



**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: Ernest Ruben  
515/281-5834

FOR RELEASE

March 23, 2022

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

**FINANCIAL HIGHLIGHTS:**

The City's receipts and disbursements totaled \$1,954,139 and \$1,936,636 respectively for the year ended June 30, 2021.

**AUDIT FINDINGS:**

Sand reported ten findings related to the receipt and disbursement of taxpayer funds. They are found on pages 44 through 53 of this report. The findings address issues such as a lack of segregation of duties, a lack of utility reconciliations, lack of timesheet approval, a deficit balance in the debt service fund and disbursements exceeding the budgeted amounts. Sand provided the City with recommendations to address each of the findings.

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

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

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**CITY OF LEWIS**

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

**JUNE 30, 2021**

**City of Lewis**



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Rob Sand  
Auditor of State

March 2, 2022

Officials of the City of Lewis  
Lewis, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Lewis, Iowa, for the year ended June 30, 2021. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand  
Auditor of State

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**City of Lewis**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Russell Hansen	Mayor	Jan 2024
Don Cohrs	Council Member	(Resigned Sep 2020)
Mary Neece (Appointed Oct 2020)	Council Member	Nov 2021
Ryan Archibald	Council Member	Jan 2022
Scott Anderson	Council Member	Jan 2024
Teresa Comer	Council Member	Jan 2024
Ryan Lockwood	Council Member	Jan 2024
Carrie Kirchhoff	City Clerk/Treasurer	Indefinite
David Wiederstein	Attorney	Indefinite

**City of Lewis**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Lewis, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



**Basis for Modified Opinions on the Governmental Activities, the Business Type Activities, Each Major Fund, and the Aggregate Remaining Fund Information**

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all the prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2020.

Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2020, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Lewis as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the discretely presented component unit of the City of Lewis as of June 30, 2021 and the changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Other Matters

*Supplementary and Other Information*

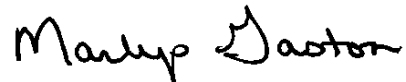
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lewis' basic financial statements in accordance with the standards referred to in the third paragraph of this report. The supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Other Information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 30 through 36 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2022, on our consideration of the City of Lewis'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 the City of Lewis's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA  
Chief Deputy Auditor of State

March 2, 2022

**City of Lewis**

## **Basic Financial Statements**

City of Lewis

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 29,585	350	15,491	-
Public works	109,203	125	57,852	-
Health and social services	-	-	4,547	-
Culture and recreation	50,253	1,065	17,626	-
General government	53,731	40	5,280	-
Debt service	28,156	-	3	-
Capital projects	157,963	-	-	154,067
Total governmental activities	428,891	1,580	100,799	154,067
Business type activities:				
Water	1,157,417	151,007	-	569,534
Sewer	350,328	70,893	-	16,998
Total business type activities	1,507,745	221,900	-	586,532
Total primary government	\$ 1,936,636	223,480	100,799	740,599
<b>Component Unit:</b>				
First Responders and Fire Fighters Association	\$ 5,256	-	-	5,256
<b>General Receipts and Transfers:</b>				
Property for:				
General purposes				
Debt service				
Other city tax				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Miscellaneous				
Bond proceeds				
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				
<b>Cash Basis Net Position</b>				
Restricted:				
First Responders and Fire Fighters Association				
Streets				
Capital projects				
Debt service				
Local option sales tax				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	First Responders and Fire Fighters Association
(13,744)	-	(13,744)	
(51,226)	-	(51,226)	
4,547	-	4,547	
(31,562)	-	(31,562)	
(48,411)	-	(48,411)	
(28,153)	-	(28,153)	
(3,896)	-	(3,896)	
(172,445)	-	(172,445)	
	(436,876)	(436,876)	
-	(262,437)	(262,437)	
-	(699,313)	(699,313)	
(172,445)	(699,313)	(871,758)	
			5,256
96,029	-	96,029	
29,697	-	29,697	
8,835	-	8,835	
65,395	-	65,395	
816		816	
82	23	105	
1,197	-	1,197	12,902
-	687,187	687,187	
8,000	(8,000)	-	
210,051	679,210	889,261	12,902
37,606	(20,103)	17,503	12,902
202,916	106,264	309,180	35,492
\$ 240,522	86,161	326,683	48,394
-	-	-	43,138
38,830	-	38,830	-
40,120	-	40,120	-
-	57,885	57,885	-
5,395	-	5,395	-
38,752	-	38,752	-
117,425	28,276	145,701	-
\$ 240,522	86,161	326,683	43,138

