

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 CASH CITY

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

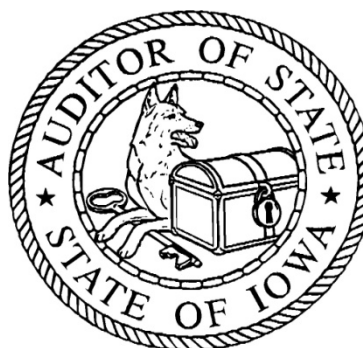
JUNE 30, 2023

==== 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

Telephone (515) 281-5834 Facsimile (515) 281-6518

Practitioners:

This sample report is presented by the Office of Auditor of State as required by Chapter 11 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 on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The format displays the basic financial statements, supplementary and other 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 illustrations of note disclosure for a city's participation in the Municipal Fire and Police Retirement System of Iowa (Note X) and the Iowa Communities Assurance Pool (ICAP), a local government risk pool (Note Y).

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 e-mails 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 one million dollars 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 and 2023-K (if applicable), detail those items which are to be included regardless of whether there are any instances of non-compliance. Any instances of non-compliance in other areas should also be reported.

We have also included a page for listing the staff 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 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 cursive.

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 City

Outline of Major Changes

- A. Implemented GASB (GASBS) No. 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 matter paragraph to address adoption of new accounting guidance related to GASBS No. 96.
 - Revised Long-Term Liabilities note to include subscription liability.
- B. The city may have a public-private and/or public-public partnership arrangement requiring reporting under GASBS No. 94. The Sample Report was not modified to reflect this statement.

Additional Notes

1. Management’s Discussion and Analysis (MD&A), which is part of Other Information, is not a required part of the financial statements for entities reporting on a cash basis and it is, therefore, not required by this Office. If the City elects to include an MD&A with the financial statements, it should be based on the applicable standards that apply to GAAP reporting and be reported as Other Information.
2. See Sample County for example of added language to the Tax Abatement, Note 15, to describe a city urban revitalization tax abatement program allowed by Chapter 404 of the Code of Iowa.
3. 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.
4. 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.

Sample City

Additional Notes

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.

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 Enterprise, Telecommunications Services Fund to the Enterprise, Gas Fund.

Response – A corrective transfer will be made.

Conclusion – Response accepted.

5. 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.

Sample Note – 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. Actual early retirement expenditures for the year ended June 30, 2023 totaled \$85,642.

Sample City

Additional Notes

6. Section 403.19 and 403.22 of the Code of Iowa require moneys in the Special Revenue, Tax Increment Financing (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund.

This section also requires an audit of cities to include an examination of the City's compliance with the Tax Increment Debt Certificate Forms 1 through 3. As such, the auditor is required to include a statutory comment on the Tax Increment Financing Fund, regardless of whether there are any instances of non-compliance. An example to report non-compliance is included as item 2023-J in the Schedule of Findings and Questioned Costs of the Sample Cash City report. The following is an example statutory comment if no instances on non-compliance are noted:

Tax Increment Financing – The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates. Also, the Sample City properly completed the Tax Increment Debt Certificate Forms to request TIF property taxes.

7. 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.

This section 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. An example to report non-compliance is included as item 2023-K in the Schedule of Findings and Questioned Costs of the Sample Cash 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.

8. 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 this Office.
-

Sample City

Additional Footnotes

The Municipal Fire and Police Retirement System note and the Iowa Communities Assurance Pool information in the Risk Management note have been updated. The notes are 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.

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.

Additional Footnotes (Continued)

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 \$_____.

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.

Additional Footnotes (Continued)

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's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$_____, \$_____ and \$_____, respectively.

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, 2022 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. The best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation 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

Additional Footnotes (Continued)

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

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

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

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.

In addition, the Schedule of the City’s Proportionate Share of the Net Pension Liability, the Schedule of City Contributions and Notes to Other Information – Pension Liability should be reported as Other 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 Other 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 to the RP-2014 Blue Collar Healthy Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

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

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

Additional Footnotes (Continued)

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

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

(Y) 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, automobile physical damage, employment practices liability, public officials liability, cyber liability, law enforcement liability, and property. 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 disbursements 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 \$_____.

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.

Additional Footnotes (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2022, 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 _____ in the amount of \$_____ and \$_____, 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.

Additional Notes (Continued)

Sample A

Sample Cash 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 time cards) is maintained to support federal expenditures. We returned the \$25,589 of questioned costs to the Iowa Economic Development Authority on October 3, 2023.	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 2023 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.

Additional Notes (Continued)**Sample B**

Sample Cash 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 Receipts	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 2022.

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. Required Supplementary Information – Management's Discussion and Analysis (GAAP basis)

Other Information – Management's Discussion and Analysis (Cash basis) – only if management elects to include the MD&A

4. Financial Statements
5. Required Supplementary Information – Comparison of Budget to Actual (GAAP basis)

Other Information – Comparison of Budget to Actual (Cash basis)

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 Notes number 4 on the Outline of Major Changes for Sample Cash City provides more information relating to finding (i) on telecommunications services.

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.

Intentionally Left Blank





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

NEWS RELEASE

Contact:

FOR RELEASE

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

FINANCIAL HIGHLIGHTS:

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

AUDIT FINDINGS:

Sand reported fourteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 68 through 79 of this report. The findings address issues such as a lack of segregation of duties, misposting of material amounts of property tax receipts, the lack of reconciliations of utility billings, collections and delinquent accounts, late submission of a required federal report, disbursements exceeding budgeted amounts and incorrect certifications of TIF debt. Sand provided the City with recommendations to address each of the findings.

Ten of the sixteen 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 responsible 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](#).

###

SAMPLE CASH CITY

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

JUNE 30, 2023

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor’s Report	5-7
Management’s Discussion and Analysis (delete if management has not elected to include the MD&A)	8-15
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 18-19
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 20-21
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	C 22
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D 23
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	E 25
Notes to Financial Statements	26-41
Other Information	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds	44-45
Notes to Other Information – Budgetary Reporting	47
Schedule of the City’s Proportionate Share of the Net Pension Liability (Asset)	48-49
Schedule of City Contributions	50-51
Notes to Other Information – Pension Liability	52
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1 54-55
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	2 56-57
Schedule of Expenditures of Federal Awards	3 59
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 <u>Government Auditing Standards</u>	61-63
Independent Auditor’s Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	64-67
Schedule of Findings and Questioned Costs	68-79
Staff	80

Sample Cash 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 Cash 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, each major fund and the aggregate remaining fund information of Sample Cash 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 cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sample Cash City as of June 30, 2023, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

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 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.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Emphasis of Matter

As discussed in Note 3 to the financial statements, Sample Cash 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 these financial statements in accordance with the cash basis of accounting described in Note 1, and for determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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 Sample Cash 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 Sample Cash 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 Cash 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sample Cash City's basic financial statements. We previously audited, in accordance with the standards referred to in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report, the financial statements for the nine years ended June 30, 2022 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The supplementary information included in Schedules 1 through 3, 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 3 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in this report. The other information comprises the Management's Discussion and Analysis (**delete reference to the MD&A if excluded from reporting**), the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 8 through 15 and 44 through 52 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 17, 2023 on our consideration of Sample Cash 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 Cash City's internal control over financial reporting and compliance.

