual funds. A
 portion of the cash balance of the internal service fund is included in
 business type activities in the Cash Basis Statement of Activities and
 Net Position. 94,998

CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES
 PER EXHIBIT A \$12,353,552

NET CHANGE IN CASH BALANCES - ENTERPRISE FUNDS PER EXHIBIT D... \$10,305,148

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE
 DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self
 funding the City's health insurance benefit plan to the individual funds. A
 portion of the change in the cash balance of the internal service fund is
 reported with business type activities in the Cash Basis Statement of
 Activities and Net Position. (83,355)

CHANGE IN CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES
 PER EXHIBIT A \$10,221,793

CITY OF SHELDON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - FIDUCIARY FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

	Agency Cafeteria <u>Plan</u>
CASH BALANCE - BEGINNING OF YEAR	\$ -
RECEIPTS:	
Contributions	13,668
DISBURSEMENTS:	
Cafeteria plan benefits paid	<u>(13,534)</u>
CASH BALANCE - END OF YEAR	<u>\$ 134</u>

CITY OF SHELDON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sheldon is a political subdivision of the State of Iowa located in O'Brien and Sioux Counties. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Sheldon provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. It also provides water and sewer utilities services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board 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. It was determined that the City has no component units which meet the Governmental Accounting Standards Board's criteria.

The City also 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.

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 services.

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

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

Unrestricted net position consists of cash balances that do not meet the definition of the preceding category. Unrestricted net position often has constraints on cash balances 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, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide statements. Major individual governmental and proprietary 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 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 Tax Increment Financing Fund is used to account for receipts from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

The Local Option Sales Tax Fund is used to account for the receipts from the tax authorized by referendum and used for property tax relief and community betterment.

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

The Debt Service Fund is used 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:

Enterprise:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

Additionally, the City reports the following funds:

Proprietary Fund - An Internal Service Fund is 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.

Fiduciary Fund - Agency Fund is used to account for assets held by the City as an agent for individuals.

C. Measurement Focus and Basis of Accounting

The City of Sheldon 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 accounting principles generally accepted in the United States of America.

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year-end. Those committed amounts cannot be used for any other purposes unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

During the year ended June 30, 2018, disbursements exceeded the amounts budgeted in the community and economic development function.

F. Subsequent Events

Subsequent events were evaluated by management for disclosure up to the date of the independent auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2018 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City's cash and investments consisted of the following at June 30, 2018:

Cash on hand	\$	160
Demand deposits		16,947,789
Certificates of deposit/savings accounts		<u>3,269,384</u>
Total cash and investments		20,217,333
Less: Agency cafeteria funds		<u>134</u>
City's cash and investments		<u>\$20,217,199</u>

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

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the City's long-term debt are as follows:

Governmental Activities						
Year Ending June 30,	General Obligation Bonds/Notes		Tax Increment Financing Revenue Bonds		USDA Airport Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 1,105,000	\$ 364,741	\$ 250,000	\$ 73,636	\$ 28,221	\$ 4,207
2020	995,000	281,815	480,000	39,000	29,562	2,867
2021	1,015,000	266,950	495,000	19,800	30,784	1,462
2022	1,260,000	250,175				
2023	1,280,000	227,162				
2024-2028	3,460,000	820,245				
2029-2033	2,200,000	442,745				
2034-2037	1,315,000	132,650				
Total	<u>\$12,630,000</u>	<u>\$2,786,483</u>	<u>\$1,225,000</u>	<u>\$132,436</u>	<u>\$ 88,567</u>	<u>\$ 8,536</u>

Year Ending June 30,	Total	
	Principal	Interest
2019	\$ 1,383,221	\$ 442,584
2020	1,504,562	323,682
2021	1,540,784	288,212
2022	1,260,000	250,175
2023	1,280,000	227,162
2024-2028	3,460,000	820,245
2029-2033	2,200,000	442,745
2034-2037	1,315,000	132,650
Total	<u>\$13,943,567</u>	<u>\$2,927,455</u>