City of Lewis

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

As of and for the year ended June 30, 2021

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 77,062	-	-
Local option sales tax	-	-	65,395
Other city tax	8,835	-	-
Licenses and permits	390	-	-
Use of money and property	6,426	-	-
Intergovernmental	34,508	57,852	-
Charges for service	125	-	-
Special assessments	543	-	-
Miscellaneous	4,304	-	-
Total receipts	<u>132,193</u>	<u>57,852</u>	<u>65,395</u>
Disbursements:			
Operating:			
Public safety	25,686	-	-
Public works	17,337	84,797	-
Culture and recreation	47,567	-	-
General government	45,660	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>136,250</u>	<u>84,797</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(4,057)</u>	<u>(26,945)</u>	<u>65,395</u>
Other financing sources (uses):			
Transfers in	66,000	-	-
Transfers out	(2,000)	(1,000)	(60,000)
Total other financing sources (uses)	<u>64,000</u>	<u>(1,000)</u>	<u>(60,000)</u>
Change in cash balances	59,943	(27,945)	5,395
Cash balances beginning of year	91,890	66,775	-
Cash balances end of year	<u>\$ 151,833</u>	<u>38,830</u>	<u>5,395</u>
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Streets	-	38,830	-
Capital projects	-	-	-
Local option sales tax	-	-	5,395
Other purposes	20,928	-	-
Assigned for fire department fund	14,785	-	-
Unassigned	116,120	-	-
Total cash basis fund balances	<u>\$ 151,833</u>	<u>38,830</u>	<u>5,395</u>

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	48,986	126,048
-	-	65,395
-	-	8,835
-	-	390
1	3	6,430
154,067	-	246,427
-	-	125
-	-	543
-	-	4,304
154,068	48,989	458,497
-	3,899	29,585
-	7,069	109,203
-	2,686	50,253
-	8,071	53,731
-	28,156	28,156
157,963	-	157,963
157,963	49,881	428,891
(3,895)	(892)	29,606
5,000	-	71,000
-	-	(63,000)
5,000	-	8,000
1,105	(892)	37,606
39,015	5,236	202,916
40,120	4,344	240,522
-	-	38,830
40,120	-	40,120
-	-	5,395
-	17,824	38,752
-	-	14,785
-	(13,480)	102,640
40,120	4,344	240,522



**City of Lewis**

City of Lewis

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

As of and for the year ended June 30, 2021

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 148,025	70,893	218,918
Miscellaneous	2,982	-	2,982
Total operating receipts	151,007	70,893	221,900
Operating disbursements:			
Business type activities	122,634	46,486	169,120
Excess of operating receipts over operating disbursements	28,373	24,407	52,780
Non-operating receipts (disbursements):			
Community Development Block Grant	-	16,998	16,998
USDA grant	569,534	-	569,534
Interest on investments	12	11	23
Note proceeds	437,645	249,542	687,187
Debt service	(26,676)	(23,355)	(50,031)
Capital outlay	(1,008,107)	(280,487)	(1,288,594)
Net non-operating receipts (disbursements)	(27,592)	(37,291)	(64,883)
Excess (deficiency) of receipts over (under) disbursements	781	(12,884)	(12,103)
Transfers out	(4,000)	(4,000)	(8,000)
Change in cash balances	(3,219)	(16,884)	(20,103)
Cash balances beginning of year	17,723	88,541	106,264
Cash balances end of year	\$ 14,504	71,657	86,161
<b>Cash Basis Fund Balances</b>			
Restricted for debt service	\$ 37,996	19,889	57,885
Unrestricted	(23,492)	51,768	28,276
Total cash basis fund balances	\$ 14,504	71,657	86,161

See notes to financial statements.

**(1) Summary of Significant Accounting Policies**

The City of Lewis is a political subdivision of the State of Iowa located in Cass 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, the City of Lewis 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.

