

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

JUNE 30, 2020**

TABLE OF CONTENTS

	<u>Page</u>
Officials	3
Independent Auditor's Report	4 - 6
Management's Discussion and Analysis	7 - 12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Cash Basis Statement of Activities and Net Position	A 14 - 15
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 16 - 17
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 18
Notes to Financial Statements	20 - 39
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds	41 - 42
Notes to Other Information - Budgetary Reporting	43
Schedule of the City's Proportionate Share of the Net Pension Liability	44
Schedule of City Contributions	45
Notes to Other Information - Pension Liability	46
Supplementary Information:	<u>Schedule</u>
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Non major Governmental Funds	1 48 - 50
Schedule of Indebtedness	2 51 - 52
Bond and Note Maturities	3 53 - 54
Schedule of Receipts by Source and Disbursements By Function - All Governmental Fund Types	4 55
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 <i>Government Auditing Standards</i>	57 - 59
Schedule of Findings and Responses	60 - 64

CITY OF AVOCA

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Aaron Long	Mayor	January 2022
Fred Miller III	Mayor Pro-Tem/Council Member	January 2024
William Dea	Council Member	January 2022
Chuck Stolz	Council Member	January 2024
Matt Gramkow	Council Member	January 2024
David McCain	Council Member	January 2022
Clint Fichter	City Manager	Resigned September 2019
David Mitchell	City Administrator	Indefinite
Teresa Hoepner	City Clerk	Indefinite
Teresa Hoepner	City Treasurer	Appointed yearly
David Larson	City Attorney	Indefinite



Monte Broeckelman
Certified
Public Accountant

Harlan Office:

2309 B Chatburn Ave.
P.O. Box 551
Harlan, IA 51537-0551

Ph. (712) 755-3366
Fax (712) 755-3343

Avoca Office:

160 S. Elm Street
Avoca, IA 51521

Ph. (712) 343-2379

monte@broeckelmancpa.com

Licensed in:
Iowa
Kansas

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

I 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 Avoca, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

To the Honorable Mayor and
Members of the City Council:

Auditor's Responsibility (Continued)

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, I 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.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my 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 Avoca as of June 30, 2020, 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 U.S. generally accepted accounting principles. My opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Avoca's basic financial statements. I previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements.

To the Honorable Mayor and
Members of the City Council:

Other Matters (continued)

Supplementary and Other Information continued

The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Other Information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 12 and 41 through 46 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated March 31, 2021 on my consideration of the City of Avoca's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Avoca's internal control over financial reporting and compliance.

Brackman & Associates, P.C.

Harlan, Iowa
March 31, 2021

**CITY OF AVOCA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

The City of Avoca provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 22%, or approximately \$1.4 million from fiscal year 2019 to fiscal year 2020. Sale of property decreased approximately \$1.5 million, note proceeds increased approximately \$2.8 million, and capital grants, contributions and restricted interest decreased approximately \$153,000.

Disbursements of the City's governmental activities increased 28%, or approximately \$1.5 million from fiscal year 2019 to fiscal year 2020. Debt service disbursements decreased approximately \$1.1 million, culture and recreation disbursements decreased approximately \$3,900 and capital project disbursements increased approximately \$2.4 million.

The City's total cash basis net position increased 16%, or approximately \$530,000, from June 30, 2019 to June 30, 2020. Of this amount, the cash basis net position of the governmental activities increased approximately \$328,600 and the cash basis net position of the business type activities increased approximately \$203,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks, sanitary sewer system and sanitation. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Sanitation Funds, considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased significantly from a year ago, increasing from approximately \$2.756 million to \$3.085 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities			
		Year Ended June 30,	
		2020	2019
Receipts:			
Programs receipts:			
Charges for service	\$	726,111	\$ 692,165
Operating grants, contributions and restricted interest		498,952	444,906
Capital grants, contributions and restricted interest		72,824	225,502
General Receipts:			
Property tax		383,133	481,631
Tax increment financing		1,572,912	1,387,813
Local option sales tax		247,423	224,810
Hotel/Motel tax		118,227	116,180
Miscellaneous		40,771	-0-
Unrestricted investment earnings		8,472	8,339
Sales of assets		409,729	1,964,513
Note proceeds		3,168,128	315,296
Total receipts		<u>7,246,682</u>	<u>5,861,155</u>
Disbursements:			
Public safety		290,829	295,023
Public works		581,544	430,486
Health and social services		13,790	63
Culture and recreation		878,901	882,753
Community and economic development		96,361	74,552
General government		431,121	380,647
Debt service		575,315	1,651,618
Capital projects		4,254,285	1,857,688
Total disbursements		<u>7,122,146</u>	<u>5,572,830</u>
Change in cash basis net position before transfers		124,536	288,325
Transfers, net		<u>199,821</u>	<u>304,375</u>
Change in cash basis net position		324,357	592,700
Cash basis net position beginning of year		2,756,451	2,163,751
Prior period adjustment		<u>4,206</u>	<u>-0-</u>
Cash basis net position end of year	\$	<u>3,085,014</u>	\$ <u>2,756,451</u>

The City's total receipts for governmental activities increased 24%, or approximately \$1,385,000. The total cost of all programs and services increased approximately \$1.5 million, or 28%, with no new programs added this year. The increase in receipts was primarily the result of note proceeds received in the fiscal year 2020.

The cost of all governmental activities this year was approximately \$7.12 million compared to approximately \$5.57 million last year. However, as shown in the Statement of Activities and Net Position on pages 14 - 15, the amount taxpayers ultimately financed for these activities was approximately \$5.8 million because some of the cost was paid by those directly benefiting from the programs (approximately \$726,111) and by other governments and organizations (approximately \$571,776). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option tax and miscellaneous receipts. Overall, the city's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2020 from approximately \$1.362 million to approximately \$1.298 million, principally due to a decrease in capital grants, contributions, and restricted interest during the prior year.

Total business type activities' receipts for the fiscal year were approximately \$903,600 compared to approximately \$840,600 last year. This increase was due primarily to scheduled rate increases. The cash balance increased approximately \$203,000 from the prior year. Total disbursements and transfers to governmental funds for the fiscal year decreased 18% to approximately \$701,000.

Changes in Cash Basis Net Position of Business Type Activities		
	Year Ended June 30,	
	2020	2019
Receipts:		
Programs receipts:		
Charges for service:		
Water	\$ 467,657	\$ 424,322
Sewer	435,972	416,290
Total receipts	903,629	840,612
Disbursements:		
Water	275,304	290,850
Sewer	225,526	260,966
Total disbursements	500,830	551,816
Change in cash basis net position before transfers	402,799	288,796
Transfers, net	(199,821)	(304,375)
Change in cash basis net position	202,978	(15,579)
Cash basis net position beginning of year	544,660	560,239
Prior period adjustment	-0-	-0-
Cash basis net position end of year	\$ 747,638	\$ 544,660

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Avoca completed the year, its governmental funds reported a combined fund balance of \$3,085,014, an increase of \$324,400 from last year's total of \$2,760,656. The following are the principal reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$251,315 from the prior year to \$288,864. Receipts increased by \$80,615. Disbursements increased by \$265,809. General Fund cash balance accounts for approximately 10% of the City's governmental cash.

