

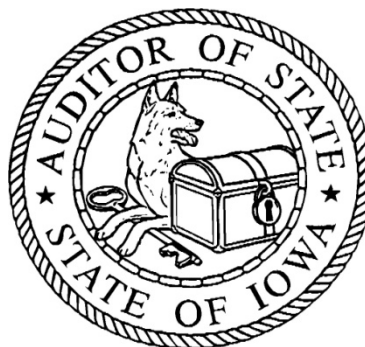
This guide is provided in accordance with Chapter 11.6(7) of the Code of Iowa. Use of this guide in your practice requires a proper implementation of professional standards. This guide is not a substitute for an understanding of the applicable professional standards. While this guide has been reviewed internally by CPAs within the Auditor of State's Office and is subject to outside peer review every three years, the guide has not undergone an external Quality Control Material Review or Examination.

SAMPLE GAAP CITY

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

JUNE 30, 2023

==== Office of ====
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



Rob Sand
Auditor of State



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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Practitioners:

This sample report is presented by the Office of Auditor of State as required by Chapter 11.6 of the Code of Iowa. In developing this report, we have made every effort to ensure the highest professional standards have been followed while attempting to provide meaningful and useful information to the citizens, our ultimate client.

Audits of governmental subdivisions should be performed in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and, if applicable, the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance).

This sample report has been prepared in conformity with U.S. generally accepted accounting principles and conforms to guidelines provided in Governmental Accounting and Financial Reporting Standards published by the Governmental Accounting Standards Board.

The format shows the basic financial statements, required and supplementary information and the Schedule of Findings and Questioned Costs which are necessary to meet the requirements of this Office. The detail presented in the financial statements and supplementary information is the minimum breakdown that will be acceptable subject, of course, to materiality considerations. If the auditor and the local government feel more detail is necessary to provide a fair presentation, this of course will be welcome. A sample such as this cannot present all situations which you may encounter, so the auditor's professional judgment must be used in determining the additional information to be shown as well as the footnotes to be presented.

We have included as attachments to this letter some information related to municipal utility audits. We have also included an illustration of note disclosure for a city's participation in the Municipal Fire and Police Retirement System of Iowa (Note 6) of the Additional Notes section.

Cities with \$750,000 or more of federal expenditures are required to receive a Single Audit in accordance with the Uniform Guidance. Any questions concerning Single Audit requirements should be directed to the City's cognizant or oversight agency.

In accordance with the Uniform Guidance, the reporting package and Data Collection Form shall be submitted to the central clearinghouse the earlier of 30 days after issuance of the audit report or 9 months after the reporting period. The Office of Management and budget has designated the United States Department of Commerce, Bureau of the Census as the Single Audit Clearinghouse. The Data Collection Form and reporting package must be submitted using the Clearinghouse's Internet Data Entry System at <http://harvester.census.gov/facweb/>. The system requires the reporting package be uploaded in a single PDF file. Both the auditee and auditor contacts receive automated emails from the Federal Audit Clearinghouse as verification of the submission.

Under Rule 15c-2-12 of the Securities and Exchange Commission governing ongoing disclosure by municipalities to the bond markets, virtually any municipality which issues more than \$1 million of securities per issue is subject to an ongoing filing responsibility. All continuing disclosure submissions must be provided to the Municipal Securities Rulemaking Board (MSRB) through its Electronic Municipal Market Access (EMMA) system. In addition, submissions must be in an electronic format (text-searchable PDF), i.e., not scanned.

The findings on compliance, items 2023-A through 2023-H, 2023-I (if applicable), 2023-J (if applicable) and 2023-K (if applicable) detail those items which are to be included regardless of whether there are any instances of non-compliance or not. Any instances of non-compliance in other areas should also be reported.

We have also included a page for listing the staff actually performing the audit. Although we have found this page to be helpful, you are not required to use it.

As required by Chapter 11.14 of the Code of Iowa, the news media are to be notified of the issuance of the audit report by the CPA firm, unless the firm has made other arrangements with the City for the notification. We have developed a standard news release to be used for this purpose. The news release (paper copy or electronic format) should be completed by the CPA firm or the City and submitted to this Office with a **text-searchable** electronic copy of the audit report sent by the CPA firm. Report filing requirements are detailed on the attached listing. We will make a copy of the audit report and news release available to the news media in this Office.

In accordance with Chapter 11.6(7) of the Code of Iowa, this Office is to be notified immediately regarding any suspected embezzlement, theft or other significant financial irregularities.

Finally, I would like to express my appreciation to all CPA firms who are providing audit or other services to local governments. Together, we are able to provide a significant benefit to all taxpayers in the state.

A handwritten signature in black ink, appearing to read "Rob Sand". The signature is stylized and written in a cursive-like font.

Rob Sand
Auditor of State

Office of Auditor of State

Report Filing Requirements

Report – The City or CPA firm is required to submit an electronic, **text-searchable**, PDF copy of the audit report, including the management letter(s) if issued separately, with this Office upon release to the City within nine months following the end of the fiscal year subject to audit. Text-searchable files are required for the following reasons:

- The files created are much smaller in size than scanned-image files. Accordingly, text-searchable files require less storage space.
- Text-searchable files are required by the Census bureau when submitting Data Collection Forms and Single Audit reporting packages (i.e., consistent with Federal requirements).
- Text-searchable files provide transparency to the public.

Per Diem Audit Billing and News Release – A copy of the CPA firm's per diem audit billing, including total cost and hours, and a copy of the news release or media notification should also be submitted. These items can be submitted as either paper copies or electronic copies.

Filing Fee – The filing fee should be submitted based on the following designated budget strata:

Budgeted Expenditures in Millions of Dollars	Filing Fee Amount
Under 1	\$ 100
At least 1 but less than 3	175
At least 3 but less than 5	250
At least 5 but less than 10	425
At least 10 but less than 25	625
25 and over	850

Submission – Electronic submission (text-searchable PDF) of the audit report, per diem audit billing and news release should be e-mailed to SubmitReports@AOS.iowa.gov.

If you are unable to e-mail the PDF files, you may mail a CD containing the files to this Office. You may direct any questions about submitting electronic files to the above e-mail address.

Notify the City to remit the filing fee to the following address:

Office of Auditor of State
State Capitol Building
Room 111
1007 East Grand Avenue
Des Moines, IA 50319-0001

Sample GAAP City

Outline of Major Changes

- A. Implemented GASB (GASBS) 96, Subscription-Based Information Technology Arrangements (SBITAs) The following changes have been made to the Sample Report:
- Revised the Independent Auditor’s Report to include an emphasis of a matter paragraph to address adoption of new accounting guidance related to GASBS No. 96.
 - Revised language to Note 1 adding intangible right-to-use subscription asset for capital assets and subscription liability.
 - Revised Long-Term Liabilities note to include subscription liability.
 - Added a note disclosure (Note XX) for the restatement of the beginning Governmental Activities Net Position.
- B. The City may have a public-private and public-public partnership arrangement which required reporting under GASB No. 94. The Sample Report was not modified to reflect this statement.

Additional Notes

1. Also attached are a sample Corrective Action Plan for Audit Findings (See **Sample A**) and a sample Summary Schedule of Prior Audit Findings (See **Sample B**). These are provided for illustrative purposes only and are not intended to match the findings shown in the sample entity nor are they required to be filed with our office.
2. If the City has deposits in credit unions at June 30, 2023, Note 2 should be modified to indicate whether the deposits were covered by federal depository insurance, collateralized with securities or letters of credit held by the City or the City’s agent in the City’s name or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa.
3. Under Chapter 388.10 of the Code of Iowa, a City or Municipal Utility providing telecommunications services has the responsibility to comply with various financial and operating provisions, as well as the responsibility for annual certification of compliance with these provisions. Chapter 11.6(1) of the Code of Iowa requires the audit of a City which owns or operates a Municipal Utility providing telecommunications services to include an audit of the City’s compliance with Chapter 388.10. In any year in which the City or Municipal Utility is not audited, the City or Municipal Utility must contract with the Auditor of State or a certified public accountant to “attest to the certification.”

Based on an audit of the City or Municipal Utility, a statutory comment on compliance with Chapter 388.10 should be included in the audit report. If the Municipal Utility is audited as part of the city, the required comment would be included in the City’s audit report. If the Municipal Utility is audited separately, the required comment would be included in the Municipal Utility’s audit report. These audit reports must be filed with the Auditor of State and the appropriate filing fee paid as provided in Chapter 11 of the Code of Iowa.

In a year when the City or Municipal Utility is not audited, the attestation report should indicate compliance with the provisions of Chapter 388.10. These attestation reports are public records, by law, and are to be filed with this Office. These reports are not subject to the payment of a filing fee.

Sample GAAP City

Additional Notes (Continued)

Following are sample audit report comments for reporting on telecommunication services.

No non-compliance noted – for separate Municipal Utility audit or City audit which includes the Utility:

Telecommunications Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.

Non-compliance noted – for separate Municipal Utility audit or City audit which includes the Utility:

Telecommunications Services – The City (or Utility) did not consistently allocate the cost of use of City (or Utility) employees, equipment and other services used by the telecommunications municipal utility as required by Chapter 388.10 of the Code of Iowa. The allocation of costs to the Utility was based on time studies of certain City (or Utility) employees, but the percentage allocations included mathematical errors.

The errors resulted in an understatement of telecommunication services expenses of \$7,616 for the year ended June 30, 2023.

Recommendation – A corrective transfer of \$7,616 should be made from the Telecommunications Services Fund to the Gas Fund.

Response – A corrective transfer will be made.

Conclusion – Response accepted.

4. Following is an example footnote for an early retirement or other benefit plan or policy that meets the definition of a “termination benefit”, as defined by GASB Statement No. 47.

Termination Benefits

In September 2022 the City approved a voluntary early retirement plan for employees. The plan was only offered to employees for one year. Eligible employees must have completed at least fifteen years of full-time service to the City and must have reached the age of fifty-five on or before June 30, 2023. The application for early retirement was subject to approval by the City Council.

Early retirement benefits equal 60% of the employee’s salary in effect during the employee’s last year of employment, with a maximum retirement benefit of \$30,000.

The policy requires early retirement benefits be paid in three equal annual installments beginning July 1, 2023.

At June 30, 2023, the City has obligations to eleven participants with a total liability of \$171,285. Early retirement expenditures for the year ended June 30, 2023 totaled \$85,642.

5. Section 384.22(2)(a) of the Code of Iowa requires cities with urban renewal areas to approve and file an Annual Urban Renewal Report on or before December 1.
-

Sample GAAP City

Additional Notes (Continued)

It also requires an audit of cities to include an examination of the City's compliance with the annual urban renewal reporting requirements. As such, the auditor is required to include a statutory comment on the Annual Urban Renewal Report, regardless of whether there are any instances of non-compliance or not. An example to report non-compliance is included as item 2023-J in the Schedule of Findings and Questioned Costs of the Sample GAAP City report. The following is an example statutory comment if no instances of non-compliance are noted:

Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 as required by Chapter 384.22(2)(a) of the Code of Iowa and no exceptions were noted.

6. The Municipal Fire and Police Retirement System note has been updated. The note is as follows:

(X) Pension Plan

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

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

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

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

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

Sample GAAP City

Additional Notes (Continued)

Active members at least 55 years of age with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3-, 4- or 5-year DROP period. When electing to participate in DROP, the member signs a contract stating the member will retire at the end of the selected DROP period. During the DROP period, the member's retirement benefit is frozen, and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

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

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

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

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

Contributions – Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2023.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 23.90% for the year ended June 30, 2023.

The City's contributions to MFPRSI for the year ended June 30, 2023 totaled \$_____.

Sample GAAP City

Additional Notes (Continued)

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

There were no state appropriations to MFPRSI during the year ended June 30, 2023.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the City reported a liability of \$_____ for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2022, the City's proportion was _____%, which was an increase of _____% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$_____. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following source.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	-
Changes of assumptions	-	-
Net difference between projected and actual earnings on IPERS' investments	-	-
Changes in proportion and differences between City contributions and the City's proportionate share of contributions	-	-
City contributions subsequent to the measurement date	-	-
Total	<u>\$ -</u>	<u>-</u>

\$_____ reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2024	\$ -
2025	-
2026	-
2027	-
2028	-
Total	<u>\$ -</u>

Sample GAAP City

Additional Notes (Continued)

Actuarial Assumptions – The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2020.

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

The long-term expected rate of return on MFPRSI investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Broad Fixed Income	3.5%
Broad U.S. Equity	6.7
Global Equity	6.8
Broad Non-US Equity	7.0
Managed Futures	5.1
Emerging Market	7.2
Real Estate - Core	6.4
Opportunistic Real Estate	11.0
Global Infrastructure	6.8
Private Credit	8.6
Private Equity	12.0

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

Sample GAAP City

Additional Notes (Continued)

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

	1%	Discount	1%
	Decrease	Rate	Increase
	(6.50%)	(7.50%)	(8.50%)
City's proportionate share of the net pension liability	\$ _____	_____	_____

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

Payables to MFPRSI – All legally required City contributions and legally required employee contributions which had been withheld from employee wages were remitted by the City to MFPRSI by June 30, 2023.

In addition, the Schedule of the City's Proportionate Share of the Net Pension Liability, the Schedule of City Contributions and Notes to Required Supplementary Information – Pension Liability should be reported as Required Supplementary Information.