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

September 17, 2023

(NOTE: Delete the MD&A if management has elected to exclude it from reporting)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Sample Cash 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

- Receipts of the City's governmental activities increased 118%, or approximately \$2,402,000, in fiscal year 2023. Property tax increased approximately \$30,000 and bond proceeds increased \$1,216,000.
- Disbursements of the City's governmental activities increased 49.9%, or approximately \$856,000, in fiscal year 2023. Culture and recreation, community and economic development and general government disbursements increased approximately \$149,000, \$500,000 and \$163,000, respectively.
- The City's total cash basis net position increased 115.5%, or approximately \$2,648,000, during fiscal year 2023. Of this amount, the cash basis net position of the governmental activities increased approximately \$1,892,000 and the cash basis net position of the business type activities increased approximately \$756,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

- 2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

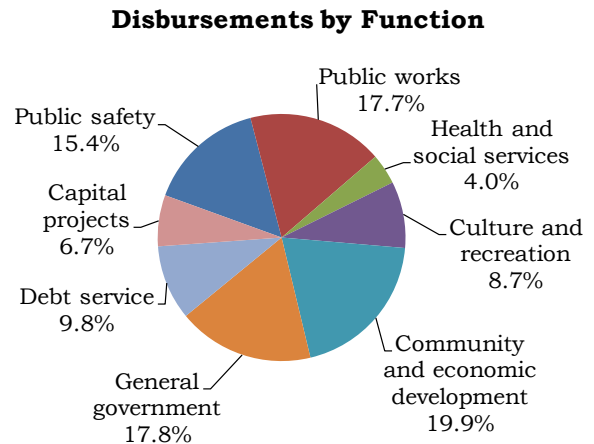
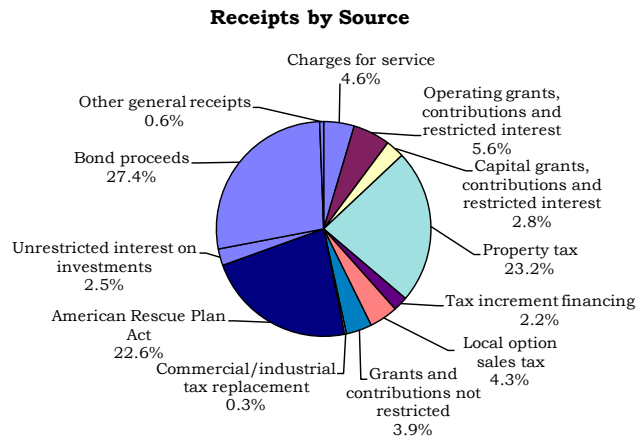
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$1.689 million to approximately \$3.581 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2023	2022
Receipts:		
Program receipts:		
Charges for service	\$ 206	198
Operating grants, contributions and restricted interest	247	222
Capital grants, contributions and restricted interest	125	83
General receipts:		
Property tax	1,030	1,000
Tax increment financing	96	91
Local option sales tax	190	188
Grants and contributions not restricted to specific purposes	175	116
Commercial/industrial tax replacement	15	12
American Rescue Plan Act	1,000	-
Unrestricted interest on investments	112	94
Bond proceeds	1,216	-
Other general receipts	25	31
Total receipts	<u>4,437</u>	<u>2,035</u>
Disbursements:		
Public safety	396	380
Public works	455	501
Health and social services	104	97
Culture and recreation	224	75
Community and economic development	512	12
General government	459	296
Debt service	251	247
Capital projects	171	108
Total disbursements	<u>2,572</u>	<u>1,716</u>
Change in cash basis net position before transfers	1,865	319
Transfers, net	<u>27</u>	<u>22</u>
Change in cash basis net position	1,892	341
Cash basis net position beginning of year	<u>1,689</u>	<u>1,348</u>
Cash basis net position end of year	<u>\$ 3,581</u>	<u>1,689</u>



The City's total receipts for governmental activities increased 118.0%, or approximately \$2,402,000, over the prior year. The total cost of all programs and services increased approximately \$856,000, or 49.9%, with no new programs added this year. The significant increase in receipts was primarily the result of federal grants for the American Rescue Plan Act (ARPA) and proceeds received from the issuance of urban renewal tax increment financing revenue bonds and general obligation street improvement bonds.

The City increased property tax rates for fiscal year 2023 an average of 4.0%. This increase, the first in three years, raised the City's property tax receipts approximately \$30,000 in fiscal year 2023. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase an additional \$50,000 next year.

The cost of all governmental activities this year was approximately \$2.572 million compared to approximately \$1.716 million last year. However, as shown in the Statement of Activities and Net Position on pages 18-19, the amount taxpayers ultimately financed for these activities was approximately \$1.994 million because some of the cost was paid by those directly benefiting from the programs (approximately \$206,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$372,000). The increase in amount funded by taxpayers was due to the receipt of the American Rescue Plan Act and bond proceeds. The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and ARPA funds. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2023 from approximately \$503,000 to approximately \$578,000, principally due to receiving grant proceeds to complete the City Hall renovation project.

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2023	2022
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 656	640
Sewer	473	458
Capital grants, contributions and restricted interest	535	478
General receipts:		
Unrestricted interest on investments	8	7
Bond proceeds	750	-
Other general receipts	46	49
Total receipts	2,468	1,632
Disbursements:		
Water	591	588
Sewer	1,094	955
Total disbursements	1,685	1,543
Change in cash basis net position before transfers	783	89
Transfers, net	(27)	(22)
Change in cash basis net position	756	67
Cash basis net position beginning of year	603	536
Cash basis net position end of year	\$ 1,359	603

Total business type activities receipts for the fiscal year were approximately \$2.468 million compared to approximately \$1.632 million last year. This significant increase was due primarily to the receipt of \$750,000 of sewer revenue bond proceeds. The cash balance increased approximately \$756,000 during fiscal year 2023 because most of the bond proceeds received will not be spent for the approved sewer construction project until next fiscal year. Total disbursements for the fiscal year increased 9.2% to approximately \$1.685 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Sample Cash City completed the year, its governmental funds reported a combined fund balance of \$3,570,573, an increase of more than \$1,890,000 above last year's total of \$1,679,848. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$439,808 to \$1,755,623. Much of this increase was due to the receipt of federal grants for ARPA. Disbursements in the General Fund increased approximately \$915,000 from the prior year due to the City using the ARPA funds for broadband infrastructure, installation of an air filtration system at City Hall.

- The Special Revenue, Road Use Tax (RUT) Fund cash balance increased \$122,922 to \$333,330. This increase was also attributable to approximately \$95,000 of local option sales tax transferred to the RUT Fund. In accordance with the LOST ballot provisions, the City is required to use a portion of this money to upgrade the condition of City roads. Disbursements decreased approximately \$100,000 due to fewer road repairs in the current fiscal year.
- The Special Revenue, Urban Renewal Tax Increment Fund was established in the previous fiscal year to account for an urban renewal project within the City's business district. At the end of the fiscal year, the cash balance was \$106,624, an increase of \$65,313 over the previous year.
- The Debt Service Fund cash balance increased \$94,593 to \$106,083. This increase was due to an increase in property tax. Bond principal and interest payments increased \$34,058 in fiscal year 2022. Required principal and interest payments are expected to increase in the future due to the issuance of \$700,000 of general obligation bonds in the current fiscal year.
- The Capital Projects Fund cash balance increased \$1,170,210. The increase was the result of proceeds of \$1,216,750 received from the issuance of urban renewal tax increment financing revenue bonds and general obligation street improvement bonds. The proceeds from the urban renewal revenue bonds will be used for various construction and refurbishing projects within the urban renewal district, including a City Hall renovation project. The bonds and interest will be redeemed with incremental property tax generated from the increased taxable valuation in the district.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$64,050 to \$190,101, due primarily to an increase in the sale of water and a reduction in debt service payments.
- The Enterprise, Sewer Fund cash balance increased \$690,535 to \$1,160,340, due primarily to the receipt of \$750,000 of sewer revenue bond proceeds and a \$535,000 community development block grant, both to help fund a sewer construction project. At June 30, 2023, approximately \$707,000 of these resources had been spent on project costs.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on March 11, 2023 and resulted in an increase in operating disbursements related to a cost overrun of approximately \$10,000 on various maintenance projects involving City Hall. The second amendment was approved on May 13, 2023 to provide for additional disbursements in certain City departments. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$549,990 more than budgeted, a variance of 12.5%. This was primarily due to the City receiving more in intergovernmental receipts from ARPA funds than anticipated.