The Special Revenue Fund, Urban Renewal Tax Increment Fund was established to account for major urban renewal projects within the City. Receipts totaled \$1,625,139 and were transferred to various infrastructure and housing projects within the urban renewal areas as shown in Note 7. The City continues to maximize incremental taxes.

The Debt Service Fund balance increased to \$53,797 from the prior fiscal year. Receipts include property taxes of \$315,374, special assessments of \$22,880, and inter-fund transfers of \$278,022. Debt service disbursements for principal and interest totaled \$493,768 and \$74,155, respectively.

The Capital Projects Funds account for the Housing Program and Urban Renewal projects in various areas of the City. Resources of approximately \$1.2 million include proceeds on the sale of real estate (\$372,229) and loan proceeds (\$837,410). Disbursements in the Housing Program totaled \$1,304,639 and disbursements in the Urban Renewal Capital Projects totaled \$115,394, mostly in the form of housing grants. Housing starts in the City continue to be very strong.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise Fund, Water Fund cash balance increased by \$97,532 to \$170,500, which was dissimilar to the decrease of \$49,303 in the prior year. The City has a \$1.7 million contract for water main improvements.

The Enterprise Fund, Sewer Fund cash balance increased by \$105,446 to \$577,138. The City is in the planning phase of a \$900,000 Storm Water Mitigation project which will include plant modifications and Nishnabotna bank restoration.

BUDGETARY HIGHLIGHTS

The City adopted the budget on February 26, 2019 and amended the budget on May 26, 2020.

The City's actual receipts were approximately \$204,200 less than budgeted. The City's disbursements were approximately \$1.4 million less than budgeted. As a result, net increase to fund balance was \$1,006,460 greater than budgeted.

Actual disbursements exceeded budgeted amounts in the debt service function.

DEBT ADMINISTRATION

At June 30, 2020, the City had \$6,903,250 of bonds, notes and other long-term debt outstanding, compared to \$4,061,660 last year, as shown below.

Outstanding Debt at Year-End			
		June 30,	
		2020	2019
General obligation bonds and notes	\$	3,039,674	\$ 2,327,309
Notes secured by local option and road use taxes		-0-	-0-
Revenue bonds and notes		3,626,260	1,734,351
	\$	<u>6,665,934</u>	<u>\$ 4,061,660</u>

The City retired principal of \$575,543, and paid interest of \$138,762. The City issued \$3,179,817 of new debt. The Debt Service Fund ended the fiscal year with a cash balance of \$53,797.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,039,674 is significantly below its constitutional debt limit of approximately \$5.2 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Avoca's elected, and appointed officials and citizens considered many factors when setting the fiscal year 2021 budget, tax rates and fees charged for various City activities. One of those factors is completion of various City projects and the availability of federal, state and local grants, debt and tax increment financing.

These factors were taken into account when adopting the budget for fiscal year 2021. Amounts available for appropriation in the operating budget are approximately \$10.1 million, a decrease of 6.5% over the fiscal year 2020 amended budget. Budgeted disbursements are expected to decrease approximately \$701,000. If these amounts are realized, budgeted cash balances are expected to increase by approximately \$812,000 by the close of fiscal year 2021. Projects include ballfield reconstruction, flood recovery in the park, street improvements, sewer plant modifications and Nishnabotna River bank restoration, and water main repairs and maintenance.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Teresa Hoepner, City Clerk, 201 N Elm St, Avoca Iowa 51521.

BASIC FINANCIAL STATEMENTS

CITY OF AVOCA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

	Disbursements	Charges for Service	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 290,829	\$ 65,544	\$ 57,798	\$ -0-
Public works	581,544	141,724	217,101	-0-
Health and social services	13,790	-0-	-0-	-0-
Cultures and recreation	878,901	480,182	66,322	-0-
Community and economic development	96,361	450	58,000	-0-
General government	431,121	15,331	7,997	-0-
Debt service	575,315	22,880	5,127	-0-
Capital projects	4,254,284	-0-	86,607	72,824
Total governmental activities	7,122,145	726,111	498,952	72,824
Business type activities:				
Water	275,304	467,657	-0-	-0-
Sewer	225,526	435,972	-0-	-0-
Total business type activities	500,830	903,629	-0-	-0-
Total	\$ 7,622,975	\$ 1,629,740	\$ 498,952	\$ 72,824

Property taxes levied for:
General purposes
Employee benefits
Debt service
Tax increment financing
Local option sales tax
Hotel/Motel tax
Unrestricted investment earnings
Miscellaneous
Note proceeds
Sale of property
Transfers
Total general receipts

Change in cash basis net position

Cash basis net position, beginning of year

Prior period adjustment

Cash basis net position, end of year

Cash basis net position

Nonexpendable
Cemetery perpetual care
Expendable:
Streets
Debt service
Other purposes
Unrestricted

Total cash basis net position

See notes to financial statements.

EXHIBIT A

Net (Disbursements), Receipts and Changes in Net Position		
Governmental Activities	Business Type Activities	Total
\$ (167,487)	\$ -0-	\$ (167,487)
(222,719)	-0-	(222,719)
(13,790)	-0-	(13,790)
(332,397)	-0-	(332,397)
(37,911)	-0-	(37,911)
(407,793)	-0-	(407,793)
(547,308)	-0-	(547,308)
(4,094,853)	-0-	(4,094,853)
(5,824,258)	-0-	(5,824,258)
-0-	192,353	192,353
-0-	210,446	210,446
-0-	402,799	402,799
(5,824,258)	402,799	(5,421,459)
57,408	-0-	57,408
10,351	-0-	10,351
315,374	-0-	315,374
1,572,912	-0-	1,572,912
247,423	-0-	247,423
118,227	-0-	118,227
8,472	-0-	8,472
40,771	-0-	40,771
3,168,128	-0-	3,168,128
409,728	-0-	409,728
199,821	(199,821)	-0-
6,148,615	(199,821)	5,948,794
324,357	202,978	527,335
2,756,451	544,660	3,301,111
4,206	-0-	4,206
\$ 3,085,014	\$ 747,638	\$ 3,832,652
\$ 136,389	\$ -0-	\$ 136,389
129,989	-0-	129,989
53,797	-0-	53,797
2,583,894	-0-	2,583,894
180,945	747,638	928,583
\$ 3,085,014	\$ 747,638	\$ 3,832,652