Revenue Notes

Year Ending June 30,	Sewer Revenue Capital Loan Notes		Water Revenue Capital Loan Notes		Total Revenue Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2019		\$ 312,796	\$149,001	\$ 14,691	\$ 149,001	\$ 327,487
2020	\$ 100,000	330,225	155,888	10,969	255,888	341,194
2021	160,000	327,225	161,180	7,074	321,180	334,299
2022	165,000	322,425	165,536	3,071	330,536	325,496
2023	170,000	317,475			170,000	317,475
2024-2028	940,000	1,505,475			940,000	1,505,475
2029-2033	1,130,000	1,314,325			1,130,000	1,314,325
2034-2038	1,375,000	1,069,125			1,375,000	1,069,125
2039-2043	1,680,000	760,725			1,680,000	760,725
2044-2048	2,120,000	328,250			2,120,000	328,250
Total	<u>\$7,840,000</u>	<u>\$6,588,046</u>	<u>\$631,605</u>	<u>\$ 35,805</u>	<u>\$8,471,605</u>	<u>\$6,623,851</u>

General Obligation Bonds/Notes

The City's total general obligation bonds/notes at June 30, 2018 were \$12,630,000.

Tax Increment Financing Revenue Bonds

The City issued \$1,225,000 of urban renewal revenue annual appropriation capital loan notes in November 2017 for the purpose of defraying a portion of the costs of a project within the urban renewal district. The bonds are payable solely from the tax increment financing (TIF) receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. The bonds are subject at all times to non-appropriation by the City Council. Therefore, only the principal and interest appropriated by the Council is subject to the constitutional debt limit of the City. The amount appropriated for the fiscal year ending June 30, 2019 is \$323,636 including principal and interest. For the current year, no principal or interest was paid on the bonds.

Revenue Notes

The City has pledged future water customer receipts, net of specific operating expenses, to repay the \$1,900,000 water revenue capital loan notes issued in March 2007. Proceeds from the notes provided financing for the prepayment of the City's obligation to Lewis and Clark Regional Water System. The notes are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payments are expected to require less than 55% of net revenues. The total principal and interest payments remaining to be paid on the notes are \$ \$667,410. For the current year, principal and interest paid and total customer net receipts were \$160,639 and \$292,758, respectively.

The notes were purchased by a local bank in participation with three other local banks.

The resolution providing for the issuance of the water revenue capital loan notes include the following provisions:

- (A) The notes will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate water revenue sinking account for the purpose of making the principal and interest payments when due.
- (C) Additional monthly transfers shall be made to a separate water reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying principal and interest payments when insufficient money is available in the sinking account.
- (D) User rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the notes falling due in the same year.

The purchaser of the notes has waived provisions (B) and (C). The City was in compliance with the other water revenue notes provisions during the year ended June 30, 2018.

The City also has pledged future wastewater customer receipts, net of specific operating disbursements, to repay the \$7,840,000 sewer revenue capital loan notes issued in June 2018. Proceeds from the notes will provide financing for the construction of wastewater improvements. The notes are payable solely from wastewater customer net receipts and are payable through 2048. Annual principal and interest payments are expected to require less than 85% of net revenues. The total principal and interest payments remaining to be paid on the notes are \$14,428,046. For the current year, no principal or interest was paid on the notes.

The resolution providing for the issuance of the sewer revenue capital loan notes include the following provisions:

- (A) The notes will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate sewer revenue sinking account for the purpose of making the principal and interest payments when due.
- (C) Additional monthly transfers shall be made to a separate sewer reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying principal and interest payments when insufficient money is available in the sinking account.
- (D) User rates shall be established at a level which produces and maintains net receipts at a level not less than 115% of the amount of principal and interest on the notes falling due in the same year.

The revenue notes were issued on June 20, 2018. The above provisions will apply beginning in fiscal year June 30, 2019. The required amount of the reserve account is shown as restricted for debt service on the financial statements.

Airport Loan

This loan was made through the United States Department of Agriculture for improvements at the City's airport. The loan has an unpaid balance of \$88,567 as of June 30, 2018, which will be paid from the general fund. The notes call for annual payments of \$32,428 including interest at 4.75%.

4. DUE FROM SHELDON CHAMBER AND DEVELOPMENT CORPORATION

The City has granted the Sheldon Community and Development Corporation (SCDC) land and also financed SCDC's purchase of land. The land is being held for development and resale. The SCDC has agreed to pay a portion of the sales price back to the City as the land is sold.

5. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Purpose</u>
General	Special Revenue:		
	Local option sales tax	\$ 83,335	Street lighting, improvements, and economic development
	Proprietary:		
	Enterprise:		
	Water	38,335	Street lighting
	Sewer	<u>38,335</u>	Street lighting
		<u>160,005</u>	
Debt Service	General	32,428	Principal and interest payments
	Special revenue:		
	Tax increment financing	<u>1,179,938</u>	Principal and interest payments
		<u>1,212,366</u>	
Capital Projects	Special revenue:		
	Local option sales tax	<u>15,000</u>	Trails maintenance
Special Revenue:			
Employee benefits	General	50,000	Property tax relief
	Special revenue:		
	Local option sales tax	118,750	Property tax relief
	Proprietary:		
	Internal service:		
	Self insurance	<u>95,000</u>	Property tax relief
		<u>263,750</u>	
Proprietary:			
Enterprise:			
Water	Special revenue:		
	Local option sales tax	<u>100,000</u>	Repayment of loan
TOTAL OPERATING TRANSFERS		<u>\$1,751,121</u>	

6. 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 Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, PO Box 9117, Des Moines, IA 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 information 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, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

Protection occupation members may retire at normal retirement age, which is generally age 55. 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 starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

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

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

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll for a total rate of 14.88%. Protective occupation members contributed 6.56% of covered payroll, and the City contributed 9.84% of covered payroll for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2018 were \$168,675.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the City reported a liability of \$1,082,534 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the City's proportion was .016251% which was a decrease of .000366% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City pension expense, deferred outflows of resources, and deferred inflows of resources totaled \$192,159, \$538,097, and \$310,139, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2017 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, 2017 valuation were based on the results of an actuarial experience study dated March 24, 2017.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	<u>3.0</u>	4.25
Total	<u>100.0%</u>	

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

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

	1% Decrease <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
City's proportionate share of the net pension liability	\$2,048,839	\$1,082,534	\$ 270,935

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

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City operates a single-employer health benefit plan which provides medical/prescription drug benefits to active and retired employees and their eligible dependents. There are 28 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a self-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$798 for single coverage and \$1,995 for family coverage. For the year ended June 30, 2018, the City contributed \$688,217 and plan members eligible for benefits contributed \$22,231 to the plan. At June 30, 2018, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

8. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. In addition, employees over age 55 have accumulated earned but unused sick pay which is payable upon retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2018 is as follows:

Governmental activities:

General fund	\$121,410
Special revenue:	
Road use tax	<u>49,499</u>
Total governmental activities	<u>170,909</u>

Business type activities:

Proprietary:	
Enterprise:	
Water	49,109
Sewer	<u>24,688</u>
Total business type activities	<u>73,797</u>

TOTAL	<u>\$244,706</u>
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9. HEALTH CARE FACILITY REVENUE BONDS AND HOUSING REVENUE NOTES

The City has issued Health Care Facility Revenue Bonds and Housing Revenue Notes under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City. The outstanding balance at June 30, 2018 has not been determined.

10. RELATED PARTY TRANSACTIONS

The City has business transactions between the City and City officials, totaling \$4,893 during the year ended June 30, 2018. See item 18-II-D in the Schedule of Findings.

11. CONTRACT AND OTHER COMMITMENTS

The City has entered into contracts for wastewater treatment plant improvements, improvements for a new industrial park, and for street improvements. A summary of the contracts are as follows:

Contract total	\$10,572,135
Paid as of June 30, 2018	<u>169,556</u>
Balance to complete	<u>\$10,402,579</u>

The City has also entered into a contract to purchase snow removal equipment for \$318,871. The City has paid \$173,193 as of June 30, 2018, leaving a balance of \$145,678 to be paid.

12. SUBSEQUENT EVENTS

Subsequent to June 30, 2018, the City entered into a construction contract for a new building at the airport for \$284,330 and approved the purchase of a new firetruck for \$552,312.

13. RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 775 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in

capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2018 were \$134,465.

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

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

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

The City has established a self-insurance health insurance fund (an internal service fund) to account for group insurance risks. The City's plan has established a specific stop-loss amount of \$20,000 and an aggregate stop-loss of 125% of expected claims for the year. The City purchases commercial insurance for claims in excess of coverage provided.