The Schedule of the City's Proportionate Share of the Net Pension Liability should report the plan fiduciary net position as a percentage of the total pension liability of 84.62%.

Notes to Required Supplementary Information – Pension Liability

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

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

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

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

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

Sample GAAP City

Additional Notes (Continued)

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

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Sample GAAP City

Additional Notes (Continued)

Sample A

Sample GAAP City

Corrective Action Plan

Year ended June 30, 2023

Comment Number	Comment Title	Corrective Action Plan	Contact Person, Title, Phone Number	Anticipated Date of Completion
2023-001	Segregation of Duties	We have reviewed procedures and plan to make the necessary changes to improve internal control.	Tom Claim, Administrator, (515) YYY-XXXX	November 2, 2023
2023-002	Financial Reporting	We will revise our current procedures to ensure the proper amounts are recorded in the financial statements in the future.	Joe Smith, Program Director, (515) YYY-XXXX	November 2, 2023
2023-003	Unsupported Expenditures	We will revise our procedures so documentation (e.g., invoices and timecards) is maintained to support federal expenditures. We returned the \$25,589 of questioned costs to the Iowa Economic Development Authority on October 3, 2022.	Tom Claim, Administrator, (515) YYY-XXXX	Documentation to support expenditures will be maintained effective immediately. The questioned costs were returned to the Iowa Economic Development Authority on October 3, 2023.
2023-004	Segregation of Duties over Federal Revenues	We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the custody, record-keeping and reconciling functions currently performed by the Deputy Treasurer will be separated and spread among the Treasurer, Deputy Treasurer and Clerk.	Julie Ledger, Treasurer, (515) YYY-XXXX	November 2, 2023
2023-005	Financial Reporting	We have implemented an independent review process which requires review by the Program Director, effective immediately. In addition, beginning with the December 2022 quarterly report, we will submit federal financial reports within the required time frame.	Joe Smith, Program Director, (515) YYY-XXXX	Review procedures have been implemented. Timely report filing will begin with the quarter ending December 2023.

In accordance with Uniform Guidance Section 200.511(a), the Corrective Action Plan must include findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards.

Sample GAAP City

Additional Notes (Continued)

Sample B

Sample GAAP City

Summary Schedule of Prior Audit Findings

Year ended June 30, 2023

Comment Reference	Comment Title	Status	If not corrected, provide reason for finding's recurrence and planned corrective action or other explanation
2020-001 2021-001 2022-001	Minority Business Enterprise/ Women Business Enterprise (MBE/WBE)	No longer valid. Does not warrant further action.	Over two years have passed since the reporting of this audit finding. The Grantor Agency has not followed up on this finding, nor has a management decision been issued on its part.
2021-002 2022-002	Segregation of Duties over Federal Revenues	Not corrected.	Limited staff resulting from staff turnover. Plan to segregate duties for custody, recordkeeping and reconciling among staff when positions are filled.
2021-003 2022-003	Capital Assets	Corrective action taken.	
2022-004	Financial Reporting	Partially corrected.	Time was necessary to develop and implement review procedures. Timely report filing will begin with the quarter ending December 2023.

In accordance with Uniform Guidance Section 200.511(a), the Summary Schedule of Prior Audit Findings must also include findings relating to the financial statements which are required to be reported in accordance with Government Auditing Standards.

**Information Related to
Municipal Utility Audits**

Municipal Utility audit report format should include the following:

1. Officials
2. Independent Auditor's Report
3. Management's Discussion and Analysis
4. Financial Statements
5. Required Supplementary Information - comparison of budget to actual
6. 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
7. Schedule of Findings:

Findings Related to the Financial Statements

Other Findings Related to Required Statutory Reporting:

- a. Certified Budget
- b. Questionable Disbursements
- c. Travel Expense
- d. Business Transactions
- e. Bond Coverage
- f. Board Minutes
- g. Deposits and Investments
- h. Revenue Bonds/Notes (if applicable)
- i. Telecommunications Services (if applicable)

If applicable, findings (a) through (i) are to be included regardless of whether there are any instances of non-compliance or not. Additional information relating to finding (i) on telecommunications services is provided in item 3 of the Additional Notes section.

Municipal Utilities may be component units of a City which may affect the Independent Auditor's Report and the footnote disclosure of the reporting entity.

Municipal Utility audits must meet the reporting and filing requirements prescribed in Chapter 11 of the Code of Iowa and must be performed in accordance with the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

Contact: Ernest Ruben
515/281-5834

FOR RELEASE

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

FINANCIAL HIGHLIGHTS:

The City's revenues totaled \$_____ for the year ended June 30, 2023, a(n) ___% increase (decrease) from the prior year. Expenses for City operations for the year ended June 30, 2023 totaled \$_____, a(n) ___% increase (decrease) from the prior year. The significant increase (decrease) in the revenues and expenses is due primarily to _____.

AUDIT FINDINGS:

Sand reported eight findings related to the receipt and expenditure of taxpayer funds. They are found on pages 92 through 101 of this report. The findings address issues such as the lack of formal policies related to the use of City credit cards, lack of written computer system policies and procedures, disbursements exceeding budgeted amounts and the lack of publication of City Council meeting minutes. Sand provided the City with recommendations to address each of the findings.

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

(NOTE to CPAs: Include significant findings, including material weaknesses, significant non-compliance and all Federal findings. Auditor judgement should be used to determine which significant deficiencies reported under Government Auditing Standards, if any, should be included.)

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

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SAMPLE GAAP CITY

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

JUNE 30, 2023

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Sample GAAP City

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rosemary Jones	Mayor	Jan 2024
Dan Parks	Mayor Pro tem	Jan 2026
Rose Arnoldson	Council Member	Jan 2024
Betty Dager	Council Member	Jan 2024
Kevin Linden	Council Member	Jan 2026
Alan Notchwood	Council Member	Jan 2026
Alan Mead	Finance Director	Indefinite
Marilyn Martin	City Clerk/Treasurer	Indefinite
Carl Pearce	Attorney	Indefinite

Sample GAAP City



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834 Facsimile (515) 281-6518

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Sample GAAP City, Iowa, as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Sample GAAP City as of June 30, 2023 and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of Sample GAAP City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 18 to the financial statements, Sample GAAP City adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sample GAAP City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Sample GAAP City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Sample GAAP City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability, the Schedule of City Contributions and the Schedule of Changes in the City's Total OPEB Liability, Related Ratios and Notes on pages 8 through 14 and 64 through 76 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sample GAAP City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2021 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such 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. The 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 GAAS. In our opinion, the supplementary information in Schedules 1 through 4 is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2023 on our consideration of Sample GAAP City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sample GAAP City's internal control over financial reporting and compliance.

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

November 12, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sample GAAP City 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, 2023. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2023 FINANCIAL HIGHLIGHTS

- The City implemented Governmental Accounting Standards Board Statement (GASBS) No. 96, Subscription-Based Information Technology Arrangements (SBITAs), during fiscal year 2023. The implementation of this standard revised certain asset and liability accounts related to SBITAs, however, had no effect on the beginning net position for governmental activities.
- Revenues of the City's governmental activities increased 4.9%, or approximately \$206,000, from fiscal year 2022 to fiscal year 2023. Property tax increased approximately \$41,000.
- Program expenses of the City's governmental activities increased 11.5%, or approximately \$355,000, from fiscal year 2022 to fiscal year 2023. Culture and recreation expenses and interest on long-term debt increased approximately \$95,000 and \$104,000, respectively.
- The City's net position increased 7.8%, or approximately \$1,019,000, over the June 30, 2022 balance. Of this amount, the net position of the governmental activities increased approximately \$937,000 and the net position of the business type activities increased approximately \$82,000.

USING THIS ANNUAL REPORT

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

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

Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of Sample GAAP City as a whole and present 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 Sample GAAP City's operations in more detail than the government-wide financial statements 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.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year, the City's proportionate share of the net pension liability and related contributions, as well as presenting the Schedule of Changes in the City's Total OPEB Liability, Related Ratios and Notes.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information which helps answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Position presents financial information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as 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 Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal years.

The Statement of Net Position and the Statement of Activities report three 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, the sanitary sewer system and the City's sanitation department. These activities are financed primarily by user charges.
- The Component Unit includes the activities of the City's Municipal Airport Authority. The City is financially accountable for the Authority although it is legally separate from the City.

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 Tax Increment Financing, Local Option Sales Tax and Employee Benefits, 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 statements for governmental funds include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

2) Proprietary funds account for the City's Enterprise Funds. These funds report services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Position and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The Enterprise Funds include the Water, Wastewater and Sanitation Funds, each considered to be a major fund of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position and a Statement of Cash Flows.

Reconciliations between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net position for governmental and business type activities.

	Net Position at Year-end					
	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 4,364,899	3,542,881	2,280,513	2,007,568	6,597,690	5,550,449
Capital assets	11,769,563	9,901,747	7,543,323	7,827,504	19,312,886	17,729,251
Total assets	16,134,462	13,444,628	9,823,836	9,835,072	25,958,298	23,279,700
Deferred outflows of resources	562,310	439,991	191,884	168,505	754,194	608,496
Long-term liabilities	6,057,083	4,242,775	3,524,262	3,429,281	9,581,345	7,672,056
Other liabilities	250,797	333,209	281,284	223,661	532,081	556,870
Total liabilities	6,307,880	4,575,984	3,805,546	3,652,942	10,113,426	8,228,926
Deferred inflows of resources	2,525,673	2,247,624	71,750	263,921	2,597,423	2,511,545
Net position:						
Net investment in capital assets	7,832,018	6,292,231	5,019,323	4,960,420	12,851,341	11,417,251
Restricted	1,460,394	1,748,162	298,234	272,570	2,239,036	2,020,732
Unrestricted	(1,429,193)	(1,113,898)	820,867	823,640	(608,326)	(290,258)
Total net position	\$ 7,863,219	6,926,495	6,138,424	6,056,630	14,001,643	12,983,125

Net position of governmental activities increased approximately \$937,000, or 13.5%, over the fiscal year 2022 amount. Net position of business type activities increased approximately \$82,000, or 1.4%, over fiscal year 2022.

The largest portion of the City's net position is invested in capital assets (e.g., land, infrastructure, intangibles, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Net investment in capital assets increased approximately \$1,434,090, or 12.6%, over the fiscal year 2022 amount due to construction of the Fire and Training Center and renovation of the Memorial Library building.

Restricted net position represents resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used.

Unrestricted net position, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, legislation or other legal requirements, is a deficit of approximately \$608,000 at the end of this year. The deficit is primarily due to the City's net pension and total OPEB liabilities.

	Changes in Net Position for the Year ended June 30,					
	Governmental Activities		Business Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Program revenues:						
Charges for service	\$ 234,653	222,046	1,741,205	1,738,215	1,975,858	1,960,261
Operating grants, contributions and restricted interest	724,676	715,976	16,032	15,047	740,708	731,023
Capital grants, contributions and restricted interest	418,467	291,620	-	-	418,467	291,620
General revenues:						
Property tax levied for:						
General purposes	1,305,187	1,265,042	-	-	1,305,187	1,265,042
Debt service	284,153	283,277	-	-	284,153	283,277
Tax increment financing	799,121	815,242	-	-	799,121	815,242
Local option sales tax	427,700	425,600	-	-	427,700	425,600
Grants and contributions not restricted to specific purposes	43,794	82,556	-	-	43,794	82,556
Commercial/industrial tax replacement	57,135	-	-	-	57,135	-
Unrestricted investment earnings	24,062	13,976	27,420	25,240	51,482	39,216
Miscellaneous	47,277	45,243	1,074	992	48,351	46,235
Total revenues	4,366,225	4,160,578	1,785,731	1,779,494	6,151,956	5,940,072
Program expenses:						
Public safety	1,060,716	1,020,737	-	-	1,060,716	1,020,737
Public works	426,942	401,927	-	-	426,942	401,927
Culture and recreation	662,396	567,631	-	-	662,396	567,631
Community and economic development	747,951	660,077	-	-	747,951	660,077
General government	329,447	326,636	-	-	329,447	326,636
Interest on long-term debt	202,049	97,750	-	-	202,049	97,750
Water	-	-	448,194	437,447	448,194	437,447
Wastewater	-	-	674,800	620,950	674,800	620,950
Sanitation	-	-	580,943	554,771	580,943	554,771
Total expenses	3,429,501	3,074,758	1,703,937	1,613,168	5,133,438	4,687,926
Change in net position	936,724	1,085,820	81,794	166,326	1,018,518	1,252,146
Net position beginning of year	6,926,495	5,840,675	6,056,630	5,890,304	12,983,125	11,730,979
Net position end of year	\$ 7,863,219	6,926,495	6,138,424	6,056,630	14,001,643	12,983,125

Sample GAAP City's net position of governmental activities increased approximately \$937,000 during the year. Revenues for governmental activities increased approximately \$206,000 over the prior year, with capital grants, contributions and restricted interest increasing approximately \$127,000 due to a grant received for street construction.

The City increased property tax rates for fiscal year 2023 approximately 2.6%. This increase raised the City's property tax revenue approximately \$41,000 in fiscal year 2023.

The cost of all governmental activities this year was approximately \$3.4 million compared to approximately \$3.1 million last year. However, as shown in the Statement of Activities on pages 18 and 19, the amount taxpayers ultimately financed for these activities was \$2.1 million because some of the cost was paid by those directly benefiting from the programs (approximately \$235,000) or by other governments and organizations which subsidized certain programs with grants and contributions (approximately \$1,143,000). The City paid the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts.