CITY OF AVOCA

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue			
	General	Urban Renewal Tax Increment	Library Trust	Debt Service
Receipts:				
Property tax	\$ 57,408	\$ -0-	\$ -0-	\$ 315,374
Tax increment financing	-0-	1,572,912	-0-	-0-
Other city tax	122,049	-0-	-0-	-0-
Licenses and permits	22,006	-0-	-0-	-0-
Use of money and property	13,849	1	4,007	-0-
Intergovernmental	114,446	52,226	-0-	5,127
Charges for service	609,948	-0-	-0-	-0-
Special assessments	935	-0-	-0-	22,880
Miscellaneous	113,235	-0-	6,145	-0-
Total receipts	1,053,876	1,625,139	10,152	343,381
Disbursements:				
Operating:				
Public safety	253,699	-0-	-0-	-0-
Public works	554,050	-0-	-0-	-0-
Health and social services	13,790	-0-	-0-	-0-
Culture and recreation	753,524	-0-	1,223	-0-
Community and economic development	93,249	-0-	-0-	-0-
General government	364,123	-0-	-0-	-0-
Debt service	-0-	-0-	-0-	572,743
Capital projects	-0-	-0-	-0-	-0-
Total disbursements	2,032,435	-0-	1,223	572,743
Excess (deficiency) of receipts over (under) disbursements	(978,559)	1,625,139	8,929	(229,362)
Other financing sources (uses):				
Sale of assets	37,500	-0-	-0-	-0-
Loan proceeds	-0-	-0-	-0-	-0-
Operating transfers in	689,744	-0-	-0-	278,022
Operating transfers out	-0-	(632,847)	(4,580)	-0-
Total other financing sources (uses)	727,244	(632,847)	(4,580)	278,022
Net change in cash balances	(251,315)	992,292	4,349	48,660
Cash balances, beginning of year	540,179	-0-	586,982	5,137
Prior period adjustment	-0-	-0-	3,707	-0-
Cash balances, end of year	\$ 288,864	\$ 992,292	\$ 595,038	\$ 53,797
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Restricted for:				
Streets	-0-	-0-	-0-	-0-
Debt service	-0-	-0-	-0-	53,797
Other purposes	78,820	992,292	595,038	-0-
Unassigned	210,044	-0-	-0-	-0-
Total cash basis fund balances	\$ 288,864	\$ 992,292	\$ 595,038	\$ 53,797

See notes to financial statements.

EXHIBIT B

Capital Projects		Other Non-major Governmental Funds		Total
Housing	Urban Renewal Capital Projects			
\$ -0-	\$ -0-	\$ 10,351	\$	383,133
-0-	-0-	-0-		1,572,912
-0-	-0-	247,423		369,472
-0-	-0-	-0-		22,006
-0-	-0-	405		18,262
-0-	-0-	283,394		455,193
41,117	-0-	-0-		651,065
-0-	21,886	-0-		45,701
-0-	5,584	26,118		151,082
41,117	27,470	567,691		3,668,826
-0-	-0-	37,130		290,829
-0-	-0-	27,494		581,544
-0-	-0-	-0-		13,790
-0-	-0-	124,154		878,901
-0-	-0-	3,112		96,361
-0-	-0-	66,998		431,121
2,572	-0-	-0-		575,315
1,302,067	115,394	2,836,824		4,254,285
1,304,639	115,394	3,095,712		7,122,146
(1,263,522)	(87,924)	(2,528,021)		(3,453,320)
372,229	-0-	-0-		409,729
837,410	-0-	2,330,718		3,168,128
-0-	-0-	367,705		1,335,471
-0-	-0-	(498,224)		(1,135,651)
1,209,639	-0-	2,200,199		3,777,677
(53,883)	(87,924)	(327,822)		324,357
510,420	590,052	523,681		2,756,451
-0-	-0-	499		4,206
\$ 456,537	\$ 502,128	\$ 196,358	\$	3,085,014
\$ -0-	\$ -0-	\$ 136,389	\$	136,389
-0-	-0-	129,989		129,989
-0-	-0-	-0-		53,797
456,537	502,128	(40,921)		2,583,894
-0-	-0-	(29,099)		180,945
\$ 456,537	\$ 502,128	\$ 196,358	\$	3,085,014

CITY OF AVOCA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 456,383	\$ 435,972	\$ 892,355
Miscellaneous	-0-	-0-	-0-
Total operating receipts	456,383	435,972	892,355
Operating disbursements:			
Business type activities	271,870	99,020	370,890
Total operating disbursements	271,870	99,020	370,890
Excess of operating receipts over operating disbursements	184,513	336,952	521,465
Non-operating receipts (disbursements):			
Meter deposits	11,274	-0-	11,274
Meter deposit refunds	(3,434)	-0-	(3,434)
Debt service	-0-	(126,506)	(126,506)
Miscellaneous	-0-	-0-	-0-
Net non-operating receipts (disbursements)	7,840	(126,506)	(118,666)
Excess of receipts over disbursements	192,353	210,446	402,799
Operating transfers in			
Operating transfers out	(94,821)	(105,000)	(199,821)
	(94,821)	(105,000)	(199,821)
Change in cash balance	97,532	105,446	202,978
Cash balances, beginning of year	72,968	471,692	544,660
Cash balances, end of year	\$ 170,500	\$ 577,138	\$ 747,638
Cash Basis Fund Balances			
Restricted - debt service	\$ -0-	\$ -0-	\$ -0-
Unrestricted	170,500	577,138	747,638
Total cash basis fund balances	\$ 170,500	\$ 577,138	\$ 747,638

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(1) Summary of Significant Accounting Policies

The City of Avoca is a political subdivision of the State of Iowa and located in Pottawattamie County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general administrative services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Avoca 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 financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following board and commissions: Pottawattamie County Assessor's Conference Board, City Assessor's Conference Board and Pottawattamie County Emergency Management Commission.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Position reports information on all of the non-fiduciary activities of the City. For the most part, the effect of inter-fund 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 from services.

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation - Continued

The Cash Basis Statement of Activities and Net Position presents the City's non-fiduciary net position. Net position is reported in the following categories:

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

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

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position 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 whose purchase, or use directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions 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 non-major 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.

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation - Continued

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 Library Trust Fund is used to account for the investments and related activity of the Library Trust.

The Urban Renewal Tax Increment Fund is used to account for urban renewal projects financed by tax increment financing.

The Debt Service Fund is used to account for the payment of interest and principal on the city's general long-term debt.

The Capital Project Funds are used to account for infrastructure and housing projects of the City.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. As of June 30, 2020, disbursements exceed amounts budgeted in the debt service function.

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2020, were covered entirely 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 and the Treasurer of the State of Iowa; 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 totaled \$3,832,651 as of June 30, 2020. City funds consist of cash on hand, cash in bank and certificates of deposit and are held at two local institutions. Library and Cemetery trust funds are held in two managed accounts as listed below.

At June 30, 2020, the City had the following investments:

Investment	Carrying Amount	Fair Value	Maturity
LPL Financial:			
Dow Chemical Co			
Internotes - 3.60%	\$ 29,986	\$ 30,206	June 15, 2025
Internotes - 3.45%	18,981	19,031	August 15, 2024
JP Morgan Chase - Note 3.375%	44,070	47,071	May 1, 2023
Occidental Petroleum Corp - Note 2.6%	47,212	44,767	April 15, 2022
Cash	282	282	NA
Pottawattamie County Community Foundation:			
Library Endowment Trust Fund	114,915	134,066	NA
Cemetery Trust Fund	80,809	103,217	NA
Perpetual Care Fund	52,579	65,938	NA
Public Library Fund	272,729	350,088	NA
Total	\$ 661,563	\$ 794,666	