The City has workmen's compensation coverage through the Iowa Municipalities Workers' Compensation Association. In addition, the City purchases employee blanket bond coverage from other insurers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

14. COLLECTIVE BARGAINING AGREEMENT

All employees, except for the office personnel and management, are covered by collective bargaining agreements which expire June 30, 2020.

15. DEVELOPER AGREEMENTS

The City has entered into various development agreements related to improvements made in tax increment financing districts. The properties are subject to minimum assessed values. The agreements call for annual payments from five to ten years based on a percentage of the taxes collected. During the year ended June 30, 2018, the City rebated \$165,127 of the incremental property taxes to the developers. The exact amount of the balance to be paid on the agreements has not been determined. Most of the agreements are subject to annual appropriation by the City Council.

16. TAX ABATEMENTS

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

City Tax Abatements

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

For the year ended June 30, 2018, the City abated \$165,127 of property tax under the urban renewal and economic development projects.

Tax Abatements of Other Entities

Property tax revenues of the City were not reduced for the year ended June 30, 2018 under agreements entered into by other entities.

SUPPLEMENTARY INFORMATION

CITY OF SHELDON
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
ALL NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds		
	LHAP Reuse	Employee Benefits	LMI
RECEIPTS:			
Property tax	\$ -	\$ 420,404	\$ -
Other city taxes	-	10,642	-
Use of money and property	-	-	30
Intergovernmental	-	26,839	-
TOTAL RECEIPTS	-	457,885	30
DISBURSEMENTS:			
Public safety	-	351,811	-
Public works	-	190,626	-
Culture and recreation	-	103,895	-
Community and economic development	-	41,312	-
General government	-	28,900	-
TOTAL DISBURSEMENTS	-	716,544	-
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	-	(258,659)	30
OPERATING TRANSFERS IN	-	263,750	-
NET CHANGE IN CASH BALANCES	-	5,091	30
CASH BALANCES - BEGINNING OF YEAR	57,295	(4,148)	20,773
CASH BALANCES - END OF YEAR	\$ 57,295	\$ 943	\$ 20,803
CASH BASIS FUND BALANCES:			
Restricted for:			
Community and economic development	\$ 57,295	\$ -	\$ 20,803
Police purposes	-	-	-
Employee benefits.....	-	943	-
TOTAL CASH BASIS FUND BALANCES	\$ 57,295	\$ 943	\$ 20,803

<u>Seizure</u>	<u>Total</u>
\$ -	\$ 420,404
-	10,642
-	30
-	26,839
-	<u>457,915</u>
-	351,811
-	190,626
-	103,895
-	41,312
-	28,900
-	<u>716,544</u>
-	(258,629)
-	<u>263,750</u>
-	5,121
<u>5,365</u>	<u>79,285</u>
<u>\$ 5,365</u>	<u>\$ 84,406</u>

\$ -	\$ 78,098
5,365	5,365
-	943
<u>\$ 5,365</u>	<u>\$ 84,406</u>

CITY OF SHELDON
SCHEDULE OF INDEBTEDNESS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Obligation</u>	<u>Date of Issue</u>	<u>Amount Interest Rates</u>	<u>Originally Issued</u>	<u>Final Due Date</u>
<u>GOVERNMENTAL ACTIVITIES:</u>				
General Obligation Bonds/Notes:				
Capital loan notes, series 2008	4-01-2008		\$1,860,000	
Capital loan notes, series 2013	5-29-2013	.90 - 1.90%	5,350,000	6-01-2024
Taxable capital loan notes, series 2016	7-01-2016	2.00 - 3.25%	3,400,000	6-01-2031
Capital loan notes, series 2017	6-20-2017	2.00 - 2.50%	2,395,000	6-01-2025
Capital loan notes, series 2017B	11-30-2017	1.75 - 4.00%	4,445,000	6-01-2037
Total General Obligation Bonds/Notes				
Tax Increment Financing Notes:				
Taxable urban renewal annual appropriation capital loan notes, series 2017C	11-30-2017	4.00%	1,225,000	6-01-2021
Other Long-Term Debt:				
USDA airport loan	6-06-2001	4.75%	400,000	7-01-2020
TOTAL GOVERNMENTAL ACTIVITIES				
<u>BUSINESS TYPE ACTIVITIES:</u>				
Water revenue capital loan notes	3-25-2007	2.47%	\$1,900,000	6-01-2022
Sewer revenue capital loan notes	6-20-2018	3.00 - 5.00%	7,840,000	6-01-2048
TOTAL BUSINESS TYPE ACTIVITIES				

Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$ 145,000		\$ 145,000		\$ 5,292
3,680,000		520,000	\$ 3,160,000	48,920
3,200,000		200,000	3,000,000	82,415
2,395,000		370,000	2,025,000	48,095
	<u>\$4,445,000</u>		<u>4,445,000</u>	
<u>9,420,000</u>	<u>4,445,000</u>	<u>1,235,000</u>	<u>12,630,000</u>	<u>184,722</u>
	1,225,000		1,225,000	
<u>115,508</u>	<u> </u>	<u>26,941</u>	<u>88,567</u>	<u>5,487</u>
<u>\$9,535,508</u>	<u>\$5,670,000</u>	<u>\$1,261,941</u>	<u>\$13,943,567</u>	<u>\$190,209</u>
\$ 773,995		\$ 142,390	\$ 631,605	\$ 18,249
<u> </u>	<u>\$7,840,000</u>	<u> </u>	<u>7,840,000</u>	<u> </u>
<u>\$ 773,995</u>	<u>\$7,840,000</u>	<u>\$ 142,390</u>	<u>\$ 8,471,605</u>	<u>\$ 18,249</u>

CITY OF SHELTON
BOND AND NOTE MATURITIES
JUNE 30, 2018

General Obligation Bonds/Notes

Year Ending June 30,	Capital Loan Notes Issued 11-30-2017		Taxable Capital Loan Notes Issued 7-1-2016		Capital Loan Notes Issued 6-20-2017	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2019			2.00%	\$ 200,000	2.00%	\$ 375,000
2020			2.00%	205,000	2.00%	260,000
2021			2.25%	210,000	2.00%	265,000
2022	2.00%	\$ 230,000	2.25%	215,000	2.00%	270,000
2023	1.75%	235,000	2.25%	215,000	2.00%	280,000
2024	2.00%	240,000	2.50%	220,000	2.50%	285,000
2025	2.00%	245,000	2.50%	230,000	2.50%	290,000
2026	2.00%	250,000	2.60%	235,000		
2027	2.75%	255,000	2.80%	240,000		
2028	2.75%	260,000	3.00%	245,000		
2029	3.00%	265,000	3.00%	255,000		
2030	3.00%	275,000	3.10%	260,000		
2031	3.00%	285,000	3.25%	270,000		
2032	3.00%	290,000				
2033	3.50%	300,000				
2034	3.50%	310,000				
2035	4.00%	320,000				
2036	4.00%	335,000				
2037	4.00%	350,000				
		<u>\$4,445,000</u>		<u>\$ 3,000,000</u>		<u>\$2,025,000</u>

Capital Loan Notes
Issued 5-29-2013

Year Ending June 30,	Interest Rate	Amount	General Obligation Total
2019	0.90%	\$ 530,000	\$ 1,105,000
2020	1.05%	530,000	995,000
2021	1.25%	540,000	1,015,000
2022	1.50%	545,000	1,260,000
2023	1.75%	550,000	1,280,000
2024	1.90%	465,000	1,210,000
2025			765,000
2026			485,000
2027			495,000
2028			505,000
2029			520,000
2030			535,000
2031			555,000
2032			290,000
2033			300,000
2034			310,000
2035			320,000
2036			335,000
2037			350,000
		<u>\$3,160,000</u>	<u>\$12,630,000</u>

See Accompanying Independent Auditors' Report

CITY OF SHELTON
BOND AND NOTE MATURITIES - Continued
JUNE 30, 2018

Other Governmental Activities Bonds/Notes

Year Ending June 30,	USDA Airport Loan Issued 6-6-2001		Tax Increment Notes Issued 11-30-2017	
	Interest Rate	Amount	Interest Rate	Amount
2019	4.75%	28,221	4.00%	250,000
2020	4.75%	29,562	4.00%	480,000
2021	4.75%	30,784	4.00%	495,000
		<u>\$ 88,567</u>		<u>\$ 1,225,000</u>

