



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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NEWS RELEASE

Contact: Ernest Ruben
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FOR RELEASE

September 20, 2022

Auditor of State Rob Sand today released an audit report on City of West Branch, Iowa.

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$5,483,887 for the year ended June 30, 2021, a 4.8% increase over the prior year. Disbursements for the year ended June 30, 2021 totaled \$4,144,187 a 26.4% decrease from the prior year. The significant decrease in disbursements is due to a decrease in capital project disbursements due to College Street Bridge project and park improvement projects mostly completed during the prior year.

AUDIT FINDINGS:

Sand reported two findings related to the receipt and disbursement of taxpayer funds. The findings are found on pages 50 through 53 of this report. The findings address a lack of segregation of duties and disbursements exceeding budgeted amounts before the budget was amended. Sand provided the City with recommendations to address the findings.

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

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

#

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

JUNE 30, 2021

City of West Branch



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004
Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

September 7, 2022

Officials of the City of West Branch
West Branch, 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 West Branch, 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 West Branch 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, appearing to read "Rob Sand", written in a cursive style.

Rob Sand
Auditor of State

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City of West Branch

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|--------------------------------------|-----------------------------------|---------------------|
| Roger Laughlin | Mayor | Jan 2022 |
| Colton Miller | Mayor Pro tem | Jan 2024 |
| Nicholas Goodweiler | Council Member | Jan 2022 |
| Jodee Stoolman | Council Member | Jan 2022 |
| Tom Dean | Council Member | Jan 2024 |
| Jerry Sexton | Council Member | Jan 2024 |
| Redmond Jones II | Administrator/City Clerk | (Resigned Jul 2021) |
| Adam Kofoed (Appointed Nov 2021) | Administrator | Indefinite |
| Gordon Edgar | Finance Officer/Deputy City Clerk | (Retired Jun 2021) |
| Heidi Van Auken (Appointed Jun 2021) | Finance Officer/Deputy City Clerk | Indefinite |
| Leslie Brick | City Clerk | Indefinite |
| Kevin D. Olson | City Attorney | Indefinite |

City of West Branch



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

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

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of West Branch, 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of West Branch 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.

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

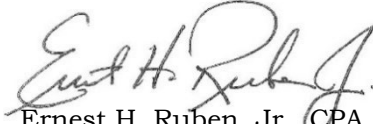
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Branch's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the ten years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 and 2 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 34 through 42, 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 September 7, 2022 on our consideration of the City of West Branch'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 West Branch's internal control over financial reporting and compliance.


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

September 7, 2022

City of West Branch

Basic Financial Statements

City of West Branch

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

| | Disbursements | Program Receipts | | |
|---|---------------|---------------------|---|---|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Functions/Programs: | | | | |
| Primary Government: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 648,205 | 60,458 | 263,145 | - |
| Public works | 588,587 | 223,699 | 390,900 | - |
| Health and social services | 25,000 | - | - | - |
| Culture and recreation | 615,155 | 52,442 | 31,162 | - |
| Community and economic development | 86,876 | - | 6,000 | - |
| General government | 196,822 | 2,742 | 3,358 | - |
| Debt service | 896,670 | - | 2,614 | - |
| Capital projects | 281,268 | - | - | 85,079 |
| Total governmental activities | 3,338,583 | 339,341 | 697,179 | 85,079 |
| Business type activities: | | | | |
| Water | 496,477 | 608,365 | - | - |
| Sewer | 296,525 | 636,079 | - | - |
| Storm water | 12,602 | 63,242 | - | - |
| Total business type activities | 805,604 | 1,307,686 | - | - |
| Total Primary Government | \$ 4,144,187 | 1,647,027 | 697,179 | 85,079 |
| Component Units: | | | | |
| Friends of the West Branch Public Library | \$ 1,151 | - | 1,537 | - |
| West Branch Firefighters Foundation | 39,310 | - | 42,815 | - |
| Total component units | \$ 40,461 | - | 44,352 | - |
| General Receipts and Transfers: | | | | |
| Property and other city tax levied for: | | | | |
| General purposes | | | | |
| Debt service | | | | |
| Tax increment financing | | | | |
| Commercial/industrial tax replacement | | | | |
| Local option sales tax | | | | |
| Hotel/motel tax | | | | |
| Unrestricted interest on investments | | | | |
| Miscellaneous | | | | |
| Bond proceeds | | | | |
| Sale of capital assets | | | | |
| Transfers | | | | |
| Total general receipts and transfers | | | | |
| Change in cash basis net position | | | | |
| Cash basis net position beginning of year | | | | |
| Cash basis net position end of year | | | | |
| Cash Basis Net Position | | | | |
| Restricted: | | | | |
| Nonexpendable: | | | | |
| Cemetery perpetual care | | | | |
| Krouth principal | | | | |
| Expendable: | | | | |
| Civic center | | | | |
| Streets | | | | |
| Employee benefits | | | | |
| Fire | | | | |
| Park improvements | | | | |
| Library | | | | |
| Debt service | | | | |
| Capital projects | | | | |
| Other purposes | | | | |
| Unrestricted | | | | |
| Total cash basis net position | | | | |