Sample GAAP City's net position of business type activities increased approximately \$82,000 during the year. Revenues and expenses for business type activities increased slightly over the prior year.

INDIVIDUAL MAJOR FUND ANALYSIS

Governmental Fund Highlights

As Sample GAAP City completed the year, its governmental funds reported a combined fund balance of \$1,820,916, which is \$561,944 less than the \$2,382,860 total fund balance at June 30, 2022. The following are the major reasons for the changes in fund balances of the major governmental funds from the prior year.

- The General Fund showed a modest decline in fund balance of \$3,208 from the prior year to \$715,937. Revenues increased 4.9% over the prior year to \$1,499,322 and expenditures increased 4.1% to \$2,511,117.
- The Special Revenue, Tax Increment Financing Fund accounts for revenue from the tax authorized by ordinance in the urban renewal district which is used to pay the principal and interest on indebtedness incurred for urban renewal redevelopment projects. This fund ended fiscal year 2023 with a fund balance of \$12,556 compared to the prior year ending balance of \$142,247. The decrease in the fund balance was due to an increase in economic development rebate payments.
- The Special Revenue, Local Option Sales Tax Fund accounts for revenue from the tax authorized by referendum and used for capital improvements, equipment and community programs and services. This fund ended fiscal year 2023 with a \$1,139,911 balance compared to the prior year ending fund balance of \$1,026,139. Local option sales tax revenue increased \$2,100 in fiscal year 2023.
- The Special Revenue, Employee Benefits Fund is used to account for the property tax levied to finance the payment of employee benefits. This fund ended fiscal year 2023 with a \$5,079 balance compared to the prior year ending balance of \$73,724. Transfers out to operating funds increased \$45,878 in fiscal year 2023.
- The Debt Service Fund ended fiscal year 2023 with a \$71,773 balance compared to the prior year ending balance of \$65,975. Property tax revenue increased \$91,301 while bond principal and interest payments increased \$85,090 in fiscal year 2023.
- The Capital Projects Fund ended fiscal year 2023 with a deficit balance of \$317,506 compared to the prior year ending balance of \$175,032. The fiscal year 2023 deficit is a result of project costs exceeding available funds. The deficit will be eliminated through future transfers from other funds.

Proprietary Fund Highlights

- The Enterprise, Water Fund, which accounts for the operation and maintenance of the City's water system, ended fiscal year 2023 with a \$2,470,784 net position compared to the prior year ending net position of \$2,432,201.
- The Enterprise, Wastewater Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended fiscal year 2023 with a \$3,681,665 net position compared to the prior year ending net position of \$3,670,583.
- The Enterprise, Sanitation Fund, which accounts for the operation and maintenance of the City's solid waste collection system, ended fiscal year 2023 with a deficit net position of \$14,025 compared to the prior year deficit net position of \$37,154.

BUDGETARY HIGHLIGHTS

Over the course of the year, Sample GAAP City amended its budget two times. The first amendment was January 2023, and the second amendment was in May 2023. These amendments were needed to cover unplanned disbursements, including disbursements associated with projects carried over from the prior fiscal year.

The City's receipts were \$1,319,462 less than budgeted receipts, a variance of 17.8%. The most significant variance resulted from the City receiving less CDBG funding than originally anticipated. The City also received less miscellaneous receipts than budgeted due to fewer donations for the Memorial Library renovation project than anticipated.

Total disbursements were \$2,967,210 less than budgeted. Actual disbursements for the community and economic development, capital projects and business type activities functions were \$1,077,900, \$1,070,112 and \$669,010, respectively, less than budgeted. This was primarily due to a delay in receiving a CDBG pass through grant and delays in the Memorial Library renovation, street construction and sewer expansion projects.

Even with these amendments, the City exceeded the budgeted amount in the debt service function for the year ended June 30, 2023.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets include land, buildings and improvements, intangibles, equipment, right-to-use lease assets, IT subscriptions, streets, sewer systems, lighting systems, traffic signals and other infrastructure. Capital assets for governmental activities totaled \$11,769,563 (net of accumulated depreciation/amortization) at June 30, 2023. Capital assets for business type activities totaled \$7,543,323 (net of accumulated depreciation/amortization) at June 30, 2023. See Note 3 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the 2023 year included construction of the Fire and Training Center and renovation of the Memorial Library building.

For business type activities, major additions included an iron filter for the water plant.

Construction in progress at June 30, 2023 for governmental activities consists primarily of street projects and renovation of the Memorial Library building.

Long-Term Debt

At June 30, 2023, the City had \$3,762,545 of outstanding general obligation bonds and notes, an outstanding bank loan of \$175,000, lease agreements of \$101,294 and IT subscriptions of \$156,786 for governmental activities. Total outstanding revenue notes for business type activities was \$2,524,000 at June 30, 2023. During the year ended June 30, 2023, the City issued a total of \$965,000 of general obligation bonds to finance repairs and renovations at the Community Center.

The City continues to carry a general obligation bond rating of Aa3 assigned by national rating agencies to the City's debt since 2019. 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 is significantly below its constitutional debt limit of approximately \$9 million. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

Several economic factors affected decisions made by the City in setting its fiscal year 2024 budget. Unemployment in the City now stands at ___% versus ___% a year ago. This compares with the State’s unemployment rate of ___% (<https://www.iowaworkforcedevelopment.gov/local-area-unemployment-statistics>) and the national rate of ___%. (<https://data.bls.gov/pdq/surveyOutputServlet>). In addition, Sample GAAP City will experience a significant drop in General Fund receipts and disbursements from fiscal year 2023 to fiscal year 2024. The major factors which will play a role in this change are a reduction in intergovernmental receipts and a decrease in property valuation for fiscal year 2023.

The General Fund is projected to end fiscal year 2024 with a fund balance of approximately \$680,000, a 5% decrease from June 30, 2023.

The tax levy rates per \$1,000 of taxable valuation for fiscal year 2024 are provided below:

General levy	\$ 8.10000
Aviation levy	0.27000
Debt service levy	2.47075
FICA and IPERS levy	2.05595
Employee benefits levy	3.35206
Tort liability levy	<u>0.94434</u>
Total	<u>\$ 17.19310</u>

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to present our citizens, taxpayers, customers, investors and creditors with a general overview of the City’s finances and operating activities and to show the City’s accountability for the money it receives. If you have any questions or require additional information, please contact the Finance Director, 101 Main Street, Sample GAAP City, Iowa 50XXX.

Basic Financial Statements

Exhibit A

Sample GAAP City
Statement of Net Position
June 30, 2023

	Primary Government		Component Unit	
	Governmental Activities	Business Type Activities	Total	Airport Authority
Assets				
Cash, cash equivalents and pooled investments	\$ 2,083,969	1,227,093	3,311,062	-
Receivables:				
Property tax:				
Delinquent	26,280	-	26,280	435
Succeeding year	1,528,000	-	1,528,000	23,000
Tax increment financing:				
Delinquent	33,200	-	33,200	-
Succeeding year	747,000	-	747,000	-
Customer accounts and unbilled usage		160,499	160,499	-
Accounts	9,917	5,145	15,062	167
Accrued interest	2,988	2,386	5,374	-
Due from other governments	139,589	-	139,589	-
Internal balances	(296,167)	296,167	-	-
Lease receivable	-	30,322	30,322	-
Inventories	-	25,470	25,470	-
Prepaid expenses	90,123	46,223	136,346	-
Restricted assets:				
Cash and pooled investments	-	487,208	487,208	-
Capital assets not being depreciated	1,949,090	38,673	1,987,763	55,875
Capital assets, net of accumulated depreciation/ amortization	9,820,473	7,504,650	17,325,123	921,422
Total assets	16,134,462	9,823,836	25,958,298	1,000,899
Deferred Outflows of Resources				
Pension related deferred outflows	519,777	181,542	701,319	-
OPEB related deferred outflows	42,533	10,342	52,875	-
Total deferred outflows of resources	562,310	191,884	754,194	-
Liabilities				
Accounts payable	79,746	67,403	147,149	5,117
Accrued interest payable	13,591	-	13,591	-
Salaries and benefits payable	40,533	11,350	51,883	-
Contracts payable	111,860	1,047	112,907	-
Due to other governments	5,067	12,510	17,577	-
Payable from restricted assets	-	188,974	188,974	-
Long-term liabilities:				
Portion due or payable within one year:				
General obligation bonds/notes	545,000	-	545,000	-
Revenue notes	-	160,000	160,000	-
Bank loan	25,000	-	25,000	-
Lease agreements	26,511	-	26,511	-
IT subscriptions	77,713	-	77,713	-
Compensated absences	45,764	18,523	64,287	-
Total OPEB liability	27,360	-	27,360	-
Portion due or payable after one year:				
General obligation bonds/notes (net of \$7,455 unamortized discount)	3,217,545	-	3,217,545	-
Revenue notes	-	2,364,000	2,364,000	-
Bank loan	150,000	-	150,000	-
Lease agreements	74,783	-	74,783	-
IT subscriptions	79,073	-	79,073	-
Compensated absences	116,731	40,889	157,620	-
Net pension liability	1,415,407	871,906	2,287,313	-
Total OPEB liability	256,196	68,944	325,140	-
Total liabilities	6,307,880	3,805,546	10,113,426	5,117

Sample GAAP City
Statement of Net Position
June 30, 2023

	Primary Government		Component Unit	
	Governmental Activities	Business Type Activities	Total	Airport Authority
Deferred Inflows of Resources				
Unavailable revenues:				
Pension related deferred inflows	250,673	71,750	322,423	-
Succeeding year property tax	1,528,000	-	1,528,000	23,000
Tax increment financing	747,000	-	747,000	-
Total deferred inflows of resources	2,525,673	71,750	2,597,423	23,000
Net Position				
Net investment in capital assets	7,832,018	5,019,323	12,851,341	977,297
Restricted for:				
Debt service	72,000	-	72,000	-
Library gifts and memorials	146,531	-	146,531	-
Capital improvements and equipment	683,947	-	683,947	-
Community programs and services	455,964	-	455,964	-
Revenue note retirement	-	142,499	142,499	-
Wastewater improvement	-	100,000	100,000	-
Wastewater replacement	-	55,735	55,735	-
Other purposes	101,952	-	101,952	-
Unrestricted	(1,429,193)	820,867	(608,326)	(4,515)
Total net position	\$ 7,863,219	6,138,424	14,001,643	972,782

See notes to financial statements.

Sample GAAP City

Statement of Activities

Year ended June 30, 2023

	Program Revenues			
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,060,716	66,129	46,842	134,974
Public works	426,942	11,838	224,466	145,449
Culture and recreation	662,396	141,217	298,946	-
Community and economic development	747,951	1,498	150,000	15,129
General government	329,447	13,971	-	122,915
Interest on long-term debt	202,049	-	4,422	-
Total governmental activities	3,429,501	234,653	724,676	418,467
Business type activities:				
Water	448,194	472,865	15,377	-
Wastewater	674,800	666,232	68	-
Sanitation	580,943	602,108	587	-
Total business type activities	1,703,937	1,741,205	16,032	-
Total Primary Government	\$ 5,133,438	1,975,858	740,708	418,467
Component Unit:				
Airport Authority	\$ 133,593	3,163	-	-
General Revenues:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Grants and contributions not restricted to specific purposes				
Commercial/industrial tax replacement				
Unrestricted investment earnings				
Miscellaneous				
Total general revenues				
Change in net position				
Net position beginning of year				
Net position end of year				
See notes to financial statements.				