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

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for the City's general obligation and revenue bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds and Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	1,465,664	85,566	174,867	79,839	1,640,531	165,405
2022	470,737	49,958	179,064	77,542	649,801	127,500
2023	482,169	33,589	183,318	73,661	665,487	107,250
2024	345,675	17,208	187,633	69,683	533,308	86,891
2025	185,000	6,864	191,008	65,611	376,008	72,475
2026	90,428	1,354	195,446	61,458	285,874	62,812
2027	-0-	-0-	199,947	57,207	199,947	57,207
2028	-0-	-0-	205,516	52,853	205,516	52,853
2029	-0-	-0-	210,151	48,380	210,151	48,380
2030	-0-	-0-	214,857	43,802	214,857	43,802
2031	-0-	-0-	218,333	40,347	218,333	40,347
2032	-0-	-0-	196,788	34,326	196,788	34,326
2033	-0-	-0-	200,883	30,253	200,883	30,253
2034	-0-	-0-	206,030	26,094	206,030	26,094
2035	-0-	-0-	210,230	21,829	210,230	21,829
2036	-0-	-0-	214,486	17,473	214,486	17,473
2037	-0-	-0-	219,798	13,026	219,798	13,026
2038	-0-	-0-	192,221	8,467	192,221	8,467
2039	-0-	-0-	130,000	4,603	130,000	4,603
2040	-0-	-0-	133,000	2,328	133,000	2,328
Total	\$ 3,039,673	194,539	3,863,576	828,782	6,903,249	1,023,321

The Code of Iowa requires that principal and interest on general obligation bonds and notes be paid from the Debt Service Fund.

The City has a general obligation debt limit of approximately \$5.2 million which was not exceeded during the year ended June 30, 2020.

General Obligation Sidewalk Repair Note, 2012

On February 23, 2012, the City entered into a loan agreement with a local bank to finance the Sidewalk Repair Project. The \$150,000 note bears interest at 3.42%, requires annual principal payments of \$18,750, plus applicable interest semi-annually, and matures December 1, 2019.

General Obligation Corporate Purpose Revolving Note, 2014

On March 1, 2014, the City entered into a revolving loan agreement with a local bank for sidewalk improvements. The \$155,000 note bears interest at 4.50%, requires periodic payments of principal and interest, and matures June 1, 2021.

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(3) Bonds and Notes Payable (Continued)

Housing Revolving Loan, 2019

On June 21, 2019, the City entered into a loan agreement with a local bank to finance the City's housing assistance program. The \$700,000 loan bears interest at 3.50% and matures June 21, 2020. For the year ended June 30, 2020, the City paid principal of \$141,000, interest of \$4,324, and refinanced the balance of \$174,296 into a General Purpose Note dated March 27, 2020.

Essential Corporate Purpose Loan, 2016

On November 25, 2015, the City entered into a loan agreement with a local bank to refinance the Refunding Bonds, the Ambulance Note, the Revolving Note, and the School Area Streets & Storm Sewer Notes. The essential corporate purpose loan bears interest at 3.00%, requires semi-annual principal and interest installments, and matures December 1, 2025.

Fire Truck Note, 2017

On October 26, 2016, the City entered into a loan agreement with a local bank to finance the purchase of a fire truck. The note bears interest at 3.50%, requires annual principal and interest installments of \$52,165, and matures June 1, 2024.

General Purpose Housing Revolving Loan, 2020

On March 27, 2020, the City entered into a loan agreement with a local bank to finance the City's housing assistance program. The \$700,000 loan bears interest at 3.50% and matures December 21, 2020. For the year ended June 30, 2020, the City advanced principal of \$431,080, which included the refinance of \$174,296 from the 2019 Housing Revolving Loan. Principal and any unpaid interest is due at loan maturity.

General Purpose Housing Revolving Loan, 2020

On March 27, 2020, the City entered into a loan agreement with a local bank to finance the City's housing assistance program. The \$350,000 loan bears interest at 4.75% and matures March 29, 2021. For the year ended June 30, 2020, the City advanced principal of \$181,260. Principal and any unpaid interest is due at loan maturity.

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(3) Bonds and Notes Payable (Continued)

General Purpose Housing Revolving Loan, 2020

On June 4, 2020, the City entered into a loan agreement with a local bank to finance the City's housing assistance program. The \$400,000 loan bears interest at 4.50% and matures June 1, 2023. For the year ended June 30, 2020, the City advanced principal of \$400,000. Principal payments of \$134,000 plus any unpaid interest are due annually on June 1.

Essential Corporate Purpose Note - Street Improvement Project, 2019

On October 11, 2019, the City entered into a loan agreement with a local bank to finance the 2019 Street Improvement Project. The essential corporate purpose note bears interest at 3.15%, requires payment of principal and any unpaid interest at maturity. The note matures on November 15, 2020.

Water Revenue Capital Loan Notes, 2019

On August 2, 2019, the City entered into a loan agreement with Iowa Finance Authority to finance improvements to the City's water treatment facilities. The note of \$2,211,000 bears interest at 1.75%, requires semi-annual installments of principal and interest, and matures June 1, 2040. Principal of \$1,973,684 was advanced during the year ended June 30, 2020.

Storm Water Revenue USDA Rural Development Note, 2010

On December 30, 2010, the City financed storm water improvements with a \$412,000 note with USDA Rural Development. The note bears interest at 3.00%, requires annual installments of principal and interest of \$27,695, and matures December 1, 2030.

Sanitary Sewer Revenue USDA Rural Development Note, 2011

On August 2, 2011, the City entered into a loan agreement with USDA Rural Development to finance improvements to the sanitary sewer system. The note of \$1,767,000 bears interest at 2.50%, requires annual installments of \$98,811 principal and interest, and matures June 1, 2038.

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(3) Bonds and Notes Payable (Continued)

Revenue Note Resolutions

The resolutions providing for the issuance of the USDA Rural Development 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 revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- c) Additional monthly transfers shall be made to separate reserve accounts within the Enterprise Funds for the purpose of paying for any additional improvements, extensions or repairs to the system.

The resolutions providing for the issuance of the Iowa Finance Authority notes include the following provisions:

- a) The City has pledged future water customer receipts, net of specified operating disbursements, to repay a \$2,211,000 water revenue note issued August 2, 2019. Note proceeds provided financing for water treatment system improvements. The note is payable solely from water customer net receipts and are payable through 2040. Annual net revenues are to be maintained at a level of not less than 110% of the amount of annual principal and interest due on the revenue note. The total principal and interest remaining to be paid on the note is \$1,973,684. For the current year, principal and interest paid were \$-0- and \$19,876, respectively. Total annual net revenues were \$181,543 or approximately 913% of the annual principal and interest due on the note.
- b) 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.
- c) Sufficient monthly transfers shall be made to separate revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.

Additional monthly transfers shall be made to separate reserve accounts within the Enterprise Funds for the purpose of paying for any additional improvements, extensions or repairs to the system.

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(4) Pension and Retirement Benefits

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 employers 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 P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

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

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

Protection occupation members may retire at normal retirement age, which is generally age 55. 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.

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(4) Pension and Retirement Benefits (Continued)

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 lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

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

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$38,743.

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(4) Pension and Retirement Benefits (Continued)

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$318,404 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.047251%, which was a decrease of 0.000076% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the City pension expense, deferred outflows of resources and deferred inflows of resources totaled \$78,319, \$69,380 and \$86,808, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(4) Pension and Retirement Benefits (Continued)

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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's 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 pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$668,285	\$318,404	\$25,056

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(4) Pension and Retirement Benefits (Continued)

IPERS' Fiduciary Net Position - Detailed information about the pension plan's 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 benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. For the year ended June 30, 2020, the City contributed \$99,847 and plan members eligible for benefits contributed \$-0- to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the City of Avoca and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement.