See notes to financial statements.

| Net (Disbursements) Receipts and Changes in Cash Basis Net Position | | | | |
|--|-----------------------------|-------------|---|---|
| Primary Government | | | Component Units | |
| Governmental Activities | Business Type Activities | Total | Friends of the West Branch Public Library | West Branch Firefighters Foundation |
| (324,602) | - | (324,602) | | |
| 26,012 | - | 26,012 | | |
| (25,000) | - | (25,000) | | |
| (531,551) | - | (531,551) | | |
| (80,876) | - | (80,876) | | |
| (190,722) | - | (190,722) | | |
| (894,056) | - | (894,056) | | |
| (196,189) | - | (196,189) | | |
| (2,216,984) | - | (2,216,984) | | |
| - | 111,888 | 111,888 | | |
| - | 339,554 | 339,554 | | |
| - | 50,640 | 50,640 | | |
| - | 502,082 | 502,082 | | |
| (2,216,984) | 502,082 | (1,714,902) | | |
| | | | 386 | - |
| | | | - | 3,505 |
| | | | 386 | 3,505 |
| 1,600,358 | - | 1,600,358 | - | - |
| 367,164 | - | 367,164 | - | - |
| 486,103 | - | 486,103 | - | - |
| 94,519 | - | 94,519 | - | - |
| 266,112 | - | 266,112 | - | - |
| 20,452 | - | 20,452 | - | - |
| 12,744 | 4,993 | 17,737 | 407 | 3 |
| 23,250 | - | 23,250 | - | - |
| 87,450 | - | 87,450 | - | - |
| 91,457 | - | 91,457 | - | - |
| 316,000 | (316,000) | - | - | - |
| 3,365,609 | (311,007) | 3,054,602 | 407 | 3 |
| 1,148,625 | 191,075 | 1,339,700 | 793 | 3,508 |
| 2,581,154 | 593,783 | 3,174,937 | 64,317 | 44,408 |
| 3,729,779 | 784,858 | 4,514,637 | 65,110 | 47,916 |
| 126,079 | - | 126,079 | - | - |
| 51,000 | - | 51,000 | - | - |
| 43,284 | - | 43,284 | - | - |
| 269,458 | - | 269,458 | - | - |
| 215,782 | - | 215,782 | - | - |
| - | - | - | - | 47,916 |
| 175,622 | - | 175,622 | - | - |
| 119,746 | - | 119,746 | 65,110 | - |
| 394,269 | 4,947 | 399,216 | - | - |
| 417,516 | - | 417,516 | - | - |
| 171,267 | 10,000 | 181,267 | - | - |
| 1,745,756 | 769,911 | 2,515,667 | - | - |
| \$ 3,729,779 | 784,858 | 4,514,637 | 65,110 | 47,916 |