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Airport Authority
(812,771)	-	(812,771)	
(45,189)	-	(45,189)	
(222,233)	-	(222,233)	
(581,324)	-	(581,324)	
(192,561)	-	(192,561)	
(197,627)	-	(197,627)	
<u>(2,051,705)</u>	<u>-</u>	<u>(2,051,705)</u>	
-	40,048	40,048	
-	(8,500)	(8,500)	
-	21,752	21,752	
-	53,300	53,300	
<u>(2,051,705)</u>	<u>53,300</u>	<u>(1,998,405)</u>	
			<u>(130,430)</u>
\$ 1,305,187	-	1,305,187	26,213
284,153	-	284,153	-
799,121	-	799,121	-
427,700	-	427,700	-
43,794	-	43,794	-
57,135	-	57,135	-
24,062	27,420	51,482	-
47,277	1,074	48,351	28,894
<u>2,988,429</u>	<u>28,494</u>	<u>3,016,923</u>	<u>55,107</u>
936,724	81,794	1,018,518	(75,323)
<u>6,926,495</u>	<u>6,056,630</u>	<u>12,983,125</u>	<u>1,048,105</u>
<u>\$ 7,863,219</u>	<u>6,138,424</u>	<u>14,001,643</u>	<u>972,782</u>

Sample GAAP City
Balance Sheet
Governmental Funds

June 30, 2023

	Special Revenue			
	General	Tax Increment Financing	Local Option Sales Tax	Employee Benefits
Assets				
Cash, cash equivalents and pooled investments	\$ 679,236	-	785,341	-
Receivables:				
Property tax:				
Delinquent	14,410	-	-	6,922
Succeeding year	785,000	-	-	468,000
Tax increment financing:				
Delinquent	-	33,200	-	-
Succeeding year	-	747,000	-	-
Accounts	8,111	-	-	-
Accrued interest	967	-	1,117	-
Due from other governments	49,801	-	42,895	-
Due from other funds	464	-	310,558	-
Prepaid expenditures	90,123	-	-	-
Total assets	\$ 1,628,112	780,200	1,139,911	474,922
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 69,013	-	-	-
Salaries and benefits payable	40,533	-	-	-
Contracts payable	6,335	-	-	-
Due to other governments	5,067	-	-	-
Due to other funds	-	-	-	-
Total liabilities	120,948	-	-	-
Deferred inflows of resources:				
Unavailable revenues:				
Succeeding year property tax	785,000	-	-	468,000
Tax increment financing revenues	-	747,000	-	-
Other	6,227	20,644	-	1,843
Total deferred inflows of resources	791,227	767,644	-	469,843

Debt Service	Capital Projects	Nonmajor	Total
67,991	388,737	162,664	2,083,969
4,948	-	-	26,280
275,000	-	-	1,528,000
-	-	-	33,200
-	-	-	747,000
-	1,800	6	9,917
97	596	211	2,988
-	15,097	31,796	139,589
-	-	-	311,022
-	-	-	90,123
<u>348,036</u>	<u>406,230</u>	<u>194,677</u>	<u>4,972,088</u>
-	9,222	1,511	79,746
-	-	-	40,533
-	105,525	-	111,860
-	-	-	5,067
-	607,189	-	607,189
-	721,936	1,511	844,395
275,000	-	-	1,528,000
-	-	-	747,000
1,263	1,800	-	31,777
<u>276,263</u>	<u>1,800</u>	<u>-</u>	<u>2,306,777</u>

(Continued on next page)

Sample GAAP City

Balance Sheet
Governmental Funds
(Continued)

June 30, 2023

	Special Revenue			
	General	Tax Increment Financing	Local Option Sales Tax	Employee Benefits
Liabilities, Deferred Inflows of Resources and Fund Balances (continued)				
Fund balances:				
Nonspendable:				
Prepaid expenditures	90,123	-	-	-
Restricted for:				
Debt service	-	12,556	-	-
Fire gifts and memorials	48,395	-	-	-
Library gifts and memorials	-	-	-	-
Capital improvements and equipment	-	-	683,947	-
Community programs and services	-	-	455,964	-
Other purposes	-	-	-	5,079
Committed for future equipment purchases/ capital improvements	100,024	-	-	-
Unassigned	477,395	-	-	-
Total fund balances	715,937	12,556	1,139,911	5,079
Total liabilities, deferred inflows of resources and fund balances	\$ 1,628,112	780,200	1,139,911	474,922

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
-	-	-	90,123
71,773	-	-	84,329
-	-	-	48,395
-	-	146,531	146,531
-	-	-	683,947
-	-	-	455,964
-	-	46,635	51,714
-	-	-	100,024
-	(317,506)	-	159,889
71,773	(317,506)	193,166	1,820,916
348,036	406,230	194,677	4,972,088

Sample GAAP City

Sample GAAP City

Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position

June 30, 2023

Total governmental fund balances (page 23) \$ 1,820,916

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of capital assets is \$16,905,143 and the accumulated depreciation/amortization is \$5,135,580. 11,769,563

Other long-term assets are not available to pay current year expenditures and, therefore, are recognized as deferred inflows of resources in the governmental funds. 31,777

Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:

Deferred outflows of resources	\$ 562,310	
Deferred inflows of resources	<u>(250,673)</u>	311,637

Long-term liabilities, including bonds/notes payable, bank loan payable, compensated absences payable, total OPEB liability, net pension liability and accrued interest payable, are not due and payable in the current year and, therefore, are not reported as liabilities in the governmental funds. (6,070,674)

Net position of governmental activities (page 17) \$ 7,863,219

See notes to financial statements.

Sample GAAP City

Statement of Revenues, Expenditures
and Changes in Fund Balances (Deficit)
Governmental Funds

Year ended June 30, 2023

	Special Revenue			
	General	Tax Increment Financing	Local Option Sales Tax	Employee Benefits
Revenues:				
Property tax	\$ 787,958	-	-	377,704
Local option sales tax	-	-	427,700	-
Tax increment financing	-	783,922	-	-
Other city tax	97,043	-	-	28,667
Licenses and permits	41,528	-	-	-
Use of money and property	12,631	15,199	13,881	-
Intergovernmental	308,849	-	-	8,739
Charges for service	146,660	-	-	-
Miscellaneous	104,653	-	-	-
Total revenues	1,499,322	799,121	441,581	415,110
Expenditures:				
Operating:				
Public safety	1,076,362	-	-	-
Public works	434,386	-	-	-
Culture and recreation	660,272	-	-	-
Community and economic development	5,041	772,633	-	-
General government	335,056	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total expenditures	2,511,117	772,633	-	-
Excess (deficiency) of revenues over (under) expenditures	(1,011,795)	26,488	441,581	415,110
Other financing sources (uses):				
Transfers in	1,008,938	-	-	-
Transfers out	(351)	(156,179)	(327,809)	(483,755)
General obligation bonds issued	-	-	-	-
Discount on general obligation bonds issued	-	-	-	-
Total other financing sources (uses)	1,008,587	(156,179)	(327,809)	(483,755)
Change in fund balances	(3,208)	(129,691)	113,772	(68,645)
Fund balances beginning of year	719,145	142,247	1,026,139	73,724
Fund balances (deficits) end of year	\$ 715,937	12,556	1,139,911	5,079

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
262,736	-	-	1,428,398
-	-	-	427,700
-	-	-	783,922
20,313	-	-	146,023
-	-	-	41,528
4,422	7,868	23,143	77,144
-	282,902	419,279	1,019,769
-	-	-	146,660
185	156,936	8,217	269,991
<u>287,656</u>	<u>447,706</u>	<u>450,639</u>	<u>4,341,135</u>
-	-	11,119	1,087,481
-	-	-	434,386
-	-	4,173	664,445
-	-	-	777,674
-	-	-	335,056
667,191	-	-	667,191
-	1,894,391	-	1,894,391
<u>667,191</u>	<u>1,894,391</u>	<u>15,292</u>	<u>5,860,624</u>
<u>(379,535)</u>	<u>(1,446,685)</u>	<u>435,347</u>	<u>(1,519,489)</u>
385,333	351	-	1,394,622
-	(3,749)	(422,779)	(1,394,622)
-	965,000	-	965,000
-	(7,455)	-	(7,455)
<u>385,333</u>	<u>954,147</u>	<u>(422,779)</u>	<u>957,545</u>
5,798	(492,538)	12,568	(561,944)
<u>65,975</u>	<u>175,032</u>	<u>180,598</u>	<u>2,382,860</u>
<u>71,773</u>	<u>(317,506)</u>	<u>193,166</u>	<u>1,820,916</u>

Sample GAAP City

Sample GAAP City

Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances -
Governmental Funds to the Statement of Activities

Year ended June 30, 2023

Change in fund balances - Total governmental funds (page 27) \$ (561,944)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation/amortization expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation/amortization expense in the current year, as follows:

Expenditures for capital assets	\$ 2,553,986	
Depreciation/amortization expense	<u>(686,170)</u>	1,867,816

Because some revenues will not be collected for several months after the City's year end, they are not considered available revenues and are recognized as deferred inflows of resources in the governmental funds, as follows:

Property tax	6,180	
Other	<u>18,888</u>	25,068

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Current year issuances exceeded repayments, as follows:

Issued	(965,000)	
Discount on general obligation bonds issued	7,455	
Repaid	<u>495,000</u>	(462,545)

The current year City IPERS contributions are reported as expenditures in the governmental funds but are reported as deferred outflows of resources in the Statement of Net Position. 339,675

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	(7,756)	
OPEB expense	(39,249)	
Pension expense	(224,883)	
Interest on long-term debt	<u>542</u>	<u>(271,346)</u>

Change in net position of governmental activities (page 19) \$ 936,724

See notes to financial statements.

Sample GAAP City
Statement of Net Position
Proprietary Funds

June 30, 2023

	Enterprise			Total
	Water	Wastewater	Sanitation	
Assets				
Current assets:				
Cash and cash equivalents	\$ 519,720	589,333	118,040	1,227,093
Receivables (net of allowance for uncollectables):				
Customer accounts and unbilled usage	47,331	67,734	45,434	160,499
Accounts	483	262	4,400	5,145
Accrued interest	714	1,504	168	2,386
Due from other funds	99,495	196,672	-	296,167
Lease receivable	30,322	-	-	30,322
Inventories	25,470	-	-	25,470
Prepaid expenses	14,206	16,103	15,914	46,223
Total current assets	737,741	871,608	183,956	1,793,305
Non current assets:				
Restricted cash and cash equivalents	19,602	467,606	-	487,208
Capital assets, net of accumulated depreciation/amortization	2,067,077	5,298,720	177,526	7,543,323
Total noncurrent assets	2,086,679	5,766,326	177,526	8,030,531
Total assets	2,824,420	6,637,934	361,482	9,823,836
Deferred Outflows of Resources				
Pension related deferred outflows	55,072	49,470	77,000	181,542
OPEB related deferred outflows	3,206	3,930	3,206	10,342
Total deferred outflows of resources	58,278	53,400	80,206	191,884
Liabilities				
Current liabilities:				
Accounts payable	60,210	6,065	1,128	67,403
Salaries and benefits payable	3,358	3,276	4,716	11,350
Contracts payable	141	906	-	1,047
Due to other governments	1,766	823	9,921	12,510
Payable from restricted assets:				
Customer deposits	19,602	-	-	19,602
Revenue notes	-	160,000	-	160,000
Accrued interest	-	9,372	-	9,372
Compensated absences	6,394	6,394	5,735	18,523
Total current liabilities	91,471	186,836	21,500	299,807
Noncurrent liabilities:				
Revenue notes	-	2,524,000	-	2,524,000
Compensated absences	14,207	14,207	12,475	40,889
Net pension liability	264,214	237,793	369,899	871,906
Total OPEB liability	21,175	26,594	21,175	68,944
Total noncurrent liabilities	299,596	2,802,594	403,549	3,505,739
Total liabilities	391,067	2,989,430	425,049	3,805,546
Deferred Inflows of Resources				
Unavailable revenues:				
Pension related deferred inflows	20,847	20,239	30,664	71,750
Net Position				
Net investment in capital assets	2,067,077	2,774,720	177,526	5,019,323
Restricted for:				
Revenue note retirement	-	142,499	-	142,499
Wastewater improvement	-	100,000	-	100,000
Wastewater replacement	-	55,735	-	55,735
Unrestricted	403,707	608,711	(191,551)	820,867
Total net position	\$ 2,470,784	3,681,665	(14,025)	6,138,424

See notes to financial statements.

Sample GAAP City

Statement of Revenues, Expenses
and Changes in Fund Net Position
Proprietary Funds

Year ended June 30, 2023

	Enterprise			
	Water	Wastewater	Sanitation	Total
Operating revenues:				
Charges for service	\$ 472,865	666,232	602,108	1,741,205
Miscellaneous	15,377	68	587	16,032
Total operating revenues	488,242	666,300	602,695	1,757,237
Operating expenses:				
Business type activities:				
Cost of sales and services	355,673	355,696	548,219	1,259,588
Depreciation/amortization	92,521	199,349	32,724	324,594
Total operating expenses	448,194	555,045	580,943	1,584,182
Operating income	40,048	111,255	21,752	173,055
Non-operating revenues (expenses):				
Interest income	7,535	18,508	1,377	27,420
Interest expense	-	(119,755)	-	(119,755)
Miscellaneous	-	1,074	-	1,074
Net non-operating revenues (expenses)	7,535	(100,173)	1,377	(91,261)
Change in net position	47,583	11,082	23,129	81,794
Net position (deficit) beginning of year	2,423,201	3,670,583	(37,154)	6,056,630
Net position (deficit) end of year	\$ 2,470,784	3,681,665	(14,025)	6,138,424

See notes to financial statements.

Exhibit I

Sample GAAP City
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2023

	Enterprise			
	Water	Wastewater	Sanitation	Total
Cash flows from operating activities:				
Cash received from customers and users	\$ 489,076	689,081	603,072	1,781,229
Cash received from other revenues	15,377	68	371	15,816
Cash paid for personal services	(189,253)	(189,309)	(233,637)	(612,199)
Cash paid to suppliers	(196,133)	(190,262)	(325,452)	(711,847)
Net cash provided by operating activities	<u>119,067</u>	<u>309,578</u>	<u>44,354</u>	<u>472,999</u>
Cash flows from noncapital financing activities:				
Advances to other funds, net of advance repayments	13,025	17,792	-	30,817
Cash received from water tower lease	17,400	-	-	17,400
Net cash provided by noncapital financing activities	<u>30,425</u>	<u>17,792</u>	<u>-</u>	<u>48,217</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(31,980)	(29,464)	-	(61,444)
Principal paid on revenue notes	-	(153,000)	-	(153,000)
Interest paid on revenue notes	-	(120,289)	-	(120,289)
Net cash used for capital and related financing activities	<u>(31,980)</u>	<u>(302,753)</u>	<u>-</u>	<u>(334,733)</u>
Cash flows from investing activities:				
Interest on investments	7,808	19,536	1,392	28,736
Net increase in cash and cash equivalents	125,320	44,153	45,746	215,219
Cash and cash equivalents beginning of year	414,002	1,012,786	72,294	1,499,082
Cash and cash equivalents end of year	<u>\$ 539,322</u>	<u>1,056,939</u>	<u>118,040</u>	<u>1,714,301</u>

See notes to financial statements.