Revenue Notes

Year Ending June 30,	Water Revenue Capital Loan Notes Issued 3-25-2007		Sewer Revenue Capital Loan Notes Issued 6-20-2018		Revenue Notes Total
	Interest Rate	Amount	Interest Rate	Amount	
2019	2.47%	\$ 149,001			\$ 149,001
2020	2.47%	155,888	3.00%	\$ 100,000	255,888
2021	2.47%	161,180	3.00%	160,000	321,180
2022	2.47%	165,536	3.00%	165,000	330,536
2023			3.00%	170,000	170,000
2024			3.00%	175,000	175,000
2025			3.00%	180,000	180,000
2026			3.00%	190,000	190,000
2027			4.00%	195,000	195,000
2028			4.00%	200,000	200,000
2029			4.00%	210,000	210,000
2030			4.00%	215,000	215,000
2031			4.00%	225,000	225,000
2032			4.00%	235,000	235,000
2033			4.00%	245,000	245,000
2034			4.00%	255,000	255,000
2035			4.00%	265,000	265,000
2036			4.00%	275,000	275,000
2037			4.00%	285,000	285,000
2038			4.00%	295,000	295,000
2039			4.25%	310,000	310,000
2040			4.25%	320,000	320,000
2041			4.50%	335,000	335,000
2042			4.50%	350,000	350,000
2043			4.50%	365,000	365,000
2044			5.00%	385,000	385,000
2045			5.00%	400,000	400,000
2046			5.00%	425,000	425,000
2047			5.00%	445,000	445,000
2048			5.00%	465,000	465,000
		<u>\$ 631,605</u>		<u>\$ 7,840,000</u>	<u>\$8,471,605</u>

CITY OF SHELDON
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
RECEIPTS:				
Property tax	\$ 1,639,247	\$ 1,617,926	\$ 1,489,134	\$ 1,477,922
Tax increment financing	2,609,759	2,386,756	2,108,134	1,878,277
Other city taxes	860,077	961,387	825,701	719,792
Licenses and permits	16,030	15,433	12,180	15,353
Use of money and property	191,690	124,868	93,029	98,081
Intergovernmental	1,495,196	1,776,747	1,208,509	1,367,642
Charges for services	454,541	385,561	399,857	469,954
Special assessments	19,649	17,159	26,470	35,631
Miscellaneous	<u>526,602</u>	<u>917,831</u>	<u>815,266</u>	<u>233,645</u>
TOTAL RECEIPTS	<u>\$ 7,812,791</u>	<u>\$ 8,203,668</u>	<u>\$ 6,978,280</u>	<u>\$ 6,296,297</u>
DISBURSEMENTS:				
Public safety	\$ 1,242,463	\$ 1,519,675	\$ 1,211,302	\$ 986,414
Public works	1,202,854	964,039	945,830	1,184,090
Health and social services			10,000	16,500
Culture and recreation	835,891	556,802	487,846	495,255
Community and economic development	529,413	430,132	456,391	444,411
General government	413,273	883,875	449,864	342,415
Debt service	1,454,401	3,010,128	1,171,193	3,113,168
Capital projects	<u>2,227,833</u>	<u>5,013,994</u>	<u>1,071,872</u>	<u>1,651,939</u>
TOTAL DISBURSEMENTS	<u>\$ 7,906,128</u>	<u>\$12,378,645</u>	<u>\$ 5,804,298</u>	<u>\$ 8,234,192</u>

Schedule 4

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,501,872	\$1,432,048	\$1,369,670	\$1,204,482	\$1,129,515	\$1,101,847
1,878,787	1,839,228	1,750,174	2,215,974	2,063,537	1,849,357
700,968	701,949	681,333	638,549	526,941	683,965
14,816	12,447	12,173	11,975	11,739	10,757
109,418	117,492	114,330	117,228	120,068	159,167
3,364,788	854,341	929,224	705,140	960,474	512,412
371,215	395,800	377,538	395,888	540,672	626,339
18,485	2,227	401	14,998		1,815
<u>185,928</u>	<u>168,519</u>	<u>257,097</u>	<u>125,529</u>	<u>251,783</u>	<u>164,289</u>
<u>\$ 8,146,277</u>	<u>\$5,524,051</u>	<u>\$5,491,940</u>	<u>\$5,429,763</u>	<u>\$5,604,729</u>	<u>\$5,109,948</u>
\$ 1,145,638	\$1,128,661	\$1,116,261	\$ 831,273	\$1,003,796	\$ 964,191
1,386,304	1,013,510	706,086	880,355	1,199,692	955,752
26,500	16,500	15,500	15,500	15,500	15,500
477,045	503,533	527,914	464,512	492,326	532,690
394,121	501,782	388,552	356,868	453,534	368,431
407,858	423,095	332,493	342,258	374,716	324,849
1,281,730	1,088,690	971,366	881,645	1,586,968	1,128,038
<u>6,648,345</u>	<u>1,390,607</u>	<u>2,435,130</u>	<u>3,370,859</u>	<u>1,091,594</u>	<u>1,951,447</u>
<u>\$11,767,541</u>	<u>\$6,066,378</u>	<u>\$6,493,302</u>	<u>\$7,143,270</u>	<u>\$6,218,126</u>	<u>\$6,240,898</u>