Discretely Presented Component Unit

Pursuant to Chapter 501B of Code of Iowa, the Lewis First Responders and Fire Fighters Association is an unincorporated nonprofit association. The Lewis First Responders and Fire Fighters organization was organized exclusively for charitable purposes to assist the Lewis Fire Department and First Responders in the execution and performances of responsibilities to the citizens of the Lewis Fire District. In accordance with criteria set forth by the Governmental Accounting Standards Board, the organization meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the organization are substantially for the direct benefit of the Lewis First Responders and Fire Fighters Association.

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: Cass County Assessor's Conference Board, Cass County Emergency Management Commission, Cass County Landfill Commission and Cass 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:

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 Local Option Sales Tax Fund is used to account for local option sales tax and related economic development activities authorized by local option sales tax resolution.

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.

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, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceeded the amount budgeted in the business type activities function.

**(2) Cash and Pooled Investments**

The City’s deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$237,505. 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.

**(3) Notes Payable**

A summary of changes in notes payable for the year ended June 30, 2021 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation notes	\$ 184,130	-	22,000	162,130	23,000
Business type activities:					
Direct borrowings:					
Water revenue notes	\$ 379,786	437,645	15,533	801,898	15,748
Sewer revenue notes	204,000	-	18,000	186,000	18,000
Sewer revenue SRF note	225,000	-	-	225,000	225,000
Sewer USDA anticipation note	-	248,542	-	248,542	248,542
	<u>\$ 2,686,377</u>	<u>437,645</u>	<u>33,533</u>	<u>987,898</u>	<u>507,290</u>

General Obligation Note

A summary of the City’s June 30, 2021 general obligation note payable is as follows:

Year	General Obligation Street Improvement Note		
	Issued June 20, 2018		
Ending June 30,	Interest Rates	Principal	Interest
2022	3.40%	\$ 23,000	5,512
2023	3.40	24,000	4,730
2024	3.40	25,000	3,914
2025	3.40	26,000	3,064
2026	3.40	26,000	2,198
2027-2031	3.40	38,130	1,674
Total		<u>\$ 162,130</u>	<u>21,092</u>

On June 20, 2018, the City issued a \$244,000 of general obligation note with interest rate of 3.4%. The note was issued for street improvements. During the year ended June 30, 2021, the City paid \$22,000 of principal and \$6,156 of interest on the note.

### Water Revenue Notes

Year Ending June 30,	Water Revenue Improvement and Refunding Notes Series 2020 R-1 Issued April 22, 2020			Water Revenue Improvement and Refunding Notes Series 2020 R-2 Issued April 22, 2020		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
	2022	1.375%	\$ 8,778	6,090	1.375%	\$ 5,051
2023	1.375	8,900	5,968	1.375	5,121	3,435
2024	1.375	9,023	5,845	1.375	5,192	3,364
2025	1.375	9,148	5,720	1.375	5,264	3,292
2026	1.375	9,274	5,594	1.375	5,337	3,219
2027-2031	1.375	48,334	26,007	1.375	27,811	14,969
2032-2036	1.375	51,769	22,571	1.375	29,790	12,990
2037-2041	1.375	55,452	18,888	1.375	31,910	10,870
2042-2046	1.375	59,396	14,944	1.375	34,178	8,602
2047-2051	1.375	63,621	10,720	1.375	36,610	6,169
2052-2061	1.375	68,145	6,195	1.375	39,214	3,566
2057-2060	1.375	55,070	1,485	1.375	31,716	856
Total		\$ 446,910	130,027		\$ 257,194	74,836

Year Ending June 30,	Water Revenue Improvement and Refunding Notes Series 2020 R-3 Issued April 22, 2020			Water Revenue Totals		
	Interest Rates	Principal	Interest	Principal	Interest	Total
	2022	1.375%	\$ 1,919	1,333	\$ 15,748	14,182
2023	1.375	1,946	1,306	15,967	13,649	29,616
2024	1.375	1,973	1,279	16,188	13,096	29,284
2025	1.375	2,000	1,252	16,412	12,539	28,951
2026	1.375	2,028	1,224	16,639	11,962	28,601
2027-2031	1.375	10,567	5,693	86,712	50,624	137,336
2032-2036	1.375	11,321	4,939	92,880	40,500	133,380
2037-2041	1.375	12,125	4,136	99,487	33,894	133,381
2042-2046	1.375	12,988	3,272	106,562	26,818	133,380
2042-2046	1.375	13,911	2,349	114,142	19,238	133,380
2042-2046	1.375	14,902	1,358	122,261	11,119	133,380
2047-2051	1.375	12,114	329	98,900	2,670	101,570
Total		\$ 97,794	28,470	\$ 801,898	250,291	1,052,189