Sample GAAP City
Statement of Cash Flows
Proprietary Funds
Year ended June 30, 2023

	Enterprise			
	Water	Wastewater	Sanitation	Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 40,048	111,255	21,752	173,055
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation/amortization expense	92,521	199,349	32,724	324,594
Change in assets and liabilities:				
Customer accounts receivable and unbilled usage and other accounts receivable	16,213	22,849	748	39,810
Inventories, at cost	(1,723)	-	-	(1,723)
Prepaid expenses	(2,315)	(2,275)	(2,173)	(6,763)
Accounts payable	22,350	(2,021)	(189)	20,140
Salaries payable	87	34	222	343
Contracts payable	(42,298)	(19,094)	-	(61,392)
Compensated absences	(1,600)	(1,942)	(1,116)	(4,658)
Due to other governments	171	185	755	1,111
Net pension liability	54,507	49,056	76,309	179,872
Deferred outflows of resources	(7,215)	(5,339)	(10,825)	(23,379)
Deferred inflows of resources	(59,129)	(51,739)	(81,303)	(192,171)
Other postemployment benefits	7,450	9,260	7,450	24,160
Net cash provided by operating activities	<u>\$ 119,067</u>	<u>309,578</u>	<u>44,354</u>	<u>472,999</u>
Reconciliation of cash and cash equivalents at year end to specific assets included in the Statement of Net Position:				
Current assets:				
Cash and cash equivalents	\$ 519,720	589,333	118,040	1,227,093
Restricted assets:				
Cash and cash equivalents:				
Customer deposits	19,602	-	-	19,602
Revenue note retirement	-	311,871	-	311,871
Wastewater improvement	-	100,000	-	100,000
Wastewater replacement	-	55,735	-	55,735
Cash and cash equivalents end of year	<u>\$ 539,322</u>	<u>1,056,939</u>	<u>118,040</u>	<u>1,714,301</u>

See notes to financial statements.

Sample GAAP City

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies

Sample GAAP City is a political subdivision of the State of Iowa located in Sample County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. Sample GAAP City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. It also operates the airport and provides water, sewer and sanitation utilities.

The financial statements of Sample GAAP City have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

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

These financial statements present Sample GAAP City (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

Sample GAAP City Municipal Airport Authority (Authority) was established pursuant to Chapter 330A of the Code of Iowa to operate the City's airport facility. The Authority is governed by a five member board appointed by the Sample GAAP City Council who serve at the pleasure of the City Council. The City annually provides significant operating subsidies to the Authority. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Authority meets the definition of a component unit which should be discretely presented.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Sample County Assessor's Conference Board, Sample County Planning Commission, Sample County Sanitary Solid Waste Disposal Commission, Sample County Emergency Management Commission and Sample County 911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Position presents the City's nonfiduciary assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in the following categories:

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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

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

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

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax revenues from general and emergency levies and other revenues 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 expenditures, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Tax Increment Financing Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal projects.

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

The Employee Benefits Fund is used to account for property tax levied to finance the payment of employee benefits.

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

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

The City reports the following major proprietary funds:

Enterprise:

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

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

The Sanitation Fund is used to account for the operation and maintenance of the City's solid waste collection system.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted 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 revenues.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation/amortization on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance

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

Cash, Cash Equivalents and Pooled Investments – The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law. Investments consist of non-negotiable certificates of deposit which are stated at amortized cost.

For purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax and tax increment financing receivables are recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax and tax increment financing receivables represent taxes collected by the County but not remitted to the City at June 30, 2023 and unpaid taxes. The succeeding year property tax and tax increment financing receivables represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax and tax increment financing receivables have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which they are levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects tax asking contained in the budget certified to the County Board of Supervisors (City Council) in March 2022.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due from and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2023, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in/first-out method. Inventories in the Enterprise Funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Capital Assets – Capital assets, which include property, equipment and vehicles, infrastructure and intangibles acquired after July 1, 1980 are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost (except for intangible right-to-use leases assets, the measurement of which is discussed under “leases” below) if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land, buildings and improvements	\$ 25,000
Equipment and vehicles	5,000
Right-to-use leased assets	5,000
Infrastructure	50,000
Intangibles	50,000

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, the right-to-use leased equipment and infrastructure are depreciated/amortized using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	40 - 50
Improvements other than buildings	20 - 50
Vehicles	10 - 15
Equipment	5 - 30
Right-to-use leased assets	2 - 20
Infrastructure	15 - 20
Intangibles	5 - 20

Leases – City as Lessee – Sample GAAP City is the lessee for a noncancellable lease of equipment. The City has recognized a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how Sample GAAP City determines the discount rate it uses to discount the expected lease payments to present value, lease term and lease payments.

Sample GAAP City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and a purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

City as Lessor: Sample GAAP City is a lessor for a noncancellable lease for space for cellular antennas on City water towers. The City recognizes a lease receivable and a deferred inflow of resources in the business type activities and business type fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Sample GAAP City determines the discount rate it uses to discount the expected lease receipts to present value, lease term and lease receipts.

Sample GAAP City uses its estimated incremental borrowing rate as the discount rate for leases.

The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Subscription-Based Information Technology Arrangements (SBITA) – Sample GAAP City has entered into a contract that conveys control of the right-to-use information technology software. The City has recognized an IT subscription liability and an intangible right-to-use IT subscription asset in the government-wide financial statements. The City recognized IT subscription liabilities with an initial, individual value of \$XX,XXX, or more.

At the commencement of the IT subscription term, the City initially measures the subscription liability at the present value of payment expected to be made during the subscription term. Subsequently, the IT subscription liability is reduced by the principal portion of payments made. The right-to-use an IT subscription asset is initially measured as sum of the initial IT subscription liability, adjusted for subscription payments made at or before the subscription commencement date, plus capitalization implementation costs less any incentives received from the SBITA vendor at or before the commencement of the subscription term. Subsequently, the right-to-use IT subscription asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to IT subscription arrangements include how Sample GAAP City determines the discount rate it uses to discount the expected payments to present value, term and payments.

Sample GAAP City uses the interest rate charged by the IT subscription vendor as the discount rate. When the interest rate charged by the vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate.

The subscription term includes the noncancelable period of the subscription. Payments included in the measurement of the liability are composed of fixed payments.

The City monitors changes in circumstances that would require a remeasurement of its IT subscription and will remeasure the right-to-use IT subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

Right-to-use IT subscription assets are reported with other capital assets and IT subscription liabilities are reported with long-term debt on the statement of net position.

Deferred Outflows of Resources – Deferred outflows of resources represent a consumption of net position applicable to a future year(s) which will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the City after the measurement date but before the end of the City’s reporting period.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2023. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Position and the proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to/deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability – For purposes of measuring the total OPEB liability, deferred outflows of resources related to OPEB and OPEB expense, information has been determined based on the Sample GAAP City's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources – Deferred inflows of resources represent an acquisition of net position applicable to a future year(s) which will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end and succeeding year property tax and tax increment financing receivables that will not be recognized until the year for which they are levied.

Deferred inflows of resources in the Statement of Net Position consist of succeeding year property tax and tax increment financing receivables which will not be recognized as revenue until the year for which they are levied, unrecognized items not yet charged to pension expense and the unamortized portion of the net difference between projected and actual earnings on pension plan assets.

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or 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.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2023, disbursements exceeded the amount budgeted in the debt service function.

(2) Cash, Cash Equivalents and Pooled Investments

The City's deposits in banks at June 30, 2023 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

(3) Capital Assets

Capital assets activity for the year ended June 30, 2023 was as follows:

	Restated, Balance Beginning of year	Increases	Decreases	Balance End of Year
Primary Government				
Governmental activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 835,920	-	-	835,920
Construction in progress - infrastructure	543,425	523,738	(890,983)	176,180
Construction in progress - other	418,419	1,622,362	(1,103,791)	936,990
Total capital assets not being depreciated	1,797,764	2,146,100	(1,994,774)	1,949,090
Capital assets being depreciated/amortized:				
Buildings	2,596,193	1,346,005	-	3,942,198
Improvements other than buildings	2,844,161	47,108	-	2,891,269
Equipment and vehicles	1,955,085	118,564	(10,345)	2,063,304
Right-to-use leased equipment	127,493	-	-	127,493
IT subscriptions	233,163	-	-	233,163
Infrastructure, road network	4,707,643	890,983	-	5,598,626
Intangibles	100,000	-	-	100,000
Total capital assets being depreciated/amortized	12,563,738	2,402,660	(10,345)	14,956,053
Less accumulated depreciation/amortization for:				
Buildings	321,991	77,145	-	399,136
Improvements other than buildings	417,013	110,047	-	527,060
Equipment and vehicles	1,124,676	153,784	(10,345)	1,268,115
Right-to-use leased equipment	-	25,932	-	25,932
IT subscriptions	-	77,721	-	77,721
Infrastructure, road network	2,546,075	236,541	-	2,782,616
Intangibles	50,000	5,000	-	55,000
Total accumulated depreciation/amortization	4,459,755	686,170	(10,345)	5,135,580
Total capital assets being depreciated/amortized, net	8,103,983	1,716,490	-	9,820,473
Governmental activities capital assets, net	\$ 9,901,747	3,862,590	(1,994,774)	11,769,563
Business type activities:				
Capital assets not being depreciated/amortized:				
Land	\$ 3,500	-	-	3,500
Construction in progress	456,429	35,173	(456,429)	35,173
Total capital assets not being depreciated	459,929	35,173	(456,429)	38,673
Capital assets being depreciated/amortized:				
Buildings	771,655	-	(4,818)	766,837
Improvements other than buildings	201,054	1,937	-	202,991
Equipment and vehicles	712,147	459,794	(7,966)	1,163,975
Infrastructure, water and sewer network	9,541,852	-	-	9,541,852
Intangibles	50,000	-	-	50,000
Total capital assets being depreciated/amortized	11,276,708	461,731	(12,784)	11,725,655
Less accumulated depreciation/amortization for:				
Buildings	428,167	14,573	(4,810)	437,930
Improvements other than buildings	113,225	6,931	-	120,156
Equipment and vehicles	348,279	89,616	(7,912)	429,983
Infrastructure, water and sewer network	2,994,462	210,974	-	3,205,436
Intangibles	25,000	2,500	-	27,500
Total accumulated depreciation/amortization	3,909,133	324,594	(12,722)	4,221,005
Total capital assets being depreciated/amortized, net	7,367,575	137,137	(62)	7,504,650
Business type activities capital assets, net	\$ 7,827,504	172,310	(456,491)	7,543,323

Depreciation/amortization expense was charged to functions of the primary government as follows:

Governmental activities:		
Public safety		\$ 112,658
Public works		333,982
Culture and recreation		229,594
General government		<u>9,936</u>
Total depreciation/amortization expense - governmental activities		<u>\$ 686,170</u>
Business type activities:		
Water		\$ 92,521
Wastewater		199,349
Sanitation		<u>32,724</u>
Total depreciation/amortization expense - business type activities		<u>\$ 324,594</u>

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Discretely Presented Component Unit				
Capital assets not being depreciated:				
Land	\$ 55,875	-	-	55,875
Total capital assets not being depreciated	<u>55,875</u>	-	-	<u>55,875</u>
Capital assets being depreciated:				
Buildings	148,524	-	-	148,524
Improvements other than buildings	25,388	-	-	25,388
Equipment and vehicles	133,746	-	-	133,746
Infrastructure, runway network	1,387,290	-	-	1,387,290
Total capital assets being depreciated	<u>1,694,948</u>	-	-	<u>1,694,948</u>
Less accumulated depreciation for:				
Buildings	126,702	2,181	-	128,883
Improvements other than buildings	18,769	1,406	-	20,175
Equipment and vehicles	47,317	8,135	-	55,452
Infrastructure, runway network	508,999	60,017	-	569,016
Total accumulated depreciation	<u>701,787</u>	<u>71,739</u>	-	<u>773,526</u>
Total capital assets being depreciated, net	<u>993,161</u>	<u>(71,739)</u>	-	<u>921,422</u>
Component unit capital assets, net	<u>\$ 1,049,036</u>	<u>(71,739)</u>	-	<u>977,297</u>
Total depreciation expense - discretely presented component unit				<u>\$ 71,739</u>

(4) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2023 is as follows:

	Restated, Balance Beginning of Year,	Increases	Decreases	Balance End of Year	Due Within One Year
Governmental activities:					
General obligation bonds/notes (1)	\$ 3,275,000	957,545	470,000	3,762,545	545,000
Bank loan - direct borrowing	200,000	-	25,000	175,000	25,000
Lease agreements	127,493	-	26,199	101,294	26,511
Compensated absences	154,739	43,055	35,299	162,495	45,764
IT subscriptions	233,163	-	76,377	156,786	77,713
Net pension liability	1,034,049	381,358	-	1,415,407	-
Total OPEB liability	201,774	94,531	12,749	283,556	27,360
Total	\$ 5,226,218	1,476,489	645,624	6,057,083	747,348

(1) Bonds were sold at a discount; unamortized discount at June 30, 2020 totaled \$7,455.