OTHER INFORMATION

CITY OF SHELDON
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
ALL GOVERNMENTAL AND PROPRIETARY FUNDS
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property taxes	\$ 1,639,247		\$1,639,247
Other city taxes	860,077		860,077
Tax increment financing revenues	2,609,759		2,609,759
Licenses and permits	16,030		16,030
Use of money and property	191,690	\$ 5,286	196,976
Intergovernmental	1,495,196		1,495,196
Charges for services	454,541	2,682,411	3,136,952
Special assessments	19,649		19,649
Miscellaneous	<u>526,602</u>	<u>1,892,466</u>	<u>2,419,068</u>
TOTAL RECEIPTS	<u>7,812,791</u>	<u>4,580,163</u>	<u>12,392,954</u>
DISBURSEMENTS:			
Program:			
Public safety	1,242,463		1,242,463
Public works	1,202,854		1,202,854
Culture and recreation	835,891		835,891
Community and economic development	529,413		529,413
General government	413,273		413,273
Debt service	1,454,401		1,454,401
Capital projects	2,227,833		2,227,833
Business-type activities		<u>5,422,101</u>	<u>5,422,101</u>
TOTAL DISBURSEMENTS	<u>7,906,128</u>	<u>5,422,101</u>	<u>13,328,229</u>
DEFICIENCY OF RECEIPTS UNDER DISBURSEMENTS	<u>(93,337)</u>	<u>(841,938)</u>	<u>(935,275)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfer in	1,651,121	100,000	1,751,121
Operating transfer out	(1,579,451)	(171,670)	(1,751,121)
Bonds proceeds - including net premium	2,915,714	11,008,634	13,924,348
Proceeds - sale of assets	<u>74,740</u>		<u>74,740</u>
TOTAL OTHER FINANCING SOURCES	<u>3,062,124</u>	<u>10,936,964</u>	<u>13,999,088</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS	2,968,787	10,095,026	13,063,813
BALANCE - BEGINNING OF YEAR	<u>4,853,075</u>	<u>2,300,311</u>	<u>7,153,386</u>
BALANCE - END OF YEAR	<u>\$ 7,821,862</u>	<u>\$12,395,337</u>	<u>\$20,217,199</u>

Schedule 5

<u>Original Budget</u>	<u>Final Budget</u>	<u>Final to Actual Variance</u>
\$ 1,632,347	\$ 1,632,316	\$ 6,931
859,758	859,715	362
2,645,438	2,645,438	(35,679)
14,550	14,550	1,480
158,132	158,132	38,844
1,499,735	1,499,809	(4,613)
2,294,031	5,094,031	(1,957,079)
14,480	14,480	5,169
<u>1,441,148</u>	<u>2,807,286</u>	<u>(388,218)</u>
<u>10,559,619</u>	<u>14,725,757</u>	<u>(2,332,803)</u>
1,313,595	1,314,195	71,732
1,329,729	1,329,729	126,875
1,015,789	1,043,827	207,936
398,855	436,895	(92,518)
412,438	455,938	42,665
1,456,358	1,454,654	253
2,191,834	4,929,039	2,701,206
<u>2,758,504</u>	<u>8,051,299</u>	<u>2,629,198</u>
<u>10,877,102</u>	<u>19,015,576</u>	<u>5,687,347</u>
<u>(317,483)</u>	<u>(4,289,819)</u>	<u>3,354,544</u>
2,966,760	3,366,985	(1,615,864)
(2,966,760)	(3,366,985)	1,615,864
	11,150,715	2,773,633
<u>10,000</u>	<u>10,000</u>	<u>64,740</u>
<u>10,000</u>	<u>11,160,715</u>	<u>2,838,373</u>
(307,483)	6,870,896	6,192,917
<u>3,777,980</u>	<u>3,777,980</u>	<u>3,375,406</u>
<u>\$ 3,470,497</u>	<u>\$10,648,876</u>	<u>\$9,568,323</u>

CITY OF SHELDON
NOTES TO SCHEDULE 5 - BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2018

The budgetary comparison is presented in accordance with Government 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. 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 or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendment increased budgeted disbursements by \$8,138,474. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2018, disbursements exceeded the amounts budgeted in the community and economic development function.