Total disbursements were \$226,019 less than the amended budget. Actual disbursements for the community and economic development, culture and recreation and public safety functions were \$148,247, \$144,081 and \$78,830, respectively, less than the amended budget. This was primarily due to a delay in equipment purchases for the Police Department and broadband infrastructure.

The City exceeded the amounts budgeted in the general government and business type activities functions for the year ended June 30, 2023 due to higher costs for the City Hall maintenance projects and sewer construction engineering costs not budgeted.

DEBT ADMINISTRATION

At June 30, 2023, the City had \$4,789,000 of bonds and other long-term debt outstanding, compared to \$2,777,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	(As Restated)	
	2023	2022
General obligation bonds	\$ 1,535	885
Special assessment bonds and notes	-	60
Urban renewal tax increment financing revenue bonds	515	-
Lease agreements	58	72
Equipment purchase agreements	424	-
Information technology subscriptions	47	70
Revenue bonds/notes	2,210	1,690
Total	<u>\$ 4,789</u>	<u>2,777</u>

Debt increased as a result of issuing general obligation bonds for street improvement and revenue bonds for a sewer construction project. In addition, the City issued urban renewal tax increment financing revenue bonds for the purpose of defraying a portion of the costs of carrying out urban renewal projects in the City.

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 and tax increment financing debt of \$2,489,000, including \$15,000 of the annually appropriated development agreement obligation, is significantly below its constitutional debt limit of approximately \$12 million. Additional information about the City’s long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

Sample Cash City’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2024 budget, tax rates and fees charged for various City activities. One of those factors is the economy. 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/timeseries/LNS14000000>).

These indicators were taken into account when adopting the budget for fiscal year 2024. Amounts available for appropriation (budgeted beginning balance plus budgeted receipts) in the operating budget are approximately \$7.1 million, an increase of 3% over the final fiscal year 2023 budget. Property tax (benefiting from rate increases and increases in assessed valuations) and proceeds from the urban renewal tax increment financing revenue bonds are expected to lead this increase. The City will use these increases in receipts to finance programs we currently offer and to defray a portion of the costs of carrying out urban renewal projects in the City. Budgeted disbursements increased approximately \$600,000. Increased health care costs, increases in street construction and maintenance and the urban renewal project represent the largest increases. The City has added no major new programs or initiatives to the fiscal year 2024 budget.

If these estimates are realized, the City's cash balance is expected to decrease approximately \$600,000 by the close of fiscal year 2024.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Marilyn Martin, City Clerk, 101 Main Street, Sample Cash City, Iowa 50XXX-XXXX.

Sample Cash City

Basic Financial Statements

Sample Cash City

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2023

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 396,016	19,246	13,679	-
Public works	455,040	60,576	222,634	-
Health and social services	103,739	100,511	-	-
Culture and recreation	223,797	5,684	10,670	-
Community and economic development	511,753	-	-	-
General government	459,591	19,470	-	-
Debt service	250,524	-	-	-
Capital projects	171,540	-	-	125,000
Total governmental activities	2,572,000	205,487	246,983	125,000
Business type activities:				
Water	591,235	655,995	-	-
Sewer	1,094,350	473,048	-	535,000
Total business type activities	1,685,585	1,129,043	-	535,000
Total	\$ 4,257,585	1,334,530	246,983	660,000
General Receipts and Transfers:				
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				
American Rescue Plan Act				
Unrestricted interest on investments				
Bond proceeds, net of \$10,500 premium and \$8,750 issuance costs				
Miscellaneous				
Sale of capital assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Capital projects				
Debt service				
Capital projects				
American Rescue Plan Act				
Other purposes				
Meter deposits				
Unrestricted				
Total cash basis net position				
See notes to financial statements.				

Net (Disbursements) Receipts and
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
(363,091)	-	(363,091)
(171,830)	-	(171,830)
(3,228)	-	(3,228)
(207,443)	-	(207,443)
(511,753)	-	(511,753)
(440,121)	-	(440,121)
(250,524)	-	(250,524)
(46,540)	-	(46,540)
(1,994,530)	-	(1,994,530)
-	64,760	64,760
-	(86,302)	(86,302)
-	(21,542)	(21,542)
(1,994,530)	(21,542)	(2,016,072)

839,310	-	839,310
242,267	-	242,267
95,832	-	95,832
190,470	-	190,470
122,727	-	122,727
14,879	-	14,879
1,000,000	-	1,000,000
112,075	8,261	120,336
1,216,750	750,000	1,966,750
6,888	46,629	53,517
18,540	-	18,540
27,300	(27,300)	-
3,887,038	777,590	4,664,628
1,892,508	756,048	2,648,556
1,688,795	603,176	2,291,971
\$ 3,581,303	1,359,224	4,940,527

\$ 11,500	-	11,500
333,330	-	333,330
1,170,210	-	1,170,210
219,211	242,516	461,727
-	570,000	570,000
200,000	-	200,000
80,699	-	80,699
-	14,655	14,655
1,566,353	532,053	2,098,406
\$ 3,581,303	1,359,224	4,940,527

Sample Cash City

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

As of and for the year ended June 30, 2023

	General	Special Revenue	
		Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 741,677	-	-
Local option sales tax	-	-	-
Tax increment financing	-	-	95,832
Other city tax	41,421	-	-
Licenses and permits	16,254	-	-
Use of money and property	109,642	-	-
Intergovernmental	1,147,941	222,634	-
Charges for service	110,417	-	-
Special assessments	3,216	-	-
Miscellaneous	29,096	1,000	-
Total receipts	2,199,664	223,634	95,832
Disbursements:			
Operating:			
Public safety	368,900	-	-
Public works	246,509	195,947	-
Health and social services	97,243	-	-
Culture and recreation	220,872	-	-
Community and economic development	500,000	-	11,753
General government	442,407	-	-
Debt service	-	-	18,766
Capital projects	25,000	-	-
Total disbursements	1,900,931	195,947	30,519
Excess (deficiency) of receipts over (under) disbursements	298,733	27,687	65,313
Other financing sources (uses):			
Urban renewal tax increment financing revenue bond proceeds	-	-	-
General obligation bond proceeds, net of \$10,500 premium and \$8,750 issuance costs	-	-	-
Sale of capital assets	18,540	-	-
Transfers in	122,535	95,235	-
Transfers out	-	-	-
Total other financing sources (uses)	141,075	95,235	-
Change in cash balances	439,808	122,922	65,313
Cash balances beginning of year	1,315,815	210,408	41,311
Cash balances end of year	\$ 1,755,623	333,330	106,624
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Streets	-	333,330	-
Capital projects	-	-	-
Debt service	-	-	106,624
America Rescue Plan Act projects	200,000	-	-
Other purposes	-	-	-
Assigned for fire station	50,000	-	-
Unassigned	1,505,623	-	-
Total cash basis fund balances	\$ 1,755,623	333,330	106,624

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
233,950	-	54,222	1,029,849
-	-	190,470	190,470
-	-	-	95,832
8,317	-	1,990	51,728
-	-	-	16,254
-	-	2,433	112,075
3,804	-	125,826	1,500,205
-	-	-	110,417
-	-	59,576	62,792
-	-	2,200	32,296
246,071	-	436,717	3,201,918
-	-	27,820	396,720
-	-	12,991	455,447
-	-	6,496	103,739
-	-	3,047	223,919
-	-	-	511,753
-	-	17,734	460,141
151,478	-	80,280	250,524
-	46,540	100,000	171,540
151,478	46,540	248,368	2,573,783
94,593	(46,540)	188,349	628,135
-	515,000	-	515,000
-	701,750	-	701,750
-	-	-	18,540
-	-	-	217,770
-	-	(190,470)	(190,470)
-	1,216,750	(190,470)	1,262,590
94,593	1,170,210	(2,121)	1,890,725
11,490	-	100,824	1,679,848
106,083	1,170,210	98,703	3,570,573
-	-	11,500	11,500
-	-	-	333,330
-	1,170,210	-	1,170,210
106,083	-	6,504	219,211
-	-	-	200,000
-	-	80,699	80,699
-	-	-	50,000
-	-	-	1,505,623
106,083	1,170,210	98,703	3,570,573

Sample Cash City

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

As of and for the year ended June 30, 2023

Total governmental funds cash balances (page 21) \$ 3,570,573

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

The Internal Service Fund is used by management to change the costs of partial self-funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

10,730

Cash basis net position of governmental activities (page 19) \$ 3,581,303

Change in cash balances (page 21) \$ 1,890,725

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

The Internal Service Fund is used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

1,783

Change in cash basis net position of governmental activities (page 19) \$ 1,892,508

See notes to financial statements.