On April 20, 2020, the City issued \$820,000 of USDA taxable water revenue improvement and refunding notes, series R-1, R-2 and R-3, for the purpose of paying a portion the costs for planning, designing and constructing improvements and extensions to the City's of municipal water works utility system and refund the outstanding balance of the City's water revenue bond SRF Series 2011. The notes bear interest of 1.375% per annum and mature in 2060. During the year ended June 30, 2021 the City had drawn down a total of \$437,645 and paid principal of \$15,533 and interest of \$11,143 on the notes.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the \$820,000 of water revenue notes issued in April 2020. The notes are payable solely from water customer net receipts. Annual principal and interest payments on the notes are expected to require 94% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,006,761. For the current year, principal and interest paid and total customer net receipts were \$26,676 and \$28,373 respectively.

- (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 revenue sinking accounts for the purpose of making the note principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net receipts at a level at least sufficient to pay expenses of operation and maintenance of the utility and leave a balance sufficient to pay the principal and interest on outstanding notes. Not less than 110% of the amount of principal and interest on the notes falling due in the same year.

Sewer Revenue Notes

Year Ending June 30,	Sewer Revolving Fund Loan Issued November 17, 2010		
	Interest Rates	Principal	Interest
2022	2.00%	\$ 18,000	3,255
2023	1.75	19,000	2,940
2024	1.75	19,000	2,608
2025	1.75	20,000	2,275
2026	1.75	21,000	1,925
2027-2031	1.75	89,000	3,955
2032-2036		-	-
2037-2041		-	-
2042-2046		-	-
2042-2046		-	-
2042-2046		-	-
2047-2051		-	-
Total		\$ 186,000	16,958

On November 17, 2010, the City issued \$339,524 of sewer revenue notes with the Iowa Finance Authority State Revolving Fund to provide financing for the construction of improvements to the sewer treatment plant. The notes currently bear interest at 1.75%, per annum, and are payable through 2030. During the year ended June 30, 2021, the City paid principal of \$18,000 and interest of \$3,570 on the notes.

The City has pledged future sewer customer receipts, net of specified operating, disbursements, to repay \$339,524 of sewer revenue notes issued in November 2010 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes were issued pursuant to the provisions of Chapter 384.83 of the Code of Iowa to provide financing for the construction of sewer extensions. The notes are payable solely from sewer customer net receipts and are payable through 2030. Annual principal and interest payments on the notes are expected to require approximately 86% of net receipts. The total principal and interest remaining to be paid on the notes is \$202,958. For the current year, principal and interest paid and total customer net receipts were \$21,570 and \$24,407, respectively.



The resolutions providing for the issuance of the 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 sewer revenue sinking accounts for the purpose of making the note principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

On October 26, 2018, the City entered into an agreement for \$225,000 Iowa Finance Authority State Revolving Fund sewer planning and design loan at .0% interest per annum. The note shall be paid in full three years from the issuance date of October 26, 2018.

On May 12, 2021, the City entered into an agreement with the with the United States Department of Agriculture for a Sewer Anticipation Project Note in a principal amount not to exceed \$961,000 at an interest rate of 1.80% per annum. The Anticipation Project note shall be payable in full from proceeds of a USDA Loan agreement on May 25, 2022. As of June 30, 2021 the City has drawn anticipation note proceeds of \$249,542.

#### **(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](http://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.

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 2021, 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 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$10,619.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$98,862 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 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, 2020, the City's proportion was 0.001407%, which was an increase of 0.000074% over its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$15,168, \$18,870 and \$10,472, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 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, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of 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%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments 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 to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 164,844	98,862	43,537

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](http://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 and retirees. 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, 2021, the City contributed \$19,238 and plan members eligible for benefits did not contribute to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of Lewis 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, 2021, there were 2 active employees and zero inactive employees or beneficiaries receiving benefit payments.

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>2</u>
Total	<u><u>2</u></u>

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2021, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$ 7,400</u>

This liability has been computed based on rates of pay in effect at June 30, 2021.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 60,000
	Enterprise:	
	Water	3,000
	Sewer	3,000
		<u>66,000</u>
Special Revenue:		
Capital Projects	General	
	Special Revenue	2,000
	Road Use Tax	1,000
	Enterprise:	
	Water	1,000
	Sewer	1,000
		<u>5,000</u>
Total		<u>\$ 71,000</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 \$5,789 during the year ended June 30, 2021.