There are 7 active and -0- retired members in the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick time 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 sick time termination payments payable to employees at June 30, 2020, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2020</u>
Vacation	\$ 11,898
Sick time	32,504
	<u>\$ 44,402</u>

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

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(7) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Library Trust	\$ 4,580
General	Local Option	117,142
General	Hotel/Motel	59,113
General	Road Use	121,411
General	Water	90,000
General	Sewer	90,000
General	Tax Increment Financing	500,645
Pool	General	53,482
General	Storm Water	15,000
RAGBRI	Hotel/Motel	36,702
Employee Benefits	General	226,622
Debt Service	Sewer	98,811
Debt Service	Storm Water	27,695
Debt Service	Water	4,821
Debt Service	Capital Project- Water Imp.	141,000
TIF Debt Service	Tax Increment Financing	19,076
TIF Debt Service	Tax Increment Financing	62,153
TIF Debt Service	Tax Increment Financing	50,973
Capital Project - Streetscape	Road Use	1,530
Capital Project - Clubhouse	Local Option	68,598
TIF Park	Hotel/Motel	22,411
TIF Park	Local Option	48,543
Total		\$ <u>1,860,298</u>

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

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$392,119 during the year ended June 30, 2020.

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(9) Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 778 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the 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, 2020 were \$47,159.

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.

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(9) Risk Management (Continued)

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 notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workmen's compensation in the amount of \$11,127. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Deficit Balances

The following funds have deficit balances as of June 30, 2020: Employee Benefits (\$11,148), Capital Project – Street (\$1), Capital Project – 2019 Flood (\$196,376) Capital Project – Curtis Street (\$9,985) Capital Project – 2019 Water Improvement (\$11,803) Capital Project - Pedestrian Bridge (\$29,099). The deficit balances were the result of project costs incurred prior to availability of funds. The deficits will be eliminated by transfers from other funds or other reimbursements.

(11) Housing and Economic Development Program

The City offers several housing loan programs for qualified residents and an economic development grant program for qualified small businesses. The Urban Renewal Agency serves as the review committee and City staff administers the application process. Income limits are based on the most recent Median Income Levels of the Community Development Block Grant (CDGB) program, as provided by the Iowa Economic Development Authority.

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(11) Housing and Economic Development Program (Continued)

Housing Loan Programs

The New Construction Program offers 5-year forgivable loans of \$15,000 or \$7,500, depending on median income levels, and has 31 participants.

The Existing Unit Purchase Program offers 5-year forgivable loans of \$5,000 to qualified residents. There are 70 participants in the program.

The Housing Rehabilitation Loans Program offers 10-year forgivable loans of \$10,000 to owner occupied housing or 5-year forgivable loans of \$5,000 to rental housing to qualified applicants. There are 23 participants in the program.

The Dilapidated Buildings Abatement Assistance Program offers grants to property owners or nonprofit organizations to assist in acquiring and demolishing dilapidated buildings. Currently, there are 7 participants in this program.

Economic Development Programs

The New Construction Grant or Rebate Incentive Program offers eligible projects a grant or a rebate of taxes for a term of years.

The Improvement and Rehabilitation of Downtown Buildings (Pre-1935) Program offers architectural assistance grants for up to \$5,000, minor restoration and improvement grants for up to \$4,000 and renovation grants up to \$25,000.

The Small Business Grant Program offers grants up to \$5,000 for small business start-ups, expansion and retention. There are 19 participants in this program.

(12) Development Agreement

In 2013, the City entered into a development agreement with Avoca Hotel Group, LLC (developer) for the construction and operation of a hotel facility with a minimum assessed valuation of not less than \$2 million. The project went on the property tax rolls as of January 1, 2015. The City agreed to pay the developer 12 semi-annual payments totaling \$343,500, provided the developer is compliant with the terms of the agreement. During the year ended June 30, 2020, the City rebated \$28,625 of incremental property and hotel/motel taxes to the developer.

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(13) 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, 2020, the City abated \$-0- of property tax under the urban renewal and economic development projects.

(14) Restatement of Prior Year Balances

Beginning balances of several funds have been restated as follows:

	As Previously Reported	As Restated	Difference
Cemetery Trust	\$ 80,618	\$ 80,924	\$ 306
Cemetery Care	54,582	54,775	193
Library Trust	586,982	590,689	3,707
Total	\$ <u>722,182</u>	\$ <u>726,388</u>	\$ <u>4,206</u>

The restatement was the result of adjustments after the prior year financial statements were issued.

CITY OF AVOCA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

(15) Subsequent Events

In September 2020, the City Council approved the sale of parcel #773909382005 to Robert and Kari Simmons in the amount of \$5,000.

In September 2020, the City Council approved the sale of parcel #773909353004 to Rex Eichelberger in the amount of \$500.

In October 2020, the City Council approved the sale of 1207 N. Birch Circle to Ronald Tapke and Linda Tapke in the amount of \$489,891.

OTHER INFORMATION

CITY OF AVOCA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

OTHER INFORMATION

YEAR ENDED JUNE 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 383,133	\$ -0-
Tax increment financing	1,572,912	-0-
Other city tax	369,472	-0-
Licenses and permits	22,006	-0-
Use of money and permits	18,262	-0-
Intergovernmental	455,193	-0-
Charges for services	651,065	903,629
Special assessments	45,701	-0-
Miscellaneous	151,082	-0-
Total receipts	<u>3,668,826</u>	<u>903,629</u>
Disbursements:		
Public safety	290,829	-0-
Public works	581,544	-0-
Health and social services	13,790	-0-
Culture and recreation	878,901	-0-
Community and economic development	96,361	-0-
General government	431,121	-0-
Debt service	575,315	126,506
Capital projects	4,254,285	-0-
Business type	-0-	374,324
Total disbursements	<u>7,122,146</u>	<u>500,830</u>
Excess (deficiency) of receipts over (under) disbursements	(3,453,320)	402,799
Other financing sources, net	<u>3,777,677</u>	<u>(199,821)</u>
Excess (deficiency) of receipts and other financing sources	324,357	202,978
Balance beginning of year	2,756,451	544,660
Prior period adjustment	<u>4,206</u>	<u>-0-</u>
Balance end of year	\$ <u><u>3,085,014</u></u>	\$ <u><u>747,638</u></u>

See Accompanying Independent Auditor's Report.