City of West Branch

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 | Urban Renewal Tax Increment |
| Receipts: | | | |
| Property tax | \$ 1,296,486 | - | - |
| Tax increment financing | - | - | 486,103 |
| Local option sales tax | - | - | - |
| Other city tax | 61,286 | - | - |
| Licenses and permits | 50,846 | - | - |
| Use of money and property | 16,333 | - | 2,614 |
| Intergovernmental | 362,672 | 347,516 | - |
| Charges for service | 233,643 | - | - |
| Miscellaneous | 100,193 | - | 193 |
| Total receipts | 2,121,459 | 347,516 | 488,910 |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | 534,050 | - | - |
| Public works | 259,913 | 300,071 | - |
| Health and Social Services | 25,000 | - | - |
| Culture and recreation | 534,454 | - | - |
| Community and economic development | 86,876 | - | - |
| General government | 179,667 | - | - |
| Debt service | - | - | - |
| Capital projects | - | - | - |
| Total disbursements | 1,619,960 | 300,071 | - |
| Excess (deficiency) of receipts over (under) disbursements | 501,499 | 47,445 | 488,910 |
| Other financing sources (uses): | | | |
| General obligation bond proceeds | - | - | - |
| Sale of capital assets | 1,457 | 10,000 | - |
| Transfers in | 75,000 | - | - |
| Transfers out | (50,699) | - | (452,339) |
| Total other financing sources (uses) | 25,758 | 10,000 | (452,339) |
| Change in cash balances | 527,257 | 57,445 | 36,571 |
| Cash balances beginning of year | 1,391,795 | 212,013 | 106,977 |
| Cash balances end of year | \$ 1,919,052 | 269,458 | 143,548 |
| Cash Basis Fund Balances | | | |
| Nonspendable: | | | |
| Cemetery perpetual care | \$ - | - | - |
| Krouth principal | - | - | - |
| Restricted for: | | | |
| Civic center | 43,284 | - | - |
| Streets | - | 269,458 | - |
| Employee benefits | - | - | - |
| Park improvements | - | - | - |
| Library | 95,826 | - | - |
| Debt service | - | - | 143,548 |
| Capital projects | - | - | - |
| Other purposes | 34,186 | - | - |
| Assigned for equipment reserves | 486,590 | - | - |
| Unassigned | 1,259,166 | - | - |
| Total cash basis fund balances | \$ 1,919,052 | 269,458 | 143,548 |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor | Total |
|--------------|------------------|-----------|-----------|
| 361,711 | - | 258,314 | 1,916,511 |
| - | - | - | 486,103 |
| - | - | 266,112 | 266,112 |
| 5,453 | - | 4,724 | 71,463 |
| - | - | - | 50,846 |
| - | - | 2,398 | 21,345 |
| 18,670 | 85,079 | 13,891 | 827,828 |
| - | - | - | 233,643 |
| 131 | 15,013 | 2,920 | 118,450 |
| 385,965 | 100,092 | 548,359 | 3,992,301 |
| - | - | 114,155 | 648,205 |
| - | - | 28,603 | 588,587 |
| - | - | - | 25,000 |
| - | - | 80,701 | 615,155 |
| - | - | - | 86,876 |
| - | - | 17,155 | 196,822 |
| 896,670 | - | - | 896,670 |
| - | 281,268 | - | 281,268 |
| 896,670 | 281,268 | 240,614 | 3,338,583 |
| (510,705) | (181,176) | 307,745 | 653,718 |
| - | 87,450 | - | 87,450 |
| - | 80,000 | - | 91,457 |
| 677,314 | 280,699 | 4,368 | 1,037,381 |
| - | - | (218,343) | (721,381) |
| 677,314 | 448,149 | (213,975) | 494,907 |
| 166,609 | 266,973 | 93,770 | 1,148,625 |
| 84,112 | 150,543 | 635,714 | 2,581,154 |
| 250,721 | 417,516 | 729,484 | 3,729,779 |
| - | - | 126,079 | 126,079 |
| - | - | 51,000 | 51,000 |
| - | - | - | 43,284 |
| - | - | - | 269,458 |
| - | - | 215,782 | 215,782 |
| - | - | 175,622 | 175,622 |
| - | - | 23,920 | 119,746 |
| 250,721 | - | - | 394,269 |
| - | 417,516 | - | 417,516 |
| - | - | 137,081 | 171,267 |
| - | - | - | 486,590 |
| - | - | - | 1,259,166 |
| 250,721 | 417,516 | 729,484 | 3,729,779 |