**(9) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at 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, 2021 were \$12,223.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2021, 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.

**(10) Construction Commitments**

The City has entered into contracts totaling \$3,461,182 for Water and Wastewater system improvements. As of June 30, 2021, costs of \$1,110,415 on the project have been incurred. The \$2,350,767 balance remaining on the project at June 30, 2021 will be paid as work on the project progresses.

**(11) COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Lewis, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Lewis. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Lewis.

**(12) Subsequent Events**

In October 2021, the City issued \$1,186,000 of sewer revenue notes, to pay for the cost of construction of sewer improvements and pay off prior sewer debt and interim loans.

**(13) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

## **Other Information**



City of Lewis  
 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, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 125,726	-	125,726
Other city tax	74,230	-	74,230
Licenses and permits	390	-	390
Use of money and property	6,430	23	6,453
Intergovernmental	246,749	586,532	833,281
Charges for service	125	218,918	219,043
Special assessments	543	-	543
Miscellaneous	4,304	2,982	7,286
Total receipts	458,497	808,455	1,266,952
Disbursements:			
Public safety	29,585	-	29,585
Public works	109,203	-	109,203
Culture and recreation	50,253	-	50,253
General government	53,731	-	53,731
Debt service	28,156	-	28,156
Capital projects	157,963	-	157,963
Business type activities	-	1,507,745	1,507,745
Total disbursements	428,891	1,507,745	1,936,636
Excess of receipts over disbursements	29,606	(699,290)	(669,684)
Other financing sources, net	8,000	679,187	687,187
Change in balances	37,606	(20,103)	17,503
Balances beginning of year	202,916	106,264	309,180
Balances end of year	\$ 240,522	86,161	326,683

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Total
		Variance
119,942	119,942	5,784
74,065	74,065	165
640	640	(250)
9,955	9,955	(3,502)
84,972	3,021,722	(2,188,441)
231,700	231,700	(12,657)
-	-	543
4,000	4,000	3,286
<u>525,274</u>	<u>3,462,024</u>	<u>(2,195,072)</u>
42,378	42,378	12,793
84,600	117,200	7,997
58,800	68,300	18,047
67,050	80,050	26,319
29,100	32,100	3,944
-	1,881,750	1,723,787
<u>223,493</u>	<u>1,305,030</u>	<u>(202,715)</u>
<u>505,421</u>	<u>3,526,808</u>	<u>1,590,172</u>
19,853	(64,784)	(604,900)
-	-	687,187
<u>19,853</u>	<u>(64,784)</u>	<u>82,287</u>
<u>364,857</u>	<u>364,857</u>	<u>(55,677)</u>
<u>384,710</u>	<u>300,073</u>	<u>26,610</u>

City of Lewis

Notes to Other Information – Budgetary Reporting

June 30, 2021

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 discretely presented component unit. 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 \$3,021,387. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the business type activities function.

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City of Lewis

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

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

Other Information

	<u>2021</u>	<u>2020</u>
City's proportion of the net pension liability	0.001407%	0.001481%
City's proportionate share of the net pension liability	\$ 99	86
City's covered payroll	\$ 113	113
City's proportionate share of the net pension liability as a percentage of its covered payroll	87.61%	76.11%
IPERS' net position as a percentage of the total pension liability	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.

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City of Lewis

Schedule of City Contributions

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

Other Information

	2021	2020	2019	2018
Statutorily required contribution	\$ 11	11	11	9
Contributions in relation to the statutorily required contribution	(11)	(11)	(11)	(9)
Contribution deficiency (excess)	-	-	-	-
City's covered payroll	\$ 113	113	113	102
Contributions as a percentage of covered payroll	9.73%	9.73%	9.73%	8.82%

Note: City's contributions and covered payroll information for the years ended 2012 to 2014 were not readily available.

See accompanying independent auditor's report.