Sample Cash City

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

As of and for the year ended June 30, 2023

	Enterprise			Internal Service
	Water	Sewer	Total	Employee Health
Operating receipts:				
Charges for service	\$ 655,995	473,048	1,129,043	78,015
Miscellaneous	-	-	-	3,321
Total operating receipts	655,995	473,048	1,129,043	81,336
Operating disbursements:				
Governmental activities:				
Public safety	-	-	-	16,932
Public works	-	-	-	9,792
Culture and recreation	-	-	-	2,932
General government	-	-	-	13,237
Business type activities	347,133	293,423	640,556	35,197
Total operating disbursements	347,133	293,423	640,556	78,090
Excess of operating receipts over operating disbursements	308,862	179,625	488,487	3,246
Non-operating receipts (disbursements):				
Community Development Block Grant	-	535,000	535,000	-
Interest on investments	1,660	6,601	8,261	-
Miscellaneous	25,653	20,976	46,629	-
Sewer revenue bond proceeds	-	750,000	750,000	-
Debt service	(244,825)	(94,329)	(339,154)	-
Capital projects	-	(707,338)	(707,338)	-
Net non-operating receipts (disbursements)	(217,512)	510,910	293,398	-
Excess of receipts over disbursements	91,350	690,535	781,885	3,246
Transfers out	(27,300)	-	(27,300)	-
Change in cash balances	64,050	690,535	754,585	3,246
Cash balances beginning of year	126,051	469,805	595,856	16,267
Cash balances end of year	\$ 190,101	1,160,340	1,350,441	19,513
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 45,873	196,643	242,516	-
Capital projects	-	570,000	570,000	-
Meter deposits	14,655	-	14,655	-
Unrestricted	129,573	393,697	523,270	19,513
Total cash basis fund balances	\$ 190,101	1,160,340	1,350,441	19,513

See notes to financial statements.

Sample Cash City

Sample Cash City

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

As of and for the year ended June 30, 2023

Total enterprise funds cash balances (page 23) \$ 1,350,441

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

The Internal Service Fund is used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

8,783

Cash basis net position of business type activities (page 19) \$ 1,359,224

Change in cash balances (page 23) \$ 754,585

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

The Internal Service Fund is used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

1,463

Change in cash basis net position of business type activities (page 19) \$ 756,048

See notes to financial statements.

Sample Cash City

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies

Sample Cash City is a political subdivision of the State of Iowa located in Sample County. It was first incorporated in 1902 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, Sample Cash 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation.

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

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

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

The City also reports the following proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in the governmental 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 City Council in March 2022.

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2023, disbursements exceeded the amounts budgeted in the general government and business type activities functions.

(2) Cash 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.

At June 30, 2023, the City had the following investments:

Investment	Carrying Amount	Fair Value	Maturity
Governmental National Mortgage Association	<u>\$ 200,000</u>	<u>202,000</u>	October 2023

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The recurring fair value of the Governmental National Mortgage Association securities was determined using quoted market prices. (Level 1 inputs)

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$150,000. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City’s investment in the Iowa Public Agency Investment Trust is unrated.

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

(3) Bonds, Notes, Leases and IT Subscriptions Payable

A summary of changes in bonds, notes, leases and information technology (IT) subscriptions payable for the year ended June 30, 2023 is as follows:

	Beginning Balances Restated	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 885,000	700,000	50,000	1,535,000	110,000
Special assessment bonds	30,000	-	30,000	-	-
Special assessment notes	30,000	-	30,000	-	-
Urban renewal tax increment financing revenue bonds	-	515,000	-	515,000	-
Lease agreement	72,190	-	14,151	58,039	14,293
Equipment purchase agreements - direct borrowing	-	423,800	-	423,800	97,595
IT subscriptions	70,040	-	22,548	47,492	23,338
Governmental activities total	<u>\$ 1,087,230</u>	<u>1,638,800</u>	<u>146,699</u>	<u>2,579,331</u>	<u>245,226</u>
Business type activities:					
Water revenue notes	\$ 1,310,000	-	170,000	1,140,000	170,000
Sewer revenue notes-direct borrowing	380,000	750,000	60,000	1,070,000	20,000
Business-type activities total	<u>\$ 1,690,000</u>	<u>750,000</u>	<u>230,000</u>	<u>2,210,000</u>	<u>190,000</u>

General Obligation Bonds

A summary of the City’s June 30, 2023 general obligation bonds payable is as follows:

Year	Fire Station Improvement			Bridge		
	Issued Jun 1, 2013			Issued Jun 1, 2013		
Ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	3.70%	\$ 15,000	555	5.50%	\$ 5,000	2,663
2025		-	-	5.75	5,000	2,387
2026		-	-	5.75	5,000	2,100
2027		-	-	5.75	5,000	1,813
2028		-	-	6.00	5,000	1,525
2029-2033		-	-	6.00-6.25	20,000	3,087
2034-2037		-	-		-	-
Total		<u>\$ 15,000</u>	<u>555</u>		<u>45,000</u>	<u>13,575</u>

Year Ending June 30,	Street Improvement			Sanitary Sewer		
	Issued Aug 1, 2013			Issued Sep 1, 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	3.50%	\$ 10,000	6,275	4.70%	\$ 30,000	31,195
2025	3.50	15,000	5,925	4.70	30,000	29,785
2026	3.60	15,000	5,400	4.90	40,000	28,375
2027	3.60	15,000	4,860	4.90	40,000	26,415
2028	3.60	15,000	4,320	4.90	40,000	24,455
2029-2033	3.70-3.90	100,000	11,440	5.15-5.25	220,000	91,230
2034-2037		-	-	5.25-2.50	205,000	28,225
Total		<u>\$ 170,000</u>	<u>38,220</u>		<u>\$ 605,000</u>	<u>259,680</u>

Year Ending June 30,	Street Construction			Total		
	Issued Jun 1, 2023					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2024	8.70%	\$ 50,000	63,825	\$ 110,000	104,513	214,513
2025	8.70	50,000	59,475	100,000	97,572	197,572
2026	9.00	50,000	55,125	110,000	91,000	201,000
2027	9.00	50,000	50,625	110,000	83,713	193,713
2028	9.00	50,000	46,125	110,000	76,425	186,425
2029-2033	9.00-9.25	250,000	162,750	590,000	268,507	858,507
2034-2037	9.25-9.50	200,000	47,125	405,000	75,350	480,350
Total		<u>\$ 700,000</u>	<u>485,050</u>	<u>\$ 1,535,000</u>	<u>797,080</u>	<u>2,332,080</u>

On June 1, 2013, the City issued \$150,000 of general obligation bonds with an interest rate of 3.70% per annum. The bonds were issued for fire station improvements. During the year ended June 30, 2023, the City paid \$15,000 of principal and \$555 of interest on the bonds.

On June 1, 2013, the City issued \$100,000 of general obligation bonds with interest rates ranging from 5.50% to 6.25% per annum. The bonds were issued for bridge repairs. During the year ended June 30, 2023, the City paid \$5,000 of principal and \$2,933 of interest on the bonds.

On August 1, 2013, the City issued \$320,000 of general obligation bonds with interest rates ranging from 3.50% to 3.90% per annum. The bonds were for street improvements. During the year ended June 30, 2023, the City paid \$10,000 of principal and \$7,180 of interest on the bonds.