City of West Branch

City of West Branch

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 | Storm Water | Total |
| Operating receipts: | | | | |
| Charges for service | \$ 594,299 | 636,079 | 63,242 | 1,293,620 |
| Miscellaneous | 14,066 | - | - | 14,066 |
| Total operating receipts | 608,365 | 636,079 | 63,242 | 1,307,686 |
| Operating disbursements: | | | | |
| Business type activities | 340,897 | 258,337 | 12,602 | 611,836 |
| Excess of operating receipts over operating disbursements | 267,468 | 377,742 | 50,640 | 695,850 |
| Non-operating receipts (disbursements): | | | | |
| Interest on investments | 2,017 | 2,976 | - | 4,993 |
| Debt service | (60,235) | - | - | (60,235) |
| Capital outlay | (95,345) | (38,188) | - | (133,533) |
| Total non-operating disbursements | (153,563) | (35,212) | - | (188,775) |
| Excess of receipts over disbursements | 113,905 | 342,530 | 50,640 | 507,075 |
| Transfers out | (105,000) | (141,000) | (70,000) | (316,000) |
| Change in cash balances | 8,905 | 201,530 | (19,360) | 191,075 |
| Cash balances beginning of year | 158,965 | 288,847 | 145,971 | 593,783 |
| Cash balances end of year | \$ 167,870 | 490,377 | 126,611 | 784,858 |
| Cash Basis Fund Balances | | | | |
| Restricted for: | | | | |
| Customer deposits | \$ 10,000 | - | - | 10,000 |
| Debt service | 4,947 | - | - | 4,947 |
| Unrestricted | 152,923 | 490,377 | 126,611 | 769,911 |
| Total cash basis fund balances | \$ 167,870 | 490,377 | 126,611 | 784,858 |

See notes to financial statements.

City of West Branch

Notes to Financial Statements

June 30, 2021

(1) Summary of Significant Accounting Policies

The City of West Branch is a political subdivision of the State of Iowa located in Cedar and Johnson Counties. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council 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, sewer and storm water utilities for its citizens.

A. Reporting Entity

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

These financial statements present the City of West Branch (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Units

The Friends of the West Branch Public Library (Friends) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the general operation of the West Branch Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, Friends meets the definition of a component unit which should be discretely presented.

The West Branch Firefighters Foundation (Foundation) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of fundraising and to support the West Branch Fire and Rescue Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented.

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

The City reports the following major proprietary funds:

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

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

The Enterprise, Storm Water Fund accounts for the operation and maintenance of the City's storm water 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 positions 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:

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the health and social services function prior to a budget amendment.

(2) Cash and Pooled Investments

The City's deposits in banks and credit unions 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 no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Bonds and Note Payable

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

| | Year Beginning Balances | Increases | Decreases | Ending Balances | Due Within One Year |
|---|-------------------------------|---------------|----------------|--------------------|---------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 6,672,000 | - | 745,000 | 5,927,000 | 968,000 |
| Lease purchase agreement | 3,371 | - | 983 | 2,388 | 1,085 |
| | <u>\$ 6,675,371</u> | <u>-</u> | <u>745,983</u> | <u>5,929,388</u> | <u>969,085</u> |
| Business type activities: | | | | | |
| Water revenue bonds | \$ 343,000 | - | 53,000 | 290,000 | 55,000 |
| Sewer revenue notes - direct borrowing | - | 87,450 | - | 87,450 | - |
| | <u>\$ 343,000</u> | <u>87,450</u> | <u>53,000</u> | <u>377,450</u> | <u>55,000</u> |