Budgeted Amounts			Final to
Total	Original	Final	Total Variance
\$ 383,133	\$ 356,078	\$ 379,391	\$ 3,742
1,572,912	1,450,000	1,600,000	(27,088)
369,472	352,909	370,164	(692)
22,006	20,350	21,550	456
18,262	33,750	37,950	(19,688)
455,193	292,882	506,879	(51,686)
1,554,694	1,616,634	1,649,441	(94,747)
45,701	39,500	62,500	(16,799)
151,082	1,300,525	148,775	2,307
4,572,455	5,462,628	4,776,650	(204,195)
290,829	298,983	322,453	31,624
581,544	371,221	608,658	27,114
13,790	12,875	13,800	10
878,901	851,664	960,251	81,350
96,361	56,690	106,860	10,499
431,121	417,219	456,859	25,738
701,821	538,843	689,443	(12,378)
4,254,285	7,006,565	5,466,815	1,212,530
374,324	316,824	419,200	44,876
7,622,976	9,870,884	9,044,339	1,421,363
(3,050,521)	(4,408,256)	(4,267,689)	1,217,168
3,577,856	4,648,176	3,788,565	(210,709)
527,335	239,920	(479,124)	1,006,459
3,301,111	3,301,111	3,301,111	-0-
4,206	4,206	4,206	-0-
\$ 3,832,652	\$ 3,545,236	\$ 2,826,193	\$ 1,006,459

CITY OF AVOCA

NOTES TO OTHER INFORMATION - BUDGETARY REPORTING

JUNE 30, 2020

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. The budget was amended once on May 26, 2020.

For the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the debt service function.

CITY OF AVOCA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST FIVE YEARS*

OTHER INFORMATION

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.047251%	0.047327%	0.045502%	0.041137%	0.03295%	0.032519%
City's proportionate share of the net pension liability	\$ 318,404	\$ 320,808	\$ 341,933	\$ 329,938	\$ 245,878	\$ 207,957
City's covered-employee payroll	\$ 574,455	\$ 585,608	\$ 529,227	\$ 516,669	\$ 488,364	\$ 448,543
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	55.43%	54.78%	64.60%	63.86%	50.35%	46.36%
Plan fiduciary net position as a percentage of the total pension liability	85.45%	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.

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.

See accompanying independent auditor's report.

**CITY OF AVOCA
SCHEDULE OF CITY CONTRIBUTIONS**

**IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST FIVE YEARS**

OTHER INFORMATION

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 55,183	\$ 56,020	\$ 49,456	\$ 47,428	\$ 44,707	\$ 41,153
Contributions in relation to the statutorily required contribution	\$ <u>55,206</u>	\$ <u>56,590</u>	\$ <u>49,456</u>	\$ <u>47,243</u>	\$ <u>44,707</u>	\$ <u>41,153</u>
Contribution deficiency (excess)	\$ <u>23</u>	\$ <u>570</u>	\$ <u>-0-</u>	\$ <u>185</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
City's covered-employee payroll	\$ 574,455	\$ 585,608	\$ 529,227	\$ 516,669	\$ 488,364	\$ 448,543
Contributions as a percentage of covered-employee payroll	9.61%	9.66%	9.34%	9.14%	9.15%	9.17%

See accompanying independent auditor's report.

CITY OF AVOCA

NOTES TO OTHER INFORMATION - PENSION LIABILITY

YEAR ENDED JUNE 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

SUPPLEMENTARY INFORMATION

CITY OF AVOCA

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue				
	Road Use Tax	Employee Benefits	Emergency	Local Option	Vets Memorial
Receipts:					
Property tax	\$ -0-	\$ 10,351	\$ -0-	\$ -0-	\$ -0-
Other city tax	-0-	-0-	-0-	247,423	-0-
Use of money	-0-	-0-	-0-	-0-	-0-
Intergovernmental	217,101	166	-0-	-0-	-0-
Charges for services	-0-	-0-	-0-	-0-	-0-
Miscellaneous	-0-	-0-	-0-	-0-	500
Total receipts	217,101	10,517	-0-	247,423	500
Disbursements:					
Operating:					
Public safety	-0-	37,130	-0-	-0-	-0-
Public works	-0-	27,044	-0-	-0-	450
Culture and recreation	-0-	123,539	-0-	-0-	-0-
Community & economic dev	-0-	3,112	-0-	-0-	-0-
General government	-0-	66,998	-0-	-0-	-0-
Capital projects	-0-	-0-	-0-	-0-	-0-
Total disbursements	-0-	257,823	-0-	-0-	450
Excess (deficiency) of receipts over (under) disbursements	217,101	(247,306)	-0-	247,423	50
Other financing sources (uses):					
Note proceeds	-0-	-0-	-0-	-0-	-0-
Operating transfers in	-0-	226,622	-0-	-0-	-0-
Operating transfers out	(122,941)	-0-	-0-	(234,283)	-0-
Net financing sources (uses)	(122,941)	226,622	-0-	(234,283)	-0-
Net change in cash balances	94,160	(20,684)	-0-	13,140	50
Cash balances beginning of year	35,828	9,536	-0-	5,884	3,478
Prior period adjustment	-0-	-0-	-0-	-0-	-0-
Cash balances end year	\$ 129,988	\$ (11,148)	\$ -0-	\$ 19,024	\$ 3,528
Cash Basis Fund Balances					
Restricted for other purposes	\$ 129,988	\$ (11,148)	\$ -0-	\$ 19,024	\$ 3,528
Unassigned	-0-	-0-	-0-	-0-	-0-
Total cash basis fund balances	\$ 129,988	\$ (11,148)	\$ -0-	\$ 19,024	\$ 3,528

See Accompanying Independent Auditor's Report.

Capital Projects					
Fire Reserve	Streetscape	Club House	Pedestrian Bridge	Park	2014 Streets
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	4,238	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
24,396	322	-0-	-0-	-0-	-0-
24,396	322	-0-	4,238	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	-0-	-0-	-0-
5,857	1,853	148,814	30,844	172,495	-0-
5,857	1,853	148,814	30,844	172,495	-0-
18,539	(1,531)	(148,814)	(26,606)	(172,495)	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	1,530	68,598	-0-	70,955	-0-
-0-	-0-	-0-	-0-	-0-	-0-
-0-	1,530	68,598	-0-	70,955	-0-
18,539	(1)	(80,216)	(26,606)	(101,540)	-0-
62,031	-0-	80,216	(2,493)	108,210	78,601
-0-	-0-	-0-	-0-	-0-	-0-
\$ 80,570	\$ (1)	\$ -0-	\$ (29,099)	\$ 6,670	\$ 78,601
\$ 80,570	\$ (1)	\$ -0-	\$ -0-	\$ 6,670	\$ 78,601
-0-	-0-	-0-	(29,099)	-0-	-0-
\$ 80,570	\$ (1)	\$ -0-	\$ (29,099)	\$ 6,670	\$ 78,601

SCHEDULE 1

Capital Projects			Permanent		Total
Curtis Street	Water Improvement	2019 Flood	Cemetery Care	Cemetery Trust	
\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 10,351
-0-	-0-	-0-	-0-	-0-	247,423
-0-	-0-	-0-	520	(115)	405
-0-	-0-	61,889	-0-	-0-	283,394
-0-	-0-	-0-	-0-	-0-	-0-
-0-	-0-	-0-	900	-0-	26,118
-0-	-0-	61,889	1,420	(115)	567,691
-0-	-0-	-0-	-0-	-0-	37,130
-0-	-0-	-0-	-0-	-0-	27,494
-0-	-0-	-0-	615	-0-	124,154
-0-	-0-	-0-	-0-	-0-	3,112
-0-	-0-	-0-	-0-	-0-	66,998
378,074	1,840,622	258,265	-0-	-0-	2,836,824
378,074	1,840,622	258,265	615	-0-	3,095,712
(378,074)	(1,840,622)	(196,376)	805	(115)	(2,528,021)
368,089	1,962,629	-0-	-0-	-0-	2,330,718
-0-	-0-	-0-	-0-	-0-	367,705
-0-	(141,000)	-0-	-0-	-0-	(498,224)
368,089	1,821,629	-0-	-0-	-0-	2,200,199
(9,985)	(18,993)	(196,376)	805	(115)	(327,822)
-0-	7,190	-0-	54,582	80,618	523,681
-0-	-0-	-0-	193	306	499
\$ (9,985)	\$ (11,803)	\$ (196,376)	\$ 55,580	\$ 80,809	\$ 196,358
\$ (9,985)	\$ (11,803)	\$ (196,376)	\$ 55,580	\$ 80,809	\$ 225,457
-0-	-0-	-0-	-0-	-0-	(29,099)
\$ (9,985)	\$ (11,803)	\$ (196,376)	\$ 55,580	\$ 80,809	\$ 196,358