On September 1, 2017, the City issued \$850,000 of general obligation bonds with interest rates ranging from 4.70% to 5.50% per annum. The bonds were issued for sanitary sewer repairs. During the year ended June 30, 2023, the City paid \$20,000 of principal and \$32,135 of interest on the bonds.

On June 1, 2023, the City issued \$700,000 of general obligation bonds with interest rates ranging from 8.70% to 9.50% per annum. The bonds were issued for street construction. During the year ended June 30, 2023, the City paid \$58,175 of interest on the bonds.

Urban Renewal Tax Increment Financing Revenue Bonds

The City's June 30, 2023 urban renewal tax increment financing revenue bonds payable is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2024	7.00%	\$ -	18,766	18,766
2025	7.00	-	36,050	36,050
2026	7.00	20,000	36,050	56,050
2027	7.00	30,000	34,650	64,650
2028	7.00	35,000	32,550	67,550
2029-2033	7.00	210,000	122,500	332,500
2034-2037	7.00	220,000	39,900	259,900
Total		<u>\$ 515,000</u>	<u>320,466</u>	<u>835,466</u>

The City issued \$515,000 of urban renewal tax increment financing (TIF) revenue bonds in December 2022 for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The bonds are payable solely from the TIF receipts generated by increased property values in the City's urban renewal district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$835,466, payable through June 2037. For the current year, interest paid and total TIF receipts were \$18,766 and \$95,832, respectively.

Revenue Notes

Year Ending June 30,	Water			Sewer		
	Issued May 1, 2013			Issued Jun 1, 2017		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	4.95%	\$ 170,000	58,000	3.00%	\$ 20,000	18,550
2025	5.05	180,000	49,585	3.00	20,000	17,490
2026	5.05	190,000	40,495	3.00	20,000	16,430
2027	5.15	200,000	30,900	3.00	20,000	15,370
2028	5.15	200,000	20,600	3.00	30,000	14,310
2029-2033	5.15	200,000	10,300	3.00	100,000	55,650
2034-2038		-	-	3.00	150,000	23,850
Total		<u>\$1,140,000</u>	<u>209,880</u>		<u>\$ 360,000</u>	<u>161,650</u>

Totals			
Year Ending June 30,	Principal	Interest	Total
2024	\$ 190,000	76,550	266,550
2025	200,000	67,075	267,075
2026	210,000	56,925	266,925
2027	220,000	46,270	266,270
2028	230,000	34,910	264,910
2029-2033	300,000	65,950	365,950
2034-2038	150,000	23,850	173,850
	<u>\$ 1,500,000</u>	<u>371,530</u>	<u>1,871,530</u>

On May 1, 2013, the City issued \$2,800,000 of water revenue notes to provide financing for the construction of water main extensions. The notes bear interest at rates ranging from 4.95% to 5.15%, per annum, and mature in 2029. During the year ended June 30, 2023, the City paid principal of \$170,000 and interest of \$74,825 on the notes.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the \$2,800,000 of water revenue notes issued in May 2013. The notes are payable solely from water customer net receipts. Annual principal and interest payments on the notes are expected to require 79% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,535,280. For the current year, principal and interest paid and total customer net receipts were \$244,825 and \$308,862, respectively.

Sewer Revenue Notes – Direct Borrowing

On June 1, 2017, the City entered into an agreement with the Iowa Finance Authority (IFA) for the issuance of \$500,000 of sewer revenue capital loan notes with interest at 3.0% per annum. The notes were issued pursuant to Chapters 384.24A and 384.83 of the Code of Iowa to provide financing for the construction of improvements to the sewer treatment plant. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue note or the agreement and to take whatever action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. During the year ended June 30, 2023, the City paid principal of \$20,000 and interest of \$20,704 on the notes.

The City has pledged future sewer customer receipts, net of specified operating, disbursements, to repay \$500,000 of sewer revenue notes issued in June 2017. The notes are payable solely from sewer customer net receipts. Annual principal and interest payments on the notes are expected to require 22% of net receipts. The total principal and interest remaining to be paid on the notes is \$521,650. For the current year, principal and interest paid and total customer net receipts were \$40,704 and \$179,625, respectively.

The resolutions providing for the issuance of the water and sewer revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers of \$5,000 shall be made to a water reserve account and monthly transfers of \$1,000 shall be made to a sewer revenue reserve account within the Enterprise Funds until specific minimum balances have been accumulated in the accounts. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
- (d) All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in a sewer revenue surplus account within the Enterprise Funds until a minimum of \$100,000 is accumulated. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for note and interest payments which the other accounts might be unable to make.

Sewer Revenue Notes – Direct Borrowing

On July 1, 2022, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority (IFA) for the issuance of up to \$2,000,000 sewer revenue notes with interest at 1.75% per annum. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's sewer system. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. In the event of default, the issuer shall have the right to take any action authorized under the regulations, the revenue note or the agreement and to take whatever other action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. During the year ended June 30, 2023, the City drew down \$750,000 of the authorized amount, leaving a balance of \$1,250,000 to draw. An initiation fee of \$10,000, 0.5% of the authorized borrowing for the sewer revenue notes, was charged by the IFA. The agreement also requires the City to pay 0.25% servicing fee on the outstanding principal balance. A final repayment schedule has not yet been adopted for the notes. \$40,000 in principal and \$13,125 in interest payments were made during the year ended June 30, 2023.

Lease Agreement

On May 14, 2022, the City entered into a noncancelable lease agreement for two library printers. An initial lease liability was recorded in the amount of \$73,362. The agreement requires monthly payments of \$1,234 over 60 months, with an implicit interest rate of 1.0% and a final payment on June 1, 2027. During the year ended June 30, 2023, the City paid principal of \$14,120 and interest of \$688. Future principal and interest payments are as follows:

Year Ending June 30,	Library Printer		Total
	Principal	Interest	
2024	\$ 14,293	515	14,808
2025	14,436	372	14,808
2026	14,582	226	14,808
2027	14,728	80	14,808
Total	\$ 58,039	1,193	59,232

Equipment Purchase Agreement – Direct Borrowing

On June 2, 2023, the City entered into an equipment purchase agreement for a fire truck with an initial liability of \$423,800. The agreement bears interest at 5.50% per annum and is payable with annual installments of \$120,904 over 4 years, with a final payment of \$120,904 due by June 2, 2027. During the year ended June 30, 2023, the City paid principal of \$97,595 and interest of \$23,309. Future principal and interest payments are as follows:

Year Ending June 30,	Fire Truck		Total
	Principal	Interest	
2024	\$ 97,595	23,309	120,904
2025	102,963	17,941	120,904
2026	108,626	12,278	120,904
2027	114,616	6,288	120,904
Total	\$ 423,800	59,816	483,616

Information Technology Subscription

On July 1, 2021, the City entered into a subscription-based information technology agreement (SBITA) for financial software. An initial subscription liability was recorded in the amount of \$100,000. The agreement requires annual payments of \$25,000 with an initial payment on July 1, 2021. The agreement has an 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 \$22,548 and interest of \$2,452. Future principal and interest payments are as follows:

Year Ending June 30,	SBITA		Total
	Principal	Interest	
2024	\$ 23,338	1,662	25,000
2025	24,154	845	24,999
Total	\$ 47,492	2,507	49,999

(4) Pension Plan

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 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%. Protection 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 \$275,130.

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 \$1,556,138 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 0.045073%, which was an increase of 0.000086% over its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$(169,224), \$401,055 and \$512,074, respectively.

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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
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	100.0%	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 3,361,432	1,820,138	421,781

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

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2023, the City contributed \$379,108 and plan members eligible for benefits contributed \$189,529 to the plan. At June 30, 2023, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	3
Active employees	<u>58</u>
Total	<u>61</u>

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation and sick leave payable to employees at June 30, 2023, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 8,000
Sick leave	<u>14,000</u>
Total	<u>\$ 22,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2023.