General Obligation Bonds

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

| Year Ending June 30, | Water Improvement Issued Mar 4, 2013 | | | Street Improvement Issued Aug 8, 2015 | | |
|----------------------------|---|---------------------|----------------|--|-------------------|---------------|
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest |
| 2022 | 1.55% | \$ 175,000 | 28,900 | 2.20% | \$ 90,000 | 8,640 |
| 2023 | 1.70 | 180,000 | 26,188 | 2.20 | 90,000 | 6,660 |
| 2024 | 1.85 | 185,000 | 23,128 | 2.40 | 95,000 | 4,680 |
| 2025 | 2.00 | 190,000 | 19,705 | 2.40 | 100,000 | 2,400 |
| 2026 | 2.30 | 80,000 | 15,905 | - | - | - |
| 2027-2031 | 2.30-3.00 | 420,000 | 50,165 | - | - | - |
| 2032 | 3.00 | 95,000 | 2,850 | - | - | - |
| Total | | <u>\$ 1,325,000</u> | <u>166,841</u> | | <u>\$ 375,000</u> | <u>22,380</u> |

| Year Ending June 30, | Park Improvements Issued Jul 19, 2016 | | | Urban Renewal Issued Jul 19, 2016 | | |
|----------------------------|--|-------------------|---------------|--------------------------------------|-------------------|---------------|
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest |
| 2022 | 1.50% | \$ 90,000 | 11,938 | 2.20% | \$ 50,000 | 5,900 |
| 2023 | 1.50 | 90,000 | 10,588 | 2.20 | 50,000 | 4,950 |
| 2024 | 1.75 | 90,000 | 9,238 | 2.50 | 50,000 | 3,850 |
| 2025 | 1.75 | 95,000 | 7,663 | 2.50 | 55,000 | 2,750 |
| 2026 | 2.00 | 95,000 | 6,000 | 2.50 | 55,000 | 1,375 |
| 2027-2031 | 2.00-2.10 | 200,000 | 4,152 | - | - | - |
| 2032 | - | - | - | - | - | - |
| Total | | <u>\$ 660,000</u> | <u>49,579</u> | | <u>\$ 260,000</u> | <u>18,825</u> |

| Year Ending June 30, | Judgment Settlement | | | Street and Utilities Improvement | | |
|----------------------------|---------------------|-------------------|---------------|-------------------------------------|---------------------|----------------|
| | Issued Mar 7, 2017 | | | Issue Dec 5, 2017 | | |
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest |
| 2022 | 3.25% | \$ 198,000 | 16,087 | 2.00% | \$ 365,000 | 80,672 |
| 2023 | 3.25 | 99,000 | 3,218 | 2.00 | 375,000 | 73,373 |
| 2024 | | - | - | 2.50 | 400,000 | 65,873 |
| 2025 | | - | - | 2.50 | 405,000 | 55,873 |
| 2026 | | - | - | 2.75 | 220,000 | 45,748 |
| 2027-2031 | | - | - | 3.00-3.40 | 1,055,000 | 129,770 |
| 2032 | | - | - | 3.50 | 190,000 | 6,650 |
| Total | | <u>\$ 297,000</u> | <u>19,305</u> | | <u>\$ 3,010,000</u> | <u>457,959</u> |

| Year Ending June 30, | Total | | |
|----------------------------|---------------------|----------------|------------------|
| | Principal | Interest | Total |
| 2022 | \$ 968,000 | 152,137 | 1,120,137 |
| 2023 | 884,000 | 124,977 | 1,008,977 |
| 2024 | 820,000 | 106,769 | 926,769 |
| 2025 | 845,000 | 88,391 | 933,391 |
| 2026 | 450,000 | 69,028 | 519,028 |
| 2027-2031 | 1,675,000 | 184,087 | 1,859,087 |
| 2032 | 285,000 | 9,500 | 294,500 |
| Total | <u>\$ 5,927,000</u> | <u>734,889</u> | <u>6,661,889</u> |

On March 4, 2013, the City issued \$2,730,000 of general obligation corporate purpose and refunding bonds to provide funds to pay the costs of constructing improvements to the municipal sanitary sewer, wastewater treatment and waterworks systems and to currently refund the outstanding balance of the City's 2005 general obligation bonds. The bonds bear interest at rates ranging from 1.0% to 3.0% per annum and mature on June 1, 2032. During fiscal year 2021, the City paid principal of \$175,000 and interest of \$31,350 on the bonds. The outstanding principal balance at June 30, 2021 was \$1,325,000.