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2017	2016	2015
9	8	7
(9)	(8)	(7)
-	-	-
105	95	84
8.57%	8.42%	8.33%

City of Lewis

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- 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**



**Schedule 1**

## City of Lewis

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

As of and for the year ended June 30, 2021

	Special Revenue			Total
	Employee Benefits	Freedom Rock	Debt Service	
Receipts:				
Property tax	\$ 19,289	-	29,697	48,986
Intergovernmental	127	-	195	322
Use of money and property	-	-	3	3
Total receipts	19,416	-	29,895	49,311
Disbursements:				
Operating:				
Public safety	3,899	-	-	3,899
Public works	7,069	-	-	7,069
Cultures and recreation	2,495	191	-	2,686
General government	8,071	-	-	8,071
Debt service	-	-	28,156	28,156
Total disbursements	21,534	191	28,156	49,881
Excess (deficiency) of receipts over (under) disbursements	(2,118)	(191)	1,739	(570)
Change in cash balances	(2,118)	(191)	1,739	(570)
Cash balances beginning of year	13,207	7,053	(15,024)	5,236
Cash balances end of year	\$ 11,089	6,862	(13,285)	4,666
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Employee benefits	\$ 10,962	-	-	10,962
Freedom Rock	-	6,862	-	6,862
Unassigned	-	-	(13,480)	(13,480)
Total cash basis fund balances	\$ 10,962	6,862	(13,480)	4,344

See accompanying independent auditor's report.

## City of Lewis

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2021

Grantor/Program	Assistance Listings Number	Pass-Through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of Agriculture: Water and Waste Disposal Systems for Rural Communities	10.760		<u>\$ 1,323,158</u>
Indirect:			
U.S. Department of Housing and Urban Development: Iowa Economic Development Authority: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	20-WS-024	75,917
U.S. Department of Treasury: Iowa Department of Revenue: COVID-19 - Coronavirus Relief Fund	21.019		<u>4,547</u>
Total Indirect			<u>80,464</u>
Total			<u>\$ 1,403,622</u>

**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Lewis under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Lewis, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Lewis.

**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** – The City of Lewis has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE  
STATE OF IOWA

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of Lewis, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 2, 2022. 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. Our report expressed modified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information since we were unable to satisfy ourselves as to the distribution by fund of the total July 1, 2020 fund balance.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lewis's internal control over financial reporting 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 the City of Lewis's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lewis's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Lewis'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 II-A-21 through II-C-21 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-D-21 and II-H-21 to be significant deficiencies.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lewis's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the 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 non-compliance 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, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### City of Lewis's Responses to the Findings

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

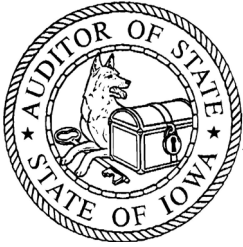
### Purpose of this Report

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

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

  
Marlys K. Gaston, CPA  
Chief Deputy Auditor of State

March 2, 2022



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004  
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

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Lewis, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Lewis's major federal program for the year ended June 30, 2021. The City of Lewis's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the City of Lewis complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.


## Report on Internal Control Over Compliance

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

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

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

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

  
Marlys K. Gaston, CPA  
Chief Deputy Auditor of State

March 2, 2022

City of Lewis

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

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

- (a) Modified opinions were issued on the governmental activities, the business type activities, the discretely presented component unit and the aggregate remaining fund information, which were prepared on the basis of cash receipts and disbursements, 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) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (e) The audit did not disclose audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (f) The major program was Assistance Listings Number 10.760 – Water and Waste Disposal Systems for Rural Communities.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (h) The City of Lewis did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-21 Segregation of Duties  
(2021-001)

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 – Generally, one or two individuals have control over the following areas for which no compensating controls exist:

- (1) Accounting system – performance of all accounting functions, controlling all data input and output and having custody of assets.
- (2) Cash – initiating cash receipt and disbursement transactions, handling and recording cash and reconciling bank accounts.
- (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (4) Long-term debt – maintaining long-term debt records and handling and recording cash and reviewing compensated absence records.
- (5) Receipts – opening mail, collecting, depositing, recording, and reconciling.
- (6) Utilities – opening mail, billing, collecting, depositing, posting, entering rates into the system and maintaining accounts receivable.
- (7) Payroll – entering rates into the system, preparing, reconciling, recording, and distributing.
- (8) Journal entries are not reviewed and approved by an independent person.

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 – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional controls through review of journal entries and other financial transactions, reconciliations and financial reports. Reviews should be performed by independent persons and should be evidenced by the signature or initials of the reviewer and the date of the review.