CITY OF SHELDON
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST FOUR FISCAL YEARS
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability016251%	.016617%	.015290%	.013740%
City's proportionate share of the net pension liability ...	\$ 1,083	\$ 1,046	\$ 755	\$ 545
City's covered-employee payroll	\$ 1,671	\$ 1,590	\$ 1,550	\$ 1,464
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.81%	65.79%	48.71%	37.23%
Plan fiduciary net position as a percentage of the total pension liability	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.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

CITY OF SHELDON
SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST EIGHT FISCAL YEARS
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily required contribution	\$ 169	\$ 154	\$ 146	\$ 144	\$ 136
Contributions in relation to the statutorily required contribution	<u>169</u>	<u>154</u>	<u>146</u>	<u>144</u>	<u>136</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 1,837	\$ 1,671	\$ 1,590	\$ 1,550	\$ 1,464
Contributions as a percentage of covered-employee payroll	9.20%	9.21%	9.18%	9.29%	9.29%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Schedule 7

<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 129	\$ 118	\$ 103
<u>129</u>	<u>118</u>	<u>103</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,417	\$ 1,374	\$ 1,328
9.10%	8.59%	7.76%

CITY OF SHELDON
NOTES TO OTHER INFORMATION - PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2018

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

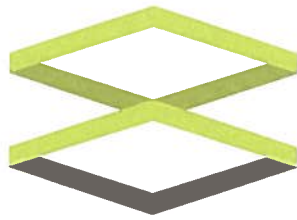
- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption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

The 2014 valuation implemented the following refinements as a result of 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 valuation) beginning June 30, 2015. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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



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INDEPENDENT AUDITORS' 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

The Honorable Mayor and
Members of the City Council
City of Sheldon
Sheldon, IA 51201

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sheldon, Iowa, as of and for the year ended June 30, 2018, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 28, 2018. 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 accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 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.

Wintner, Stave & Co., LLP

November 28, 2018
Spencer, Iowa

CITY OF SHELDON
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

Part I: Findings Related to the Financial Statements

Internal control over Financial Reporting:

No findings were noted.

Instances of Non-Compliance:

No findings were noted.

CITY OF SHELDON
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2018

Part II: Other Findings Related to Required Statutory Reporting

- 18-II-A Certified Budget - Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

Response - The City will make an effort to amend the budget before disbursements are exceeded, if applicable in the future.

Conclusion - Response accepted.

- 18-II-B Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- 18-II-C Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- 18-II-D Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Brad Hindt, Council Member, Owner of Downtown Hardware	Supplies	\$ 3,810
Greg Geels, Council Member, Owner of Vogel Paint and Glass, Inc.	Supplies	188
Pete Hamill, Council Member, Constructed bar cart	Reimbursements	895

The transactions with Mr. Geels and Mr. Hamill do not appear to be a conflict of interest since the total paid to them was less than \$1,500.

The transactions with Mr. Hindt may represent a conflict of interest since the total paid to his business was more than \$1,500 and competitive bidding was not utilized.

Recommendation - The City should use the competitive bidding process when practical.

Response - These transactions were for normal expenses. The City will monitor spending and use competitive bidding when practical.

Conclusion - Response accepted.

CITY OF SHELDON
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2018

Part II: Other Findings Related to Required Statutory Reporting - Continued

- 18-II-E 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 insure that the coverage is adequate for current operations.
- 18-II-F Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- 18-II-G Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- 18-II-H Revenue Notes - No noncompliance with revenue note provisions were noted.
- 18-II-I Urban Renewal Annual Report - The urban renewal report for the fiscal year ended June 30, 2017 was approved and certified to the Iowa Department of Management by December 1, 2017.