(7) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 95,235
	Enterprise:	
	Water	<u>27,300</u>
		122,535
Special Revenue:	Special Revenue:	
Road Use Tax	Local Option Sales Tax	<u>95,235</u>
Total		<u>\$ 217,770</u>

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

(8) Related Party Transactions

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

(9) Senior Housing Revenue Bonds

The City has issued a total of \$13,500,000 of senior housing revenue bonds under the provisions of Chapter 419 of the Code of Iowa to construct a senior housing complex. The bonds and related interest are payable solely from revenues pledged for the payment and secured by the loan agreement. The bond principal and interest do not constitute a liability of the City. As of June 30, 2023, the outstanding bond principal is \$12,800,000.

(10) Risk Management

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

(11) Deferred Compensation Plan

The City offers its employees a deferred compensation 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 ABC Retirement Corporation and do not constitute a liability of the City.

(12) Development Agreement

The City has entered into a development agreement with Entrepreneur Incorporated (developer) for the construction of a retail facility with a minimum assessed value of \$1,000,000. The City agreed to pay the developer an amount not to exceed \$100,000 subject to annual appropriation by the City Council. The agreement requires up to ten annual payments, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2023, the City rebated \$11,753 of incremental property tax to the developer. At June 30, 2023, the remaining balance to be paid on the agreement was \$88,247 and the amount appropriated for payment in the next fiscal year is \$15,000.

(13) Tax Abatements

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts 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 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, \$4,014 of property tax was diverted from the City under the urban renewal and economic development agreements.

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 entity:

<u>Entity</u>	<u>Tax Abatement Program</u>	<u>Amount of Tax Abated</u>
Other City	Urban renewal and economic development projects	\$ 5,000

(14) Litigation

The City is subject to pending litigation seeking compensatory damages of approximately \$250,000. The probability of loss, if any, is undeterminable.

(15) Subsequent Events

In August 2023, the City issued \$500,000 of general obligation bonds and entered into construction contracts totaling \$468,520 for a water project. The City also entered into a construction contract for \$186,500 for a street project to be financed from road use tax receipts.

Sample Cash City

Other Information

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

Other Information

Year ended June 30, 2023

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 1,029,849	-	1,029,849
Tax increment financing	95,832	-	95,832
Other city tax	242,198	-	242,198
Licenses and permits	16,254	-	16,254
Use of money and property	112,075	8,261	120,336
Intergovernmental	1,500,205	535,000	2,035,205
Charges for service	110,417	1,129,043	1,239,460
Special assessments	62,792	-	62,792
Miscellaneous	32,296	46,629	78,925
Total receipts	3,201,918	1,718,933	4,920,851
Disbursements:			
Public safety	396,720	-	396,720
Public works	455,447	-	455,447
Health and social services	103,739	-	103,739
Culture and recreation	223,919	-	223,919
Community and economic development	511,753	-	511,753
General government	460,141	-	460,141
Debt service	250,524	-	250,524
Capital projects	171,540	-	171,540
Business type activities	-	1,687,048	1,687,048
Total disbursements	2,573,783	1,687,048	4,260,831
Excess of receipts over disbursements	628,135	31,885	660,020
Other financing sources, net	1,262,590	722,700	1,985,290
Change in balances	1,890,725	754,585	2,645,310
Balances beginning of year	1,679,848	595,856	2,275,704
Balances end of year	\$ 3,570,573	1,350,441	4,921,014

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
1,072,000	1,072,000	(42,151)
90,000	90,000	5,832
211,000	211,000	31,198
15,000	15,000	1,254
115,000	115,000	5,336
700,000	1,540,000	495,205
1,200,000	1,182,861	56,599
62,000	62,000	792
83,000	83,000	(4,075)
<u>3,548,000</u>	<u>4,370,861</u>	<u>549,990</u>
390,550	475,550	78,830
475,100	475,100	19,653
125,000	110,000	6,261
177,500	368,000	144,081
60,000	660,000	148,247
210,000	383,200	(76,941)
285,000	285,000	34,476
180,000	180,000	8,460
<u>1,430,000</u>	<u>1,550,000</u>	<u>(137,048)</u>
<u>3,333,150</u>	<u>4,486,850</u>	<u>226,019</u>
214,850	(115,989)	776,009
<u>515,000</u>	<u>515,000</u>	<u>1,470,290</u>
729,850	399,011	2,246,299
<u>2,730,000</u>	<u>2,991,400</u>	<u>(715,696)</u>
<u>3,459,850</u>	<u>3,390,411</u>	<u>1,530,603</u>

Sample Cash City

Sample Cash City

Notes to Other Information – Budgetary Reporting

June 30, 2023

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$1,153,700. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2023, disbursements exceeded the amounts budgeted in the general government and business type activities functions.

Sample Cash City

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

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

Other Information

	2023	2022	2021	2020
City's proportion of the net pension liability (asset)	0.045073%	0.036434%	0.035769%	0.039647%
City's proportionate share of the net pension liability (asset)	\$ 1,940	(1,556)	1,765	1,767
City's covered payroll	\$ 3,025	2,851	3,007	2,782
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	64.13%	-54.58%	58.70%	63.52%
IPERS' net position as a percentage of the total pension liability (asset)	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
0.036284%	0.035496%	0.035420%	0.035346%	0.032165%
1,572	1,439	1,394	1,390	1,346
2,778	2,514	2,172	1,976	1,822
56.59%	57.24%	64.18%	70.34%	73.87%
83.62%	82.21%	81.82%	85.19%	87.61%

Sample Cash City
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	2023	2022	2021	2020
Statutorily required contribution	\$ 275	285	270	286
Contributions in relation to the statutorily required contribution	(275)	(285)	(270)	(286)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 2,919	3,025	2,851	3,007
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
266	252	228	197	180	166
(266)	(252)	(228)	(197)	(180)	(166)
-	-	-	-	-	-
2,782	2,778	2,514	2,172	1,976	1,822
9.56%	9.07%	9.07%	9.07%	9.11%	9.11%

Sample Cash City

Notes to Other 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.
- 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.

Supplementary Information

Sample Cash City

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

As of and for the year ended June 30, 2023

	CEBA Grant	Employee Benefits	Fire Donations	Special Local Option Sales Tax
Receipts:				
Property tax	\$ -	54,222	-	-
Local option sales tax	-	-	-	190,470
Other city tax	-	1,990	-	-
Use of money and property	-	-	-	-
Intergovernmental	125,000	826	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total receipts	<u>125,000</u>	<u>57,038</u>	<u>-</u>	<u>190,470</u>
Disbursements:				
Operating:				
Public safety	-	17,820	10,000	-
Public works	-	12,991	-	-
Health and social services	-	6,496	-	-
Cultures and recreation	-	1,069	-	-
General government	-	17,734	-	-
Debt service	-	-	-	-
Capital projects	100,000	-	-	-
Total disbursements	<u>100,000</u>	<u>56,110</u>	<u>10,000</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	25,000	928	(10,000)	190,470
Other financing uses:				
Transfers out	-	-	-	(190,470)
Change in cash balances	25,000	928	(10,000)	-
Cash balances beginning of year	-	19,939	12,077	-
Cash balances end of year	<u>\$ 25,000</u>	<u>20,867</u>	<u>2,077</u>	<u>-</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Debt service	-	-	-	-
Other purposes	25,000	20,867	2,077	-
Total cash basis fund balances	<u>\$ 25,000</u>	<u>20,867</u>	<u>2,077</u>	<u>-</u>

See accompanying independent auditor's report.