City of Lewis

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Response – The City staff, Mayor, and City Council will review the City’s control procedures and appoint and implement more oversight of City financials.

Conclusion – Response accepted.

II-B-21 Segregation of Duties – Lewis First Responders and Fire Fighters Association  
(2021-002)

Criteria – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another.

Condition – For the Lewis First Responders and Fire Fighters Association, a component unit of the City, the responsibilities for collection, deposit preparation and bank reconciliation functions are not properly segregated.

In addition, there is no evidence of an independent review of bank reconciliations or bank statements.

Cause – The Lewis First Responders and Fire Fighters Association have a limited number of members 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 Association’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of members. However, Association should review their operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available members, including Board members, to provide additional controls through review of journal entries and other financial transactions, reconciliations and financial reports. These reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response – The Mayor and City Council will confer with the Lewis First Responders and Fire Association Members to implement procedures and a policy for review of bank reconciliations and or bank statements by more than one member for both bank accounts.

Conclusion – Response accepted.

II-C-21 Reconciliation of Utility Billings, Collections and Delinquent Accounts  
(2021-003)

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.

City of Lewis

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Condition – The City does not maintain delinquent account listings and reconciliations of utility billings, collections and delinquent accounts are not prepared.

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 – The City has interfaced the Utility Billing to the General Ledger which has made it easier to reconcile deposits to the bank. The City will monitor the delinquent accounts more closely, and they will be reviewed by the Mayor and the City Council. A listing of delinquent accounts will be made monthly before billing of the following month.

Conclusion – Response accepted.

II-D-21 Timesheet Approval  
(2021-004)

Criteria – An effective internal control system provides for internal controls related to preparation and approval of timesheets by all employees. Timesheets support all hours worked and taken as vacation, sick leave, holiday hours and personal days and serve as an accurate record of hours worked. Independent review and approval by supervisory personnel ensures this information is recorded correctly.

Condition – Timesheets are prepared, but they are not approved for all employees.

Cause – Policies have not been established and procedures have not been implemented to require supervisory approval of employee timesheets.

Effect – Lack of timesheet approval increases the risk of inaccurate leave records and hours worked.

Recommendation – Timesheets should be prepared by all employees and should be signed by the employee and supervisory personnel prior to submission.

Response – The Mayor will be given timesheets prior to payroll to review and approve.

Conclusion – Response accepted.

City of Lewis

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

II-E-21 Credit Cards  
(2021-005)

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 – The City will implement a written policy regulating the use of City Credit Cards.

Conclusion – Response accepted.

II-F-21 Petty Cash  
(2021-006)

Criteria – Established policies and procedures over petty cash funds are part of an effective internal control structure. The policies and procedures should establish the amount of petty cash, appropriate usage and include procedures for a surprise account. The policy should aid in timely detection of unauthorized activity and safeguarding assets.

Condition – The City has a petty cash fund, however there is not an established amount for the petty cash fund and no policies or procedures for appropriate use. In addition, there is no surprise count to verify the petty cash fund is complete.

Cause – Adoption of a formal policy has not been prioritized by the City Council.

Effect – Lack of written policies and procedures to regulate petty cash could result in inappropriate use petty cash, unsupported usage and the opportunity for misappropriation.

City of Lewis

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

Recommendation – The City should adopt a formal written policy establishing a petty cash fund, establishing the amount of the petty cash, proper usage and procedures for department usage. The policy should include a procedure for surprise counts of petty cash.

Response – The City will adopt a petty cash policy along with establishing an amount and addressing surprise cash counts.

Conclusion – Response accepted.

II-G-21 Computer System  
(2021-007)

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

Condition – The City does not have written policies for:

- password privacy and confidentiality.
- requiring password changes because software does not require the user to change logins/passwords periodically.
- ensuring only software licensed to the City is installed on computers.
- usage of the internet.
- requiring the use of an anti-virus program on computers.
- personal use of computer equipment and software.

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

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

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over its computer system.

Response – City staff, the Mayor and the City Council along with ICAP will work on implementing a Computer System Policy for the City.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Lewis

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCE OF NON-COMPLIANCE:**

No matters noted.

**INTERNAL CONTROL DEFICIENCY:**

No material weaknesses in internal controls over compliance were noted.