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
Business type activities:					
Revenue notes	\$ 2,677,000	-	153,000	2,524,000	160,000
Compensated absences	63,728	11,183	15,499	59,412	18,523
Net pension liability	692,034	179,872	-	871,906	-
Total OPEB liability	45,126	27,531	3,713	68,944	-
Total	\$ 3,477,888	218,586	172,212	3,524,262	178,523

General Obligation Bonds/Notes

On July 15, 2021, the City issued \$3,185,000 of general obligation bonds, series 2021, with interest rates ranging from 4.80-5.00% per annum. The bonds were issued for streetscape improvements on Main Street and are payable through June 2034. During the year ended June 30, 2023, the City paid principal of \$470,000 and interest of \$159,025 on the bonds.

On October 15, 2022, the City issued \$965,000 of general obligation capital loan notes, series 2022A, with interest rates ranging from 1.65-4.00% per annum. The notes were issued for repairs and renovations at the Community Center and are payable through June 2033. During the year ended June 30, 2023, the City paid no principal and interest of \$6,666 on the bonds.

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

Year Ending June 30,	General Obligation Bonds Series 2021 Issued Jul 15, 2021			General Obligation Bonds Series 2022A Issued Oct 15, 2022		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	4.80%	\$ 465,000	136,465	1.65%	\$ 80,000	27,170
2025	4.80	385,000	114,145	1.70	90,000	25,850
2026	4.80	345,000	95,665	1.80	90,000	24,320
2027	4.85	325,000	79,105	2.00	100,000	227,000
2028	4.85	295,000	63,343	2.50	100,000	207,000
2029-2033	4.90-5.00	775,000	168,992	3.00-4.00	505,000	57,500
2034	5.00	215,000	10,750		-	-
Total		<u>\$ 2,805,000</u>	<u>668,465</u>		<u>\$ 965,000</u>	<u>568,840</u>

Year Ending June 30,	Totals		
	Principal	Interest	Total
2024	\$ 545,000	163,635	708,635
2025	475,000	139,995	614,995
2026	435,000	119,985	554,985
2027	425,000	306,105	731,105
2028	395,000	270,343	665,343
2029-2033	1,280,000	226,492	1,506,492
2034	215,000	10,750	225,750
Total	<u>\$ 3,770,000</u>	<u>1,237,305</u>	<u>5,007,305</u>

Direct Borrowings and Direct Placements – Bank Loan

On October 15, 2021, the City borrowed \$200,000 from the Sample Bank provide funds for repairs and improvements to the municipal pool. The loan bears interest at 3.25% per annum and matures on June 1, 2030.

The City's bank loan includes a provision that in an event of default the outstanding amounts become immediately due. For the current year, the City paid in principal and interest \$25,000 and \$6,500, respectively.

A summary of the annual direct borrowings and direct placements principal and interest requirements to maturity by year is as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 25,000	5,688	30,688
2025	25,000	4,875	29,875
2026	25,000	4,062	29,062
2027	25,000	3,250	28,250
2028	25,000	2,438	27,438
2029-2030	50,000	2,437	52,437
Total	<u>\$ 175,000</u>	<u>22,750</u>	<u>197,750</u>

Lease Agreements

On December 3, 2021, the City entered into a lease agreement for printers. The agreement required monthly payments of \$1,124 over 5 years with an estimated implicit interest rate of 2.0% and final payment due December 1, 2026. During the year ended June 30, 2023, the City paid principal of \$12,537 and interest of \$951 on the agreement.

On May 14, 2022, the City entered into a lease agreement for library printers. The agreement requires monthly payments of \$1,234 over 5 years, with an estimated implicit interest rate of 2.0% and final payment due May 1, 2027. During the year ended June 30, 2023, the City paid principal of \$13,662 and interest of \$1,146 on the agreement.

Future principal and interest lease payments as of June 30, 2023 are as follows:

Year Ending June 30,	Printer		Library Printer	
	Principal	Interest	Principal	Interest
2024	\$ 12,692	796	\$ 13,819	989
2025	12,948	540	14,098	710
2026	13,210	278	14,383	425
2027	6,705	39	13,439	135
Total	\$ 45,555	1,653	\$ 55,739	2,259

Year Ending June 30,	Totals		
	Principal	Interest	Total
2024	\$ 26,511	1,785	28,296
2025	27,046	1,250	28,296
2026	27,593	703	28,296
2027	20,144	174	20,318
Total	\$ 101,294	3,912	105,206

Subscription-Based Information Technology Arrangements (SBITA)

On June 30, 2022, the City entered into an IT subscription license and services information technology agreement with a vendor for financial and tax software. An initial IT subscription liability was recorded in the amount of \$308,906. The agreement requires semiannual payments of \$40,229 over 4 years with an estimated implicit interest rate of 3.50% and final payment due June 30, 2025. During the year ended June 30, 2023, the City paid principal of \$76,377 and interest of \$4,080 on the agreement.

Future principal and interest SBITA payments as of June 30, 2023 are as follows:

Year Ending June 30,	SBITA		
	Principal	Interest	Total
2024	\$ 77,713	2,744	80,457
2025	79,073	1,384	80,457
Total	\$ 156,786	4,128	160,914

Revenue Notes

On February 16, 2016, the City issued \$4,745,000 of wastewater revenue notes, series 2016, with an interest rate of 4.19% per annum with the final maturity due in the year ending June 30, 2036. The notes were issued to help defray the costs of planning, designing and constructing improvements to the sewer system.

The City has pledged future wastewater customer revenues, net of specified operating expenses, to repay \$4,745,000 of sewer revenue notes issued in February 2016. Proceeds from the notes provided financing for the construction of improvements to the wastewater treatment plant. The notes are payable solely from wastewater customer net revenues. During the year ended June 30, 2023, the City paid principal of \$153,000 and interest of \$119,755 on the notes.

Annual principal and interest payments on the notes are expected to require 88% of net revenues. The total principal and interest remaining to be paid on the notes is \$3,263,074. For the current year, principal and interest paid and total customer net revenues (operating income plus depreciation/amortization expense) were \$272,755 and \$310,604, respectively.

The resolution providing for the issuance of the revenue notes includes 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 a revenue note retirement account for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers of \$2,000 to separate wastewater improvement and replacement accounts shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
- (d) User rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

A summary of the annual revenue note principal and interest requirements to maturity is as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 160,000	110,756	270,756
2025	173,000	98,000	271,000
2026	180,000	91,258	271,258
2027	188,000	83,381	271,381
2028	196,000	75,169	271,169
2029-2033	1,125,000	214,892	1,339,892
2034	502,000	65,618	567,618
Total	<u>\$ 2,524,000</u>	<u>739,074</u>	<u>3,263,074</u>

(5) City Cellular Tower Lease Receivable

The City owns two water towers which the City rents to cellular radio-telephone communication companies. Effective January 1, 2020 and July 1, 2020, the City entered into two five-year leases. The City is to receive monthly payments of \$650 and \$800, respectively with an incremental lending rate of 2.0%. During the year ended June 30, 2023, the City earned principal of \$16,691 and interest of \$709 on the agreement.

A summary of the remaining lease receivable principal and interest to maturity is as follows:

Year Ending June 30,	Tower Rental		
	Principal	Interest	Total
2024	\$ 16,948	452	17,400
2025	13,374	126	13,500
Total	<u>\$ 30,322</u>	<u>578</u>	<u>30,900</u>

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2023 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 98,655
	Employee Benefits	483,755
	Road Use Tax	422,779
	Capital Projects	<u>3,749</u>
		<u>1,008,938</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	156,179
	Local Option Sales Tax	<u>229,154</u>
		<u>385,333</u>
Capital Projects	General	<u>351</u>
Total		<u>\$ 1,394,622</u>

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

(7) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2023 is as follows:

Receivable Fund	Payable Fund	Amount
General	Capital Projects	\$ 464
Special Revenue:		
Local Option Sales Tax	Capital Projects	310,558
Enterprise:		
Water	Capital Projects	99,495
Wastewater	Capital Projects	196,672
Total		<u>\$ 607,189</u>

These balances result from interfund loans to finance projects. Repayments will be made from future revenues.

(8) Pension Plan

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

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

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

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

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

The formula used to calculate a protection occupation members’ monthly IPERS benefit includes:

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

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

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

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

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

In fiscal year 2023, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protective occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2023 totaled \$444,021.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the City reported a liability of \$2,287,313 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 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, 2022, the City's proportion was 0.046812%, which was a decrease of 0.004709% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City recognized pension expense of \$303,893. At June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,762	29,303
Changes of assumptions	74,281	450.00
Net difference between projected and actual earnings on IPERS' investments	-	292,670
Changes in proportion and differences between between City contributions and the City's proportionate share of contributions	142,255	-
City contributions subsequent to the measurement date	444,021	-
Total	<u>\$ 701,319</u>	<u>322,423</u>

\$444,021 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2025	\$ (81,407)
2026	(81,407)
2027	(81,407)
2028	171,701
2029	7,395
Total	<u>\$ (65,125)</u>

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement.

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
Total	<u>100.0%</u>	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 5,164,895	2,287,313	335,247

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

Payables to IPERS – At June 30, 2023, the City reported payables to IPERS of \$34,660 for legally required City contributions and \$23,098 for legally required employee contributions withheld from employee wages which had not yet been remitted to IPERS.

(9) Other Postemployment Benefits (OPEB)

Plan Description – The GAAP City administers a single-employer benefit plan which provides medical, prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement. At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	<u>175</u>
Total	<u>178</u>

Total OPEB Liability – The City's total OPEB liability of \$352,500 was measured as of June 30, 2023 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions – The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2023)	2.60% per annum.
Rates of salary increase (effective June 30, 2023)	3.25% per annum, including inflation.
Discount rate (effective June 30, 2023)	4.09% compounded annually, including inflation.
Healthcare cost trend rate (effective June 30, 2023)	7.50% initial rate decreasing by .5% annually to an ultimate rate of 4.50%.

Discount Rate – The discount rate used to measure the total OPEB liability was 4.09% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the SOA Public Plan 2010 tables. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Total OPEB liability beginning of year	<u>\$ 246,900</u>
Changes for the year:	
Service cost	54,213
Interest	8,040
Differences between expected and actual experiences	57,963
Changes in assumptions	1,846
Benefit payments	<u>(16,462)</u>
Net changes	<u>105,600</u>
Total OPEB liability end of year	<u>\$ 352,500</u>

Changes of assumptions reflect a change in the discount rate from 2.19% in fiscal year 2022 to 4.09% in fiscal year 2023.

Sensitivity of the City’s Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1% lower (3.09%) or 1% higher (5.09%) than the current discount rate.

	<u>1% Decrease (3.09%)</u>	<u>Discount Rate (4.09%)</u>	<u>1% Increase (5.09%)</u>
Total OPEB liability	\$ 377,175	352,500	327,825

Sensitivity of the City's Total OPEB Liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (6.50%) or 1% higher (8.50%) than the current healthcare cost trend rates.

	1% Decrease (6.50%)	Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
Total OPEB liability	\$ 310,200	352,500	394,800

OPEB Expense and Deferred Outflows of Resources Related to OPEB – For the year ended June 30, 2023, the City recognized OPEB expense of \$52,725. At June 30, 2023, the City reported deferred outflows of resources related to OPEB from the following resources:

	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 51,337
Changes in assumptions	1,538
Total	<u>\$ 52,875</u>

The amount reported as deferred outflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ending June 30,	Amount
2023	\$ 6,934
2024	6,934
2025	6,934
2026	6,934
2027	6,934
Thereafter	18,205
	<u>\$ 52,875</u>

(10) Industrial Development Revenue Bonds

The City has issued a total of \$16,325,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$8,247,020 is outstanding at June 30, 2023. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

(11) Deficit Balances

At June 30, 2023, funds with deficit balances were as follows:

Capital Projects	\$ 317,506
Enterprise, Sanitation	14,025

The deficit balance in the Capital Projects Fund is the result of project costs in excess of available funds. This deficit will be eliminated upon collection of private donations and federal grant proceeds.

The deficit balance in the Enterprise, Sanitation Fund was the result of insufficient customer rates charged to finance operations. Customer rates have been increased to eliminate this deficit, which has decreased from the prior year.

(12) Related Party Transactions

The City had business transactions between the City and City officials totaling \$109,783 during the year ended June 30, 2023.

(13) 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 800 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, employment practices liability, public officials liability, cyber liability and law enforcement liability. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the Pool are recorded as expenditures from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2023 were \$133,775.

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

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

The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2023, no liability has been recorded in the City's financial statements. As of June 30, 2023, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

(14) Deferred Compensation Plan

The City offers its employees a deferred compensations plan created in accordance with Internal Revenue Code Section 457 for employees. The 457 plan is available to all City employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights must be held in trust of the exclusive benefit of plan participants and beneficiaries. These funds are invested and held by the ICMA-RA (International City County Management Association Retirement Corporation) and do not constitute a liability of the City.

(15) Commitments

The City has entered into construction contracts totaling \$1,190,824 for renovation of the Memorial Library and a street construction project. As of June 30, 2023, costs of \$866,476 have been incurred on the projects. The remaining \$324,348 will be paid as work on the projects progresses.

(16) Urban Renewal Development Agreements

The City has entered into various development agreements to assist with urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for infrastructure improvements, rehabilitation and development of commercial projects by the developer. The total to be paid by the City under the agreements is not to exceed \$5,000,000. Certain agreements include provisions for the payment of interest.