Revenue		Permanent		
Special Assessment Bonds/Notes	Library Building Trust	Cemetery Perpetual Care		Total
-	-	-		54,222
-	-	-		190,470
-	-	-		1,990
-	2,433	-		2,433
-	-	-		125,826
59,576	-	-		59,576
-	-	2,200		2,200
59,576	2,433	2,200		436,717
-	-	-		27,820
-	-	-		12,991
-	-	-		6,496
-	1,978	-		3,047
-	-	-		17,734
80,280	-	-		80,280
-	-	-		100,000
80,280	1,978	-		248,368
(20,704)	455	2,200		188,349
-	-	-		(190,470)
(20,704)	455	2,200		(2,121)
27,208	29,800	11,800		100,824
6,504	30,255	14,000		98,703
-	-	11,500		11,500
6,504	-	-		6,504
-	30,255	2,500		80,699
6,504	30,255	14,000		98,703

Sample Cash City

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

For the Last Ten Years

	2023	2022	2021	2020
Receipts:				
Property tax	\$ 1,029,849	1,005,582	979,896	963,609
Local option sales tax	190,470	-	-	-
Tax increment financing	95,832	81,320	82,600	40,310
Other city tax	51,728	235,418	229,404	225,591
Licenses and permits	16,254	15,982	15,910	15,811
Use of money and property	112,075	94,280	100,101	98,212
Intergovernmental	1,500,205	412,310	469,812	448,100
Charges for service	110,417	97,300	107,300	106,819
Special assessments	62,792	63,411	64,250	61,310
Miscellaneous	32,296	20,517	38,595	15,911
Total	<u>\$ 3,201,918</u>	<u>2,026,120</u>	<u>2,087,868</u>	<u>1,975,673</u>
Disbursements:				
Operating:				
Public safety	\$ 396,720	380,300	372,444	372,444
Public works	455,447	500,616	502,640	502,640
Health and social services	103,739	97,311	98,128	98,128
Culture and recreation	223,919	75,244	71,311	71,311
Community and economic development	511,753	11,829	11,914	11,914
General government	460,141	298,411	292,498	292,498
Debt service	250,524	247,200	246,500	246,500
Capital projects	171,540	108,500	99,980	99,980
Total	<u>\$ 2,573,783</u>	<u>1,719,411</u>	<u>1,719,411</u>	<u>1,695,415</u>

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
958,791	949,203	930,219	920,917	911,708	911,708
-	-	-	-	-	-
40,108	39,707	38,913	38,524	38,139	38,139
224,463	222,218	217,774	215,596	213,440	213,440
15,732	15,575	15,263	15,111	14,959	14,959
97,721	96,744	94,809	93,861	92,922	92,922
445,860	441,401	432,573	428,247	423,965	423,965
106,285	105,222	103,118	102,086	101,066	101,066
61,003	60,393	59,186	58,594	58,008	58,008
15,831	15,673	15,360	15,206	15,054	15,054
<u>1,965,794</u>	<u>1,946,136</u>	<u>1,907,215</u>	<u>1,888,142</u>	<u>1,869,261</u>	<u>1,869,261</u>
370,582	366,876	359,538	355,943	352,384	352,384
500,127	495,126	485,223	480,371	475,567	475,567
97,637	96,661	94,728	93,780	92,843	92,843
70,954	70,245	68,840	68,152	67,470	67,470
11,854	11,736	11,501	11,386	11,272	11,272
291,036	288,125	282,363	279,539	276,744	276,744
245,268	242,815	237,959	235,579	233,223	233,223
99,480	98,485	96,516	95,550	94,595	94,595
<u>1,686,938</u>	<u>1,670,069</u>	<u>1,636,668</u>	<u>1,620,300</u>	<u>1,604,098</u>	<u>1,604,098</u>

Sample Cash City

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

Grantor/Program	Assistance Listings 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 (\$165,000 provided to subrecipients)	14.228	23-CD-000	\$ 200,000
Total U.S. Department of Housing and Urban Development			<u>200,000</u>
U.S. Department of the Treasury:			
Coronavirus State and Local Fiscal Recovery Funds	21.027	FY2023	800,000
Total U.S. Department of the Treasury			<u>800,000</u>
U.S. Department of Transportation:			
Passed through Iowa Department of Transportation:			
Highway Planning and Construction Cluster:			
Highway Planning and Construction	20.205	BROS(141)(62)-8X-23	24,000
Passed through Iowa Department of Public Safety:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	PAP 22-406, Task 81	9,000
Total U.S. Department of Transportation			<u>33,000</u>
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-4421-DR1A	115,000
Total U.S. Department of Homeland Security			<u>115,000</u>
Total:			<u>\$ 1,148,000</u>

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of Sample Cash 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 Cash City, it is not intended to and does not present the financial position, changes in financial position or cash flows of Sample Cash City.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following 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 Cash 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 Cash 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 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, each major fund and the aggregate remaining fund information of Sample Cash 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 September 17, 2023. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sample Cash 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 Cash City's internal control. Accordingly, we do not express an opinion on the effectiveness of Sample Cash 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-XXX through 2023-XXX to be significant deficiencies. **(delete “to be significant deficiencies” add “that we consider to be 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 2023-001 through 2023-003 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 2023-004 and 2023-005 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 Cash 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 Cash City’s Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Sample Cash City’s responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Sample Cash 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 Cash 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

September 17, 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
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 on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance

If noncompliance results in a modified opinion, please refer to the AICPA Audit Guide. This letter changes significantly.

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 Cash 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 Cash City's major federal program for the year ended June 30, 2023. Sample Cash City's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Sample Cash 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 Cash 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 Cash 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 Cash 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 Cash 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 Cash 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 Cash City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sample Cash 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 Cash 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 that we identified during the audit.

Omit the following paragraphs in the "Other Matters" 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 2022-0XX. Our opinion on the major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Sample Cash City's response to the noncompliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Sample Cash 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.

(Use this paragraph for Note 1 only) 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, Note 3, Note 4) 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 identified 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 identified 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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-006, to be a **significant deficiency (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-XX and 202X-ZZZ, 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 requires the auditor to perform limited procedures on Sample Cash City's response to the internal control over compliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Sample Cash 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

September 17, 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 Cash 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 on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and 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) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Assistance Listing Number 21.027 COVID-19, Coronavirus State and Local Fiscal Recovery Funds.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Sample Cash City did not qualify as a low-risk auditee.

Sample Cash 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 Segregation of Duties

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

Condition – One individual in the City has control over cash receipts, bank deposits, posting cash receipts to the cash receipts journal and reconciling the bank accounts.

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

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

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional controls through review of financial transactions, reconciliations and financial report. The reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response and Corrective Action Planned – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, handling of the cash receipts, depositing, posting and bank reconciling duties will be separated and spread among several employees and the City Council will also start reviewing and tracing all deposits to the cash receipts journal posting. We plan to implement these changes November 2, 2023.

Conclusion – Response accepted.

2023-002 Financial Reporting

Criteria – A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are in integral part of ensuring the reliability and accuracy of the City’s financial statements.

Sample Cash City

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Condition – A material amount of property tax receipts were misposted to the General Fund rather than the Debt Service Fund. Adjustments were subsequently made by the City to properly report these amounts in the City’s financial statements.

Cause – City policies do not require, and procedures have not been established to require property tax orders received from the County to be compared to the accounting records by an independent person.

Effect – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions and material adjustments to the City’s financial statements were necessary.

Recommendation – The City should implement procedures to ensure property tax receipts are properly recorded in the City’s financial statements. Property tax orders from the County should be compared to the accounting records by an independent person and the evidence of review should be documented.

Response – We will double check this in the future to avoid posting errors.

Conclusion – Response accepted.

2023-003 Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, utility collections were not reconciled to deposits.

Cause – Policies have not been established and procedures have not been implemented to maintain delinquent account listings, reconcile utility billings, collections and delinquent account balances and to reconcile utility collections to deposits.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquents. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

Response – These procedures have been implemented as recommended.

Conclusion – Response accepted.

Sample Cash City

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-004 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 included 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 the 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.

Conclusion – Response accepted.

2023-005 Police Department Collections

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all Police Department fines and fees and for periodic review of those records by someone independent of other duties related to the Police Department charges. Proper accounting includes records that include a description of the charges, the date the charge was filed, and the date it was subsequently collected. Independent review of these records should include comparing original ticket information to amounts deposited with the City Clerk.