CITY OF AVOCA
SCHEDULE OF INDEBTEDNESS

JUNE 30, 2020

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation bonds and notes:			
Sidewalk Improvement	20-Jan-12	3.42%	\$ 150,000
Revolving Note	1-Mar-14	4.50%	\$ 155,000
Housing Revolving Loan	21-Jun-19	3.50%	\$ 700,000
Essential Corporate Purpose Note	25-Nov-15	3.00%	\$ 2,951,000
Fire Truck Loan	26-Oct-16	3.50%	\$ 325,000
Housing Revolving Loan #3435, 2020	27-Mar-20	3.50%	\$ 700,000
Housing Revolving Loan #3436, 2020	27-Mar-20	4.75%	\$ 350,000
Housing Revolving Loan #3437 2020	4-Jun-20	4.50%	\$ 400,000
Street Improvement Project, 2019	11-Oct-19	3.15%	\$ 500,000
Revenue Bonds and Notes:			
Water Revenue Capital Loan Notes, 2019	16-Aug-19	1.75%	\$ 2,211,000
Storm Water Note	30-Dec-10	3.00%	\$ 412,000
Sanitary Sewer Improvement Note	2-Aug-11	2.50%	\$ 1,767,000

See Accompanying Independent Auditor's Report.

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Refinanced During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$ 18,750	\$ -0-	\$ -0-	18,750	\$ -0-	\$ 326
49,032	-0-	-0-	24,107	24,925	2,200
315,296	-0-	(174,296)	141,000	-0-	4,324
1,705,286	-0-	-0-	264,858	1,440,428	50,704
238,945	-0-	-0-	45,016	193,929	7,149
-0-	256,784	174,296	-0-	431,080	1,594
-0-	181,260	-0-	-0-	181,260	-0-
-0-	400,000	-0-	-0-	400,000	-0-
-0-	368,089	-0-	37	368,052	7,858
<u>\$ 2,327,309</u>	<u>\$ 1,206,133</u>	<u>\$ 0</u>	<u>\$ 493,768</u>	<u>\$ 3,039,674</u>	<u>\$ 74,155</u>
\$ -0-	\$ 1,973,684	\$ -0-	-0-	\$ 1,973,684	\$ 19,876
274,428	-0-	-0-	19,462	254,966	8,233
1,459,923	-0-	-0-	62,313	1,397,610	36,498
<u>\$ 1,734,351</u>	<u>\$ 1,973,684</u>	<u>\$ -0-</u>	<u>81,775</u>	<u>\$ 3,626,260</u>	<u>\$ 64,607</u>

CITY OF AVOCA
DEBT MATURITIES

JUNE 30, 2020

General Obligation Notes and Loan								
Year Ending June 30,	General Obligation Revolving Note Issued March 1, 2014		General Obligation Corporate Purpose Note Issued November 25, 2015		General Obligation Fire Truck Note Issued October 26, 2016		General Obligation Housing Revolving Loan Issued March 27, 2020	
	Interest		Interest		Interest		Interest	
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount
2021	4.50%	24,925	3.00%	280,000	3.50%	46,347	3.50%	431,080
2022	--	-0-	3.00%	290,000	3.50%	47,737	--	-0-
2023	--	-0-	3.00%	300,000	3.50%	49,169	--	-0-
2024	--	-0-	3.00%	295,000	3.50%	50,676	--	-0-
2025	--	-0-	3.00%	185,000	--	-0-	--	-0-
2026	--	-0-	3.00%	90,428	--	-0-	--	-0-
Total		\$ 24,925		\$ 1,440,428		\$ 193,929		\$ 431,080

Year Ending June 30,	Housing Revolving Loan Issued March 27, 2020		Housing Revolving Loan Issued October 19, 2019		Housing Revolving Loan Issued June 4, 2020		Total
	Interest		Interest		Interest		
	Rate	Amount	Rate	Amount	Rate	Amount	
2021	4.75%	181,260	3.15%	368,052	4.50%	134,000	1,465,664
2022	--	0	--	0	4.50%	133,000	470,737
2023	--	0	--	0	4.50%	133,000	482,169
2024	--	0	--	0	--	0	345,676
2025	--	0	--	0	--	0	185,000
2026	--	0	--	0	--	0	90,428
Total		\$ 181,260		\$ 368,052		\$ 400,000	\$ 3,039,674

See Accompanying Independent Auditor's Report.

SCHEDULE 3

Revenue Bonds and Notes

Year Ending June 30,	Storm Water Note		Sanitary Sewer Note		Water Revenue Capital Loan Note		
	Issued December 30, 2012		Issued August 2, 2011		Issued June 4, 2020		
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Total
2021	3.00%	20,009	2.50%	63,858	1.75%	91,000	174,867
2022	3.00%	20,609	2.50%	65,455	1.75%	93,000	179,064
2023	3.00%	21,227	2.50%	67,091	1.75%	95,000	183,318
2024	3.00%	21,864	2.50%	68,769	1.75%	97,000	187,633
2025	3.00%	22,520	2.50%	70,488	1.75%	98,000	191,008
2026	3.00%	23,196	2.50%	72,250	1.75%	100,000	195,446
2027	3.00%	23,891	2.50%	74,056	1.75%	102,000	199,947
2028	3.00%	24,608	2.50%	75,908	1.75%	105,000	205,516
2029	3.00%	25,346	2.50%	77,805	1.75%	107,000	210,151
2030	3.00%	26,107	2.50%	79,750	1.75%	109,000	214,857
2031	3.00%	25,589	2.50%	81,744	1.75%	111,000	218,333
2032	3.00%	-0-	2.50%	83,788	1.75%	113,000	196,788
2033	--	-0-	2.50%	85,883	1.75%	115,000	200,883
2034	--	-0-	2.50%	88,030	1.75%	118,000	206,030
2035	--	-0-	2.50%	90,230	1.75%	120,000	210,230
2036	--	-0-	2.50%	92,486	1.75%	122,000	214,486
2036	--	-0-	2.50%	94,798	1.75%	125,000	219,798
2037	--	-0-	2.50%	65,221	1.75%	127,000	192,221
2038	--	-0-	--	-0-	1.75%	130,000	130,000
2039	--	-0-	--	-0-	1.75%	133,000	133,000
Total	\$	254,966	\$	1,397,610	\$	**2,211,000	\$ 3,863,576

** Schedule includes full amortization of the Water Revenue Capital Loan Notes, there was \$273,316 of unadvanced principal as of June 30, 2020.