During the year ended June 30, 2023, the City rebated \$772,633 of incremental property tax to developers, which included \$760,000 for principal and \$12,633 for interest. The total cumulative principal amount rebated on the agreements is \$1,200,000. The outstanding balance on the agreements at June 30, 2023 was \$3,800,000.

The agreements are not general obligations of the City and due to their nature, are not recorded as a liability in the City’s financial statements. However, the agreements are subject to the constitutional debt limitation of the City.

(17) 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, 2023, \$207,000 of property tax was diverted from the City under the urban renewal and economic development projects.

Tax Abatements of Other Entities

Property tax revenues of the City were reduced by the following amounts for the year ended June 30, 2023 under agreements entered into by the following entities:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
Sample County	Urban renewal and economic development projects	\$ 30,000

(18) Accounting Change

Governmental Accounting Standards Board Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs), was implemented during fiscal year 2023. The new requirements require the reporting of certain right-to-use subscription-based IT arrangements and liabilities which were previously not reported. The result of these changes had no effect on the beginning net position.

	Governmental Activities - Capital Assets	Long-term Liabilities Lease Agreements
Balances June 30, 2022, as previously reported	\$ 9,668,584	4,993,055
Change to implement GASBS No. 96	233,163	233,163
Balances July 1, 2022, as restated	<u>\$ 9,901,747</u>	<u>5,226,218</u>

(19) Subsequent Events

In October 2023, the City entered into a contract for \$570,000 for construction of a garage for the street department. The project will be funded with proceeds from the issuance of general obligation bonds.

In October 2023, the City issued \$960,000 of general obligation bonds to pay the costs of certain street improvements and a street garage. The bonds are payable from a continuing annual levy of property tax against all taxable property of the City.

Sample GAAP City

Required Supplementary Information

Sample GAAP City

Budgetary Comparison Schedule of
Receipts, Disbursements and Changes in Balances –
Budget and Actual (Cash Basis) –
Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2023

	Governmental		Total Actual
	Funds Actual	Proprietary Funds	
Receipts:			
Property tax	\$ 1,427,407	-	1,427,407
Tax increment financing	778,629	-	778,629
Other city tax	575,563	-	575,563
Licenses and permits	38,913	-	38,913
Use of money and property	48,253	28,736	76,989
Intergovernmental	916,507	-	916,507
Charges for service	125,177	1,798,643	1,923,820
Miscellaneous	328,738	16,033	344,771
Total receipts	4,239,187	1,843,412	6,082,599
Disbursements:			
Public safety	1,086,960	-	1,086,960
Public works	438,668	-	438,668
Culture and recreation	651,293	-	651,293
Community and economic development	-	-	-
General government	337,703	-	337,703
Debt service	667,190	-	667,190
Capital projects	2,708,508	-	2,708,508
Business type activities	-	1,659,010	1,659,010
Total disbursements	5,890,322	1,659,010	7,549,332
Excess (deficiency) of receipts over (under) disbursements	(1,651,135)	184,402	(1,466,733)
Other financing sources, net	926,914	30,817	957,731
Change in fund balances	(724,221)	215,219	(509,002)
Balances beginning of year	2,808,190	1,499,082	4,307,272
Balances end of year	\$ 2,083,969	1,714,301	3,798,270

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Actual
		Variance
1,424,342	1,424,342	3,065
750,000	750,000	28,629
540,739	540,739	34,824
43,740	43,740	(4,827)
114,463	114,463	(37,474)
1,900,580	2,030,580	(1,114,073)
1,924,368	1,900,549	23,271
581,648	597,648	(252,877)
7,279,880	7,402,061	(1,319,462)
1,070,264	1,090,264	3,304
492,350	509,010	70,342
631,833	668,133	16,840
1,074,400	1,077,900	1,077,900
383,334	412,034	74,331
652,561	652,561	(14,629)
3,142,600	3,778,620	1,070,112
2,308,020	2,328,020	669,010
9,755,362	10,516,542	2,967,210
(2,475,482)	(3,114,481)	1,647,748
1,400,000	1,704,130	(746,399)
(1,075,482)	(1,410,351)	901,349
2,327,528	3,491,060	816,212
1,252,046	2,080,709	1,717,561

Sample GAAP City
 Budget to GAAP Reconciliation
 Required Supplementary Information
 Year ended June 30, 2023

	Governmental Funds			Proprietary Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 4,239,187	101,948	4,341,135	\$ 1,843,412	(57,681)	1,785,731
Expenditures/expenses	5,890,322	(29,698)	5,860,624	1,659,010	44,927	1,703,937
Net	(1,651,135)	131,646	(1,519,489)	184,402	(102,608)	81,794
Other financing sources, net	926,914	30,631	957,545	30,817	(30,817)	-
Beginning fund balances/ net position	2,790,790	(407,930)	2,382,860	1,499,082	4,557,548	6,056,630
Ending fund balances/ net position	\$ 2,066,569	(245,653)	1,820,916	\$ 1,714,301	4,424,123	6,138,424

See accompanying independent auditor's report.

Sample GAAP City

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2022

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the discretely presented component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$761,180. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2023, disbursements in the debt service function exceeded the amount budgeted.

Sample GAAP City

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

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

Required Supplementary Information

	2023	2022	2021	2020
City's proportion of the net pension liability	0.046812%	0.051521%	0.046738%	0.045289%
City's proportionate share of the net pension liability	\$ 2,444	2,275	1,854	1,798
City's covered payroll	\$ 4,533	4,393	4,311	4,094
City's proportionate share of the net pension liability as a percentage of its covered payroll	53.92%	51.79%	43.00%	43.92%
Plan fiduciary net position as a percentage of the total pension liability	91.40%	100.81%	82.90%	85.45%

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

See accompanying independent auditor's report.

2019	2018	2017	2016	2015
0.045376%	0.044387%	0.043398%	0.042430%	0.041484%
1,794	1,787	1,735	1,724	1,695
3,936	3,429	3,153	2,876	2,700
45.58%	52.12%	55.02%	59.95%	62.77%
83.62%	82.21%	81.82%	85.19%	87.61%

Sample GAAP City

Schedule of City Contributions

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

Required Supplementary Information

	2023	2022	2021	2020
Statutorily required contribution	\$ 444	427	416	410
Contributions in relation to the statutorily required contribution	(444)	(427)	(416)	(410)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 4,713	4,533	4,393	4,311
Contributions as a percentage of covered payroll	9.42%	9.42%	9.47%	9.51%

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
391	357	311	286	262	246
(391)	(357)	(311)	(286)	(262)	(246)
-	-	-	-	-	-
4,094	3,936	3,429	3,153	2,876	2,700
9.55%	9.07%	9.07%	9.07%	9.11%	9.11%

Sample GAAP City

Sample GAAP City

Notes to Required Supplementary Information – Pension Liability

Year ended June 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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

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

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

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

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

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

Sample GAAP City

Schedule of Changes in the GAAP City's
Total OPEB Liability and Related Ratios

For the Last Six Years
Required Supplementary Information

	2023	2022	2021	2020
Service cost	\$ 54,213	8,478	7,365	7,839
Interest cost	8,040	5,147	4,287	5,344
Difference between expected and actual experiences	57,963	9,102	24,546	24,278
Changes in assumptions	1,846	2,438	1,649	2,049
Benefit payments	(16,462)	(9,633)	(7,266)	(13,310)
Net change in total OPEB liability	105,600	15,532	30,581	26,200
Total OPEB liability beginning of year	246,900	231,368	200,787	174,587
Total OPEB liability end of year	<u>\$ 352,500</u>	<u>246,900</u>	<u>231,368</u>	<u>200,787</u>
Covered-employee payroll	\$ 4,520,743	4,486,392	4,329,865	4,318,899
Total OPEB liability as a percentage of covered-employee payroll	7.8%	5.5%	5.3%	4.6%

See accompanying independent auditor's report.

2019	2018
4,415	5,823
4,367	4,876
14,567	18,444
1,950	2,001
(8,712)	(9,969)
16,587	21,175
158,000	136,825
174,587	158,000
4,223,460	4,001,284
4.1%	3.9%

Sample GAAP City

Notes to Required Supplementary Information –
Total OPEB Liability and Related Ratios

For the Last Six Years

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes in benefit terms:

There were no significant changes in benefit terms.

Changes in assumptions:

The 2022 valuation implemented the following refinements as a result of a new actuarial opinion dated June 30, 2022:

- Changed mortality assumptions to the SOA Public Plan 2010 tables.

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2023	4.09%
Year ended June 30, 2022	2.19%
Year ended June 30, 2021	2.66%
Year ended June 30, 2020	3.51%
Year ended June 30, 2019	3.58%
Year ended June 30, 2018	4.50%
Year ended June 30, 2017	4.25%

Supplementary Information

Schedule 1

Sample GAAP City
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2023

	Special Revenue			
	Road Use Tax	Library Donations	Volunteer Fire Department	Total
Assets				
Cash, cash equivalents and pooled investments	\$ -	147,825	14,839	162,664
Receivables:				
Accounts	-	6	-	6
Accrued interest	-	211	-	211
Due from other governments	31,796	-	-	31,796
Total assets	\$ 31,796	148,042	14,839	194,677
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	1,511	-	1,511
Fund balances:				
Restricted for:				
Library gifts and memorials	-	146,531	-	146,531
Other purposes	31,796	-	14,839	46,635
Total fund balances:	31,796	146,531	14,839	193,166
Total liabilities and fund balances	\$ 31,796	148,042	14,839	194,677

See accompanying independent auditor's report.

Sample GAAP City

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Governmental Funds

Year ended June 30, 2023

	Special Revenue			Total
	Road Use Tax	Library Donations	Volunteer Fire Department	
Revenues:				
Use of money and property	\$ -	22,910	233	23,143
Intergovernmental	419,279	-	-	419,279
Miscellaneous	-	6	8,211	8,217
Total revenues	419,279	22,916	8,444	450,639
Expenditures:				
Operating:				
Public safety	-	-	11,119	11,119
Culture and recreation	-	4,173	-	4,173
Total expenditures	-	4,173	11,119	15,292
Excess (deficiency) of revenues over (under) expenditures	419,279	18,743	(2,675)	435,347
Other financing uses:				
Transfers out	(422,779)	-	-	(422,779)
Changes in fund balances	(3,500)	18,743	(2,675)	12,568
Fund balances beginning of year	35,296	127,788	17,514	180,598
Fund balances end of year	\$ 31,796	146,531	14,839	193,166

See accompanying independent auditor's report.

Sample GAAP City

Schedule of Revenues by Source and Expenditures by Function-
All Governmental Funds

For the Last Ten Years

	2023	2022	2021	2020
Revenues:				
Property tax	\$ 1,428,398	1,406,255	1,391,000	1,389,300
Local option sales tax	427,700	404,639	376,667	362,014
Tax increment financing	783,922	752,000	690,000	645,000
Other city tax	146,023	149,661	139,315	133,896
Licenses and permits	41,528	43,075	44,280	40,101
Use of money and property	77,144	105,575	112,310	139,812
Intergovernmental	1,019,769	810,417	797,300	707,300
Charges for service	146,660	132,792	133,411	134,250
Miscellaneous	269,991	331,296	320,517	338,595
Total	\$ 4,341,135	4,135,710	4,004,800	3,890,268
Expenditures:				
Operating:				
Public safety	\$ 1,087,481	986,720	950,300	912,444
Public works	434,386	411,987	400,616	402,640
Culture and recreation	664,445	653,739	637,311	618,128
Community and economic development	747,274	653,919	45,244	41,311
General government	335,056	325,803	311,829	311,914
Debt service	697,591	591,399	545,611	538,998
Capital projects	1,894,391	425,000	1,108,500	999,980
Total	\$ 5,860,624	4,048,567	3,999,411	3,825,415

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
1,375,407	1,347,899	1,341,159	1,327,748	1,314,470	1,301,326
358,394	351,226	349,470	345,975	342,516	339,091
638,550	625,779	622,650	616,424	610,259	604,157
132,557	129,906	129,256	127,964	126,684	125,417
39,700	38,906	38,711	38,324	37,941	37,562
138,414	135,646	134,967	133,618	132,282	130,959
700,227	686,222	682,791	675,963	669,204	662,512
132,908	130,249	129,598	128,302	127,019	125,749
335,209	328,505	326,862	323,594	320,358	317,154
<u>3,851,366</u>	<u>3,774,338</u>	<u>3,755,464</u>	<u>3,717,912</u>	<u>3,680,733</u>	<u>3,643,927</u>
903,320	885,253	880,827	872,019	863,298	854,665
398,614	390,641	388,688	384,801	380,953	377,144
611,947	599,708	596,709	590,742	584,835	578,986
40,898	40,080	39,880	39,481	39,086	38,695
308,795	302,619	301,106	298,095	295,114	292,163
533,608	522,936	520,321	515,118	509,967	504,867
989,980	970,181	965,330	955,676	946,120	936,658
<u>3,787,162</u>	<u>3,711,418</u>	<u>3,692,861</u>	<u>3,655,932</u>	<u>3,619,373</u>	<u>3,583,178</u>

Sample GAAP City

Sample GAAP City
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2023

Grantor/Program	Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Housing and Urban Development: Passed through Iowa Economic Development Authority: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	21-CD-000	\$ 567,000
U.S. Department of Justice: Bulletproof Vest Partnership Program	16.607		5,000
U.S. Department of Transportation: Passed through Iowa Department of Transportation: Highway Planning and Construction	20.205	STP-65-6(39)-3C-00	50,815
Highway Planning and Construction	20.205	STP-E-3721(4)-9V-00	100,000
			<u>150,815</u>
U.S. Department of Transportation: Airport Improvement Program	21.106	3-19-0019-020-2018	7,200
COVID-19 Airport Improvement Program	21.106	3-19-0019-021-2020	12,000
			<u>19,200</u>
U.S. Department of Health and Human Services: Provider Relief Fund	93.498		17,985
U.S. Department of Homeland Security: Passed through Iowa Department of Homeland Security and Emergency Management: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4187-DRIA	1,500
Total			<u>\$ 761,500</u>

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Sample GAAP City under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Sample GAAP City, it is not intended to and does not present the financial position, changes in financial position or cash flows of Sample GAAP City.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

See accompanying independent auditor's report.