City of Lewis

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-21 Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amount budgeted in the business type activities function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City will be more diligent to make sure the budget is amended before the disbursements are made.

Conclusion – Response accepted.

IV-B-21 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-21 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-21 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Terry Erickson, Father of Maintenance Manager, Owner of Erickson Backhoe	Labor and repair	\$ 2,800
Colton Erickson, Maintenance Manager, Owner of Erickson Lawncare & Water Septic	Mowing, fertilizer and equipment rental	2,139
Nancy Ceria-Jones, Librarian, Owner of Nancy Ceria-Jones Cleaning	Cleaning and supplies	850

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Library Director and the Maintenance Manager do not appear to represent conflicts of interest since total transactions with each individual were less than \$6,000 during the fiscal year.

IV-E-21 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.

IV-F-21 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.

City of Lewis

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

- IV-G-21 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- IV-H-21 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.
- IV-I-21 Revenue Notes – The City has not established water rates to produce net operating revenues equal to at least 110% of the principal and interest coming due each year as required by the bond resolution.

Recommendations- The City should ensure net operating receipts for the Enterprise, Water Fund are sufficient to make required debt service payments and comply with the revenue bond resolution.

Response- The City will review the current water rates and consider an increase required to ensure net operating receipts for the Enterprise, Water Fund are sufficient to make required debt service payments and comply with the water bond resolution.

Conclusion – Response accepted.

- IV-J-21 Financial Condition – At June 30, 2021, the Debt Service Fund has a deficit balance of \$13,480.

Recommendation – The City should investigate alternatives to eliminate the deficit and return the fund to sound financial position.

Response – The City staff will investigate why there is a deficit in the Debt Service Fund and rectify.

Conclusion – Response accepted.

- IV-K-21 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.”

Chapter 384.89 of the Code of Iowa states a governing body of a city utility may transfer surplus funds to any other fund of the City. Iowa Administrative Code (IAC), Chapter 545.2.5 defines a “surplus” as the cash balance in excess of: a) the amount of disbursements for operating and maintaining the utility for the preceding three months and b) the amount necessary to make all required transfers to restricted accounts for the succeeding three months.

City of Lewis

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

All of the fund transfers were budgeted, but a resolution was not approved for all transfers and the resolutions did not contain all the necessary information including a clear purpose for the transfer. In addition, during the fiscal year, the City transferred \$4,000 from each of the Enterprise Water and Sewer funds to the General Fund. The transfer resolution did not include the calculation proving a surplus existed, as required. During the audit we performed a surplus calculation and determined the Enterprise, Water and Sewer Funds did not have a surplus as defined by the rules because expenses of the preceding three months exceeded the cash balance of the Enterprise, Water and Sewer Funds

Recommendation – The resolutions approving all fund transfers should include the information required by Section 545-2 of the City Finance Committee Administrative Rules. In addition, the City should do a corrective transfer to return \$4,000 to both the Enterprise, Water Fund and the Enterprise, Sewer Fund.

Response – The City will include budgetary fund transfer amounts and accounts with the Budget Resolution that is approved by the City Council. The City will cease with transfers from the Water and Sewer Funds until calculations prove there is a surplus in the Water and Sewer Funds.

Conclusion – Response acknowledged. The City should transfer the \$4,000 to both the Enterprise, Water Fund and the Enterprise, Sewer Fund.

IV-L-21 Library Cleaning – Additional Compensation

Condition – The Lewis Library / Heritage Center policies state in the Library Personnel Policy that housekeeping shall be performed on a normal basis by all library employees and other duties of a librarian are to clean the library, windows and clean bathrooms as needed and to vacuum at least once a week. However, the Library approved a cleaning contract with the Library Director to clean the facility for \$85 per month.

Recommendation – The City and the Library Board should consult legal counsel to determine the disposition of the additional compensation. The City and the Library Board also should review the personnel policies and follow the polices as written or amend the current job duties.

Response – The Mayor and City Council will consult legal counsel to determine the disposition of the additional compensation. The City and the Library Board will also confer with the Library Board and review personnel policies and job descriptions.

Conclusion – Response accepted.



City of Lewis

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Chief Deputy  
Deborah J. Moser, CPA, Manager  
Karen J. Kibbe, Senior II Auditor  
Coltin R. Collins, CPA, Staff Auditor  
Thomas G. Engquist, Assistant Auditor