CITY OF AVOCA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS

FOR THE LAST SIX YEARS

	2020	2019	2018	2017	2016	2015
Receipts:						
Property taxes	\$ 383,133	\$ 481,631	\$ 455,020	\$ 472,747	\$ 457,725	\$ 422,299
Tax increment financing	1,572,912	1,387,813	1,340,215	961,777	950,041	921,991
Other city taxes	369,472	344,910	296,181	300,009	348,981	342,931
License and permits	22,006	19,181	21,189	21,921	22,735	13,065
Use of money and property	18,262	24,166	31,765	36,114	28,986	32,236
Intergovernmental	455,193	504,186	798,286	647,198	516,517	788,597
Charges for service	651,065	620,050	442,500	442,621	434,201	789,375
Special assessments	45,701	57,485	38,437	39,149	3,933	42,368
Miscellaneous	151,082	141,924	171,460	199,157	340,483	145,026
Total	\$ <u>3,668,826</u>	\$ <u>3,581,346</u>	\$ <u>3,595,053</u>	\$ <u>3,120,693</u>	\$ <u>3,103,602</u>	\$ <u>3,497,888</u>
Disbursements:						
Operating:						
Public safety	\$ 290,829	\$ 295,023	\$ 240,168	\$ 254,841	\$ 554,114	\$ 261,361
Public works	581,544	430,486	394,530	275,785	318,343	492,924
Health and social services	13,790	63	1,193	47	31,655	10,821
Culture and recreation	878,901	882,753	751,321	810,663	667,811	644,946
Comm and economic dev	96,361	74,552	58,473	42,973	580,002	217,576
General government	431,121	380,647	355,986	334,926	342,245	323,011
Debt service	575,315	1,651,618	725,069	694,360	1,436,387	503,015
Capital projects	4,254,284	1,857,688	2,650,718	2,859,158	633,638	1,788,863
Total	\$ <u>7,122,145</u>	\$ <u>5,572,830</u>	\$ <u>5,177,458</u>	\$ <u>5,272,753</u>	\$ <u>4,564,195</u>	\$ <u>4,242,517</u>

See accompanying independent auditor's report.

**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**



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:

I have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the *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 Avoca, Iowa as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued my report thereon dated March 31, 2021. My 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 my audit of the financial statements, I considered the City of Avoca's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Avoca's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Avoca'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 combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Avoca'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.

Monte Broeckelman
Certified
Public Accountant

Harlan Office:

2309 B Chatburn Ave.
P.O. Box 551
Harlan, IA 51537-0551

Ph. (712) 755-3366
Fax (712) 755-3343

Avoca Office:

160 S. Elm Street
Avoca, IA 51521

Ph. (712) 343-2379

monte@broeckelmancpa.com

Licensed in:
Iowa
Kansas

To the Honorable Mayor and
Members of the City Council:

My 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. I did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that I consider to be significant deficiencies: 1-A-20 and 1-B-20.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Avoca's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance 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, 2020 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my 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.

To the Honorable Mayor and
Members of the City Council

City of Avoca's Responses to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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.

March 31, 2021
Harlan, Iowa 51537

Brackelman & Associates, P.C.

**CITY OF AVOCA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2020**

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-20 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 that authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition - A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause - The City has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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

Recommendation - The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - The Mayor and City Council are aware of this lack of segregation of duties, but it is not economically feasible for the City to employ additional personnel for this reason. The Mayor and City Council will continue to act as an oversight group.

Conclusion - Response accepted.

**CITY OF AVOCA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020**

Part I: Findings Related to the Financial Statements (Continued):

INTERNAL CONTROL DEFICIENCIES:

I-B-20 Annual Financial Reports

Criteria - A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements and reports.

Condition - The Outstanding Debt Schedule in the Annual Financial Report contained errors for fiscal year 2019.

Cause - City policies do not require, and procedures have not been established to require independent reviews of the Annual Financial Report before approved by City Council.

Effect - Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions and City Council approved reports filed with the State of Iowa that contained material errors.

Recommendation - The City should implement procedures to ensure annual reports filed with the State are independently reviewed. As a practical matter, the City administrator could review the Annual Financial Report prepared by the Clerk and the Clerk could review the Annual Urban Renewal Report prepared by the City administrator.

Response - We will implement this procedure in the future.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**CITY OF AVOCA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020**

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-20 Certified Budget - Disbursements during the year ended June 30, 2020, exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, *Public monies may not be expended or encumbered except under an annual or continuing appropriation.*

Recommendation - The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements exceeded the budget.

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

Conclusion - Response accepted.

- II-B-20 Questionable Disbursements - I noted no disbursements for parties, banquets or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-20 Travel Expense - No disbursements of City money for travel expenses for spouses of City officials or employees were noted.

- II-D-20 Business Transactions - Business transactions between the City and City officials or employees for the year ended June 30, 2020 are as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Lori Hansen, Councilor, wife and mother of owners of Hansen Construction LLC	Construction, per bids	\$ 390,352
J. Olesen, Park Board, Owner of Olesen Chevy-Olds, Inc.	Vehicle maintenance	1,767
		<u>\$ 392,119</u>

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the councilor or park board member do not appear to represent conflicts of interest since they were entered into through competitive bidding in accordance with Chapter 362.5(4)(d) of the Code of Iowa or were less than 6,000 during the year.

**CITY OF AVOCA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020**

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

II-E-20 Restricted Donor Activity - No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-F-20 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

II-G-20 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

Several (twelve) instances of council minutes were published after the 15-day window per Iowa Code 372.13(6). Council minutes were normally submitted to the publisher in a timely manner.

Recommendation – I recommend the City continue to timely submit the city council meeting minutes to ensure proper publication as outlined in the Iowa code.

Response - We will revise our current practices to make sure the minutes are timely published per Iowa Code 372.13(6)

Conclusion - Response accepted.

II-H-20 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.

II-I-20 Revenue Bonds and Notes - No instances of non-compliance with the revenue bond and note resolutions were noted.

II-J-20 Annual Urban Renewal Report - The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

II-K-20 Tax Increment Financing - Chapter 403.19 of the Code of Iowa provides that a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. Urban Renewal Area TIF Indebtedness was certified to the County Auditor before December 1, and no exceptions were noted.

**CITY OF AVOCA
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2020**

Part II: Other Findings Related to Required Statutory Reporting: (Continued)

II-L-20 Financial Condition - The following funds have deficit balances as of June 30, 2020: Employee Benefits (\$11,148), Capital Project – Street (\$1), Capital Project – 2019 Flood (\$196,376), Capital Project – Curtis Street (\$9,985), Capital Project – 2019 Water Improvement (\$11,803), Capital Project - Pedestrian Bridge (\$29,099).

Recommendation - The City should investigate alternatives to eliminate these deficits and restore these funds to sound financial positions.

Response - These projects referred to straddle several fiscal years. The deficit(s) were due to construction costs incurred prior to receipt of funds. The deficits will be eliminated by transfers from other funds and/or grant reimbursements upon completion.

Conclusion - Response accepted.