Condition – The Police Department collects fines and fees and periodically remits collections to the City Clerk for deposit. Documentation supporting these collections was inadequate to determine the amounts which should have been collected and remitted to the City Clerk for deposit.

Cause – Procedures have not been designed and implemented to ensure sufficient records are maintained to properly account for Police Department fines and fees, and to require independent review of those records.

Sample Cash City

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

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

Recommendation – The City should require all collections be made at the City Clerk’s Office, thereby segregating the collection procedures from the control over original source documents. A further measure of control may be implemented by requiring an authorized independent person to verify collections with the original source documents on a periodic, unscheduled basis.

Response – We have completed a study of procedures and have made changes in documents supporting charges and have required fees be collected at the City Clerk’s Office.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Sample Cash City

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

Assistance Listing Number 21.027: COVID-19, Coronavirus State and Local Fiscal Recovery Funds
Federal Award Year: 2023
Prior Year Finding Number: N/A
U.S. Department of Treasury

2023-006 Project and Expenditure Report

Criteria – The Uniform Guidance, Part 200.303, requires the auditee establish and maintain effective internal control over the federal award which provides reasonable assurance the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms of the federal award. The City is required to submit an annual project and expenditures report.

The Compliance and Reporting Guidance, State and Local Fiscal Recovery Funds, requires the annual report be submitted to the U.S. Treasury by April 30, each year.

Condition – The required report was submitted 16 days late.

Cause – City procedures have not been established to ensure the report is submitted timely.

Effect – The lack of established policies and procedures resulted in the late submission of the required report.

Recommendation – The City should establish policies and procedures to ensure reports are submitted timely in accordance with the Compliance and Reporting Guidance.

Response and Corrective Action Planned – A policy and procedure will be established to ensure the annual Project and Expenditure Report is submitted prior to the reporting deadline.

Conclusion – Response accepted.

Sample Cash 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 amounts budgeted in the general government and business type activities functions. 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 Disbursements – 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 disbursements 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 disbursements are detailed as follows:

Paid to	Purpose	Amount
Anwhere Flower Shop	Flower arrangements for gifts	\$ 332
Anywhere Quick Shop	Pop and food for City employees	239

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

Recommendation – The City Council should determine and document the public purpose served by these types of disbursements 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 disbursements of City money for travel expenses of spouses of City officials or employees were noted.

Sample Cash 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 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 17, 2023. However, the minutes record did not document the reason for holding the closed session by reference to a specific exemption under Chapter 21.5 of the Code of Iowa, as required by Chapter 21.5(2) of the Code of Iowa, commonly known as the open-meetings law.

Although minutes of City Council proceedings were published, they were not always 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 comply with Chapter 21 of the Code of Iowa and document the required specific information for closed sessions. The City should also publish minutes and annual individual salaries, as required.

Response – We will comply with the Code requirements for closed sessions. We will publish minutes and salaries as required.

Conclusion – Response accepted.

Sample Cash 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 revenue note resolutions were noted.
- 2023-J Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

We noted the following regarding the City’s TIF debt certification dated November 26, 2022:

- The City included transfers made during the prior year, which represented loans from the General Fund, as TIF indebtedness. However, the loans were not formally approved by the City Council.
- The City certified \$300,000 of estimated costs for anticipated future projects.

Recommendation – All interfund loans intended to be repaid with TIF receipts should be approved as such by the City Council prior to certifying the loans as TIF obligation. Also, the City should decertify the \$300,000 estimated costs. Future certifications to the County Auditor should only include amounts representing TIF obligations, not anticipated costs, as required by Chapter 403.19 of the Code of Iowa.

Response – The City will decertify the \$300,000 of anticipated costs which were incorrectly certified and will ensure interfund transfers expected to be repaid with TIF receipts are properly approved by the City Council.

Conclusion – Response accepted.

- 2023-K Annual Urban Renewal Report – The Annual Urban Renewal Report was approved but was not 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. The report was filed on January 31, 2023.

In addition, the following exceptions were noted:

The City’s beginning and ending cash balances of the Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary do not agree with the City’s general ledger.

The amount reported by the City as TIF debt outstanding was overstated by \$22,330.

Recommendation – The City should file the Annual Urban Renewal Report timely and ensure the cash balances and debt amounts reported on the Levy Authority Summary agree with the City’s records.

Sample Cash City

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

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

Conclusion – Response accepted.

2023-L Notice of Public Hearing for Public Improvements – The City did not publish a notice of the public hearing for the Main Street sewer project as required by Chapters 26.12 and 362.3 of the Code of Iowa.

Recommendation – Before entering into a contract for a public improvement with an estimated cost in excess of \$100,000, the City Council should hold a public hearing and publish notice of the hearing at least four but not more than twenty days prior to the hearing.

Response – We will publish the appropriate notice in the future, as required.

Conclusion – Response accepted.

2023-M 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 Fire Department and the City Library maintain bank accounts for activity separate from the City Clerk’s accounting records. While these Departments are part of the City, the transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget, 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.

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 Fire and Library Department 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 – We will work to include these accounts with the City’s accounting records and publish the summary of receipts, total disbursements and listings of claims as required.

Conclusion – Response accepted.

Sample Cash City

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-N Questionable Donations – During the fiscal year ended June 30, 2022, the City donated \$2,500 to the Boys and Girls Club and \$3,000 to Operation Threshold.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to private, non-profit corporations. Article III, Section 31 of the Constitution of the State of Iowa states “...no public money or property shall be appropriated for local or private purposes, unless such appropriation, compensation or claim be allowed by two-thirds of the members elected to each branch of the General Assembly.”

At least six official Iowa Attorney General Opinions since 1972 have consistently concluded that “a governmental body may not donate public funds to a private entity, even if the entity is established for charitable educational purposes and performs work which the government can’t perform directly. The Opinions further state, “Even if the function of a private non-profit corporation fits within the scope of activities generally recognized as serving a public purpose, a critical question exists regarding whether funds or property transferred to a private entity will indeed be used for those public purposes.”

“Political subdivisions and municipalities, including cities, counties, schools and townships are municipal – governmental – entities. As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support ‘public’ services which are the same or similar to the services provided by government, the private organizations are not subjected to the same degree of public accountability and oversight as governmental entities.”

Recommendation – We are not aware of any statutory authority for the City to donate public funds to private non-profit organizations. The City should immediately cease making future such donations.

Response – The Mayor and City Clerk have discussed approving resolutions regarding the disbursement to both entities with documentation showing the need in our LMI (low to moderate income) community that supporting these non-profit organizations would meet the public purpose as our LMI is below 50%.

Conclusion – Response acknowledged. A low LMI in the City does not negate the requirements of the Iowa Constitution which prohibits donations to private organizations. The City should cease making future donations.

2023-O Sales Tax – Sales tax on sewer service provided to non-residential commercial operations was not uniformly assessed.

Recommendation – The City should uniformly assess sales tax on sewer service provided to non-residential commercial operations in accordance with Section 701-26.72 of the Iowa Department of Revenue Administrative Rules and Regulations.

Response – This will be corrected.

Conclusion – Response accepted.

Sample Cash City

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-P Interfund Transfers – Section 545-2 of the City Finance Committee Rules requires “A fund transfer resolution must be completed for all transfers between funds and must include a clear statement of reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred. For transfers of utility surpluses outline in subrule 2.5(5), the calculation proving the surplus must also be shown in the resolution.”

The resolutions approving the City’s fund transfers did not include the purpose of each transfer. In addition, during the fiscal year, the City transferred \$27,300 from the Enterprise, Water fund to the General Fund. The transfer resolution did not include the calculation proving a surplus existed in the Water Fund, as required.

Recommendation – The resolutions approving all fund transfers should include the information required by Section 545-2 of the City Finance Committee Rules.

Response – We will ensure transfer resolutions will include the appropriate calculations and information in the future.

Conclusion – Response accepted.

Sample Cash 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