Sample GAAP City



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

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

To the Honorable Mayor and Members of the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Sample GAAP City, Iowa, as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 12, 2023.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. **(Use for Note 1, Note 2, Note 3)**

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Part II of the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies. **(Note 4 only)**

(Use this paragraph rather than preceding paragraph for Note 1) Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

(Use this paragraph rather than preceding two paragraphs for Note 2, Note 3) Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. (add bold for Note 2 only)** We identified certain deficiencies in internal control, described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2023-001 through 2023-002 that we consider to be significant deficiencies. **(delete “significant deficiencies” add “material weaknesses.” for Note 3)**

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City’s financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2023-0XX through 2023-0XX to be material weaknesses. **(Use this for Note 4 only)**

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2023-0XX and 2023-0XX to be significant deficiencies. **(Use this for Note 4 only)**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sample GAAP City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City’s operations for the year ended June 30, 2023 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Sample GAAP City’s Responses to Findings

Government Auditing Standards require the auditor to perform limited procedures on the Sample GAAP City’s responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Sample GAAP City’s responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

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

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

November 12, 2023

Note 1: No material weaknesses and no significant deficiencies.

Note 2: No material weaknesses but significant deficiencies exist.

Note 3: Material weaknesses exist but no significant deficiencies.

Note 4: Both material weaknesses and significant deficiencies exist.



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

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

Opinion on each Major Federal Program

We have audited Sample GAAP City, Iowa's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on Sample GAAP City's major federal program for the year ended June 30, 2023. Sample GAAP City's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Sample GAAP City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sample GAAP City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Sample GAAP City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Sample GAAP City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sample GAAP City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgement made by a reasonable user of the report on compliance about Sample GAAP City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Sample GAAP City's compliance with the compliance requirements referred to above and performing other such procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sample GAAP City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Sample GAAP City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance we identified during the audit.

Omit the following paragraphs in the "Other Matter" if no instances of noncompliance exist.

Other Matters (Use the next 2 paragraphs if noncompliance exists)

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2023-0XX. Our opinion on the major federal program is not modified with respect to this mater.

Government Auditing Standards require the auditor to perform limited procedures on Sample GAAP City's response to the noncompliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Sample GAAP City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

(Use this paragraph for Note 1 only) A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Replace preceding paragraph with this paragraph for Note 2) Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. **We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. (delete bold words if Note 3 or Note 4)** However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies. (Note 3 and Note 4– replace bolded words with “However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses *and significant deficiencies.*”) (Note 4 add italics words)

(Note 2, Note 3 and Note 4 add this paragraph) A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. **A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. (Note 4 - delete bold words)** We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-008 and 2023-00B, to be **significant deficiencies (Note 3 and Note 4 replace bolded words with “material weaknesses”).**

(Note 4 add paragraph) A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 202X-00A and 202X-00B, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards require the auditor to perform limited procedures on Sample GAAP City's response to the internal control over compliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Sample GAAP City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response. **(omit paragraph for Note 1)**

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

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

November 12, 2023

Note 1: No material weaknesses and no significant deficiencies exist.

Note 2: No material weaknesses but significant deficiencies exist.

Note 3: Material weakness but no significant deficiencies exist.

Note 4: Material weaknesses and significant deficiencies exist.

Sample GAAP City

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

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

- (a) Unmodified opinions were issued on the financial statements prepared in accordance with U.S. generally accepted accounting principles.
- (b) No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with the Uniform Guidance Section 200.516.
- (g) The major program was Assistance Listing Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Sample GAAP City did not qualify as a low-risk auditee.

Sample GAAP City

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2023-001 Credit Cards

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity’s governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – The City has credit cards for use by various employees while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges. Additionally, supporting documentation was not always available to support credit card charges.

Cause – Adoption of a formal policy to regulate the use of credit cards has not been prioritized by the City Council. Lack of supporting documentation for credit card charges is the result of a lack of policies and procedures requiring proper support for these charges.

Effect – Lack of written policies and procedures to regulate the use of credit cards could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls the credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.

Response – Although we have not established a formal written policy detailing specifics on the use of City credit cards, we have unwritten guidelines. We will review procedures and guidelines and establish a written policy. We will also ensure all credit card charges are properly supported with a vendor receipt.

Conclusion – Response accepted.

Sample GAAP City

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-002 Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the City’s computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable and help ensure the effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The City does not have written policies for:

- Requiring password changes because software does not require the user to change logins/passwords periodically.
- Requiring independent review of payroll and utility rates.
- Computer usage and internet usage.

Also, the computer system does not lock out a user if the user enters the wrong password a specified number of times.

Cause – Management has not required written policies for the above computer-based controls.

Effect – Lack of written policies for computer-based system could result in a loss of data or compromised data, resulting in unreliable financial information.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over its computer system. Passwords should be periodically changed; independent review should be performed on utility and payroll rates and the computer should lock out users who input their password incorrectly a specified number of times.

Response – The City will review current policies and procedures and adjust accordingly.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Sample GAAP City
Schedule of Findings and Questioned Costs
Year ended June 30, 2023

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

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

Sample GAAP City

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Part IV: Other Findings Related to Required Statutory Reporting:

2023-A Certified Budget – Disbursements during the year ended June 30, 2023 exceeded the amount budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

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

Conclusion – Response accepted.

2023-B Questionable Expenditures – In accordance with Article III, Section 31, of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain expenditures were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Anywhere Flower Shop	Flower arrangements for gifts	\$ 332
Anywhere Quick Shop	Pop and food for City employees	239
Anywhere Diner	Dinner for volunteer fire fighters and family members	180

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

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

Response – We will comply with this recommendation.

Conclusion – Response accepted.

2023-C Travel Expense – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

Sample GAAP City

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-D Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Rosemary Jones, Mayor, Owner of Jones Construction	Construction, per bid	\$ 105,052
Kevin Linden, City Council Member, Owner of Linden Welding	Repair and welding	3,295
J.J. Silver, Public Works Director, Part-owner of J.J.'s Hardware	Parts and supplies	1,436

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the City Council Member and the Public Works Director do not appear to represent conflicts of interest since total transactions with each individual were less than \$6,000 during the fiscal year. The transaction with the Mayor does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

2023-E 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.

2023-F Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

2023-G City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

The City Council went into closed session on May 19, 2023. However, the minutes record did not include the reason for the closed session by reference to a specific exemption under Chapter 21.5 of the Code of Iowa.

Although minutes of City Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. Also, the City did not publish annual gross salaries in accordance with an Attorney General’s opinion dated April 12, 1978.

Recommendation – The City should ensure all closed meetings comply with Chapter 21 of the Code of Iowa and should publish minutes and annual individual salaries, as required.

Response – We will comply with the Code requirements by including a reference to the specific exemption under Chapter 21.5 for closed sessions. We will publish minutes and salaries as required.

Conclusion – Response accepted.

Sample GAAP City

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

- 2023-H 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.
- 2023-I Revenue Notes – No instances of non-compliance with the wastewater revenue note provisions were noted.
- 2023-J Tax Increment Financing (TIF) – The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates, Also, the Sample GAAP City properly completed the Tax Increment Debt Certificate Forms to request TIF property taxes.
- 2023-K Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 as required by Chapter 384.22(2)(a) of the Code of Iowa. However, the following reporting exceptions were noted:

The City understated the amount reported as TIF debt outstanding on the Levy Authority Summary by \$58,350. The debt outstanding excluded one rebate agreement and did not include the total obligation for rebate agreements subject to annual appropriation.

Recommendation – The City should ensure the TIF debt outstanding reported on the Levy Authority Summary includes all TIF debt issued during the fiscal year and the total balance of all annual appropriation obligations.

Response – These items will be corrected on next year’s report.

Conclusion – Response accepted.

- 2023-L Separately Maintained Records – Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property.”

The City Library maintains bank accounts for activity separate from the City Clerk’s accounting records. While the Department is part of the City, the transactions and resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget, monthly financial reports or Annual Financial Reports.

In addition, the transactions and resulting balances of these accounts were not reported to the City Council and disbursements from the accounts were not reviewed and approved by the City Council. Also, a summary of each account’s receipts, total disbursements and the listings of claims allowed each month were not published in accordance with Chapter 372.13(6) of the Code of Iowa.

Sample GAAP City

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the Library’s separate accounts should be integrated with the City’s accounting records in the City Clerk’s office. The financial activity should be included in the City Clerk’s accounting records, monthly financial reports and the Annual Financial Reports. The activity in these accounts should be subject to City Council review and approval and should be included in the City’s budget process. Also, a summary of each account’s receipts, total disbursements and listings of claims allowed each month should be published, as required.

Response – The activity in the Library’s separate accounts will be provided to the City Clerk and included in the Clerk’s accounting records, monthly financial reports and Annual Financial Reports. The activity will also be provided to the City Council for review and approval.

Conclusion – Response accepted.

2023-M Financial Condition – At June 30, 2023, the City had deficit balances in the following funds:

<u>Fund</u>	<u>Amount</u>
Capital Projects	\$ (317,506)
Enterprise:	
Sanitation	(14,025)

Recommendation – The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

Response – The City will review available resources to return these funds to a sound financial position.

Conclusion – Response accepted.

Sample GAAP City
Schedule of Findings and Questioned Costs
Year ended June 30, 2023

2023-N Other Information Required by the Revenue Note Resolution

Insurance – The following insurance policies were in force at June 30, 2023:

Insurer	Description	Amount	Expiration Date
Iowa Communities			
Assurance Pool (ICAP)	Property Coverage	\$ 20,000,000	Apr 1, 2022
ICAP			
Liability coverage:			
	General aggregate	10,000,000	Apr 1, 2022
	Products aggregate	10,000,000	Apr 1, 2022
	Personal injury	3,000,000	Apr 1, 2022
	Each occurrence	3,000,000	Apr 1, 2022
	Fire Damage	100,000	Apr 1, 2022
	Medical expense	5,000	Apr 1, 2022
ICAP			
Inland Marine:			
	Location 3	100,000	Apr 1, 2022
	Location 4	500,000	Apr 1, 2022
	Miscellaneous property	50,000	Apr 1, 2022
ICAP			
Automobile coverage:			
	Liability	10,000,000	Apr 1, 2022
	Auto medical	5,000	Apr 1, 2022
	Uninsured motorist	50,000	Apr 1, 2022
	Underinsured motorist	50,000	Apr 1, 2022
	Comprehensive/collision	Lesser of cash value or cost of repair	Apr 1, 2022
Iowa Municipalities			
Workers' Compensation Association (IMWCA)			
Workers' compensation:			
	Bodily injury by accident	1,000,000	Apr 1, 2022
	Bodily injury by disease	1,000,000	Apr 1, 2022
	Policy limit	1,000,000	Apr 1, 2022
ICAP			
Umbrella:			
	Retained limit	10,000	Apr 1, 2022
	Occurrence limit	3,000,000	Apr 1, 2022
	Aggregate limit	10,000,000	Apr 1, 2022
ICAP			
Linebacker:			
	Each loss	3,000,000	Apr 1, 2022
	Aggregate	10,000,000	Apr 1, 2022
ICAP			
Airport liability:			
Combined single:			
	Each occurrence	3,000,000	Jul 1, 2021
	Malpractice aggregate	10,000,000	Jul 1, 2021
	Fire damage	50,000	Jul 1, 2021
	Medical expense	1,000	Jul 1, 2021
	Hangarkeepers-per aircraft	200,000	Jul 1, 2021
	Hangarkeepers-per occurrence	200,000	Jul 1, 2021
	Personal injury and advertising injury aggregate limit	10,000,000	Jul 1, 2021
ICAP			
	Airport public officials and employees' liability	100,000	Jul 1, 2021
Smith Insurance			
	Employees blanket bond	100,000	Continuous until canceled

Sample GAAP City
Schedule of Findings and Questioned Costs
Year ended June 30, 2023

Statistical Information:

<u>Description</u>	<u>Amount</u>
Customers served at June 30, 2021 - water	2,300
Customers served at June 30, 2021 - sewer	2,250

Water rates in effect at June 30, 2023:

Per month:

First 1,000 gallons – \$2.85 minimum charge

1,000 to 20,000 gallons – \$2.15 per 1,000 gallons

Over 20,000 gallons – \$1.75 per 1,000 gallons

Sewer rates in effect at June 30, 2023:

Minimum charge per month of \$5.00 plus \$3.10 per 1,000 gallons of water used.

Sample GAAP City

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Jerome Warning, CPA, Manager
Janice Brinkley, CPA, Senior Auditor
Stanley Hood, CPA, Assistant Auditor