On August 8, 2015, the City issued \$855,000 of general obligation corporate purpose bonds to provide funds to pay the costs of constructing improvements to Main Street and 4th Street. The bonds bear interest at rates ranging from 1.10% to 2.40% per annum and mature on June 1, 2025. During fiscal year 2021, the City paid principal of \$85,000 and interest of \$10,255 on the bonds. The outstanding principal balance at June 30, 2021 was \$375,000.

On July 19, 2016, the City issued \$1,000,000 of general obligation corporate purpose bonds to provide funds to pay the costs of constructing street, storm water drainage, sidewalk, water system, sanitary sewer system and park improvements. The bonds bear interest at rates ranging from 1.0% to 2.1% per annum and matures on June 1, 2028. During the fiscal year 2021, the City paid principal of \$85,000 and interest of \$13,043 on the bond. The outstanding principal balance at June 30, 2021 was \$660,000.

On July 19, 2016, the City issued \$400,000 of general obligation urban renewal bonds to provide funds for an urban renewal project. The bonds bear interest at rates ranging from 1.55% to 2.5% per annum and matures on June 1, 2026. During fiscal year 2021, the City paid principal of \$50,000 and \$6,850 of interest on the bonds. The outstanding principal balance at June 30, 2021 was \$260,000.

On March 7, 2017, the City issued a \$495,000 general obligation judgement settlement note to provide funds to settle a judgement against the City. The note bears interest at 3.25% per annum and matures on June 1, 2023. During fiscal year 2021, the City did not make any payments of principal or interest on the note. The outstanding principal balance at June 30, 2021 was \$297,000.

On December 5, 2017, the City issued \$4,200,000 of general obligation corporate purpose bonds to provide funds for constructing bridge, sidewalk, street, sanitary sewer, and water system improvements and park improvements. The bonds bear interest at rates ranging from 2.0% to 3.5% per annum and mature on June 1, 2032. During fiscal year 2021, the City paid principal of \$350,000 and interest of \$87,673 on the bonds. The outstanding principal balance at June 30, 2021 was \$3,010,000.

Revenue Bonds

A summary of the City’s June 30, 2021 revenue bonds payable is as follows:

| Year Ending June 30, | Water Issued Jun 2, 2005 | | | Water Issued Apr 5, 2007 | | |
|----------------------------|-----------------------------|-------------------|---------------|-----------------------------|------------------|--------------|
| | Interest Rates | Principal | Interest | Interest Rates | Principal | Interest |
| 2022 | 1.75% | \$ 50,000 | 4,200 | 3.00% | \$ 5,000 | 750 |
| 2023 | 1.75 | 51,000 | 3,316 | 3.00 | 5,000 | 600 |
| 2024 | 1.75 | 53,000 | 2,406 | 3.00 | 5,000 | 450 |
| 2025 | 1.75 | 55,000 | 3,330 | 3.00 | 5,000 | 300 |
| 2026 | 1.75 | 56,000 | 1,680 | 3.00 | 5,000 | 150 |
| Total | | <u>\$ 265,000</u> | <u>14,932</u> | | <u>\$ 25,000</u> | <u>2,250</u> |

| Year Ending June 30, | Total | | |
|----------------------------|-------------------|---------------|----------------|
| | Principal | Interest | Total |
| 2022 | \$ 55,000 | 4,950 | 59,950 |
| 2023 | 56,000 | 3,916 | 59,916 |
| 2024 | 58,000 | 2,856 | 60,856 |
| 2025 | 60,000 | 3,630 | 63,630 |
| 2026 | 61,000 | 1,830 | 62,830 |
| Total | <u>\$ 290,000</u> | <u>17,182</u> | <u>307,182</u> |

On June 2, 2005, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$860,000 of water revenue bonds with an interest rate of 3.0% per annum. The Iowa Finance Authority approved a reduction to the interest rate from 3.0% per annum to 1.75% per annum effective December 1, 2015. The City is also required to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384 of the Code of Iowa to pay the costs of constructing improvements and extensions to the City’s water system. During fiscal year 2021, the City paid principal of \$48,000 and interest of \$6,260 on the bonds. The outstanding principal balance at June 30, 2021 was \$265,000.

On April 5, 2007, the City entered into an agreement with the Iowa Finance Authority and Wells Fargo Bank, N.A. for the issuance of \$83,000 of water revenue bonds with an interest rate of 3.0% per annum. The City is also required to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384 of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system. During fiscal year 2021, the City paid principal of \$5,000 and interest of \$975 on the bonds. The outstanding principal balance at June 30, 2021 was \$25,000.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay water revenue bonds issued in June 2005 and April 2007. Proceeds from the bonds provided financing for the construction of water main improvements and extensions. The bonds are payable solely from water customer net receipts and are payable through 2026. Annual principal and interest payments on the bonds for the current year required 23.0% of net receipts. The total principal and interest remaining to be paid on the two bond issues is \$307,182. For the current year, total principal and interest paid on the water revenue bonds was \$60,235 and total customer net receipts were \$267,468.

The resolutions providing for the issuance of the water revenue bonds issued under loan agreements between the City, the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. include the following provisions:

- (a) The bonds will only be redeemed from the future earnings of the Water Fund and the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a water revenue bond sinking account within the Water Fund for the purpose of making the bond principal and interest payments when due.
- (c) All funds remaining in the Water Fund after making the required transfers shall be placed in a water revenue surplus account. As long as the sinking account has the full amount required to be deposited, the balance in the surplus account may be made available to the City as the City Council may direct.
- (d) 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 bonds falling due in the same year.

Sewer Revenue Notes – Direct Borrowing

On April 2, 2021, the City entered into a State Revolving Fund (SRF) sewer revenue loan and disbursement agreement with the Iowa Finance Authority for the issuance of up to \$619,000 of sewer revenue bonds, interest free. The note was issued pursuant to the provisions of Chapters 76.13 and 384.424A of the Code of Iowa as an interim measure for engineering costs for a sanitary sewer improvement project and will be repaid from proceeds of a future revenue note. At June 30, 2021, the City had drawn \$87,450 of the loan and paid no principal or interest on the bond.

Lease Purchase Agreement

On July 30, 2018, the City entered into an agreement to lease a copier for the Library at a total cost of \$6,375, including interest at 10.01% per annum. During the year ended June 30, 2021, the City made principal payments of \$983 and interest payments of \$292 on the lease purchase agreement. The outstanding principal balance at June 30, 2021 was \$2,388.

The following is schedule of the future minimum lease payments and the present value of net minimum lease payments under the agreements in effect at June 30, 2021.

| Year Ending June 30, | Library Copier |
|---|-------------------|
| 2022 | \$ 1,275 |
| 2023 | 1,275 |
| 2024 | <u>106</u> |
| Total | 2,656 |
| Less amount representing interest | <u>(268)</u> |
| Present value of net minimum lease payments | <u>\$ 2,388</u> |

(4) Pension Plan

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 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 were \$96,514.

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 \$653,170 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 0.009298% which was an increase of 0.000859% from 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 \$133,207, \$111,859 and \$15,830, 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:

| <u>Asset Class</u> | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------|-------------------------|---|
| 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 to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

| | 1% Decrease (6.00%) | Discount Rate (7.00%) | 1% Increase (8.00%) |
|--|---------------------------|-----------------------------|---------------------------|
| City's proportionate share of the net pension liability | \$ 1,048,123 | 653,170 | 276,821 |

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

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$144,963 and plan members eligible for benefits contributed \$34,935 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 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, the following employees were covered by the benefit terms:

| | |
|--|------------------|
| Inactive employees or beneficiaries currently receiving benefit payments | - |
| Active employees | <u>12</u> |
| Total | <u><u>12</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.

Employees eligible for retirement will receive either one-half or one-quarter of their accumulated sick leave balance, dependent on the date they were hired. No employees were eligible for sick leave benefits at June 30, 2021.

The City's approximate liability for earned vacation payable to employees at June 30, 2021, primarily relating to the General Fund, was approximately \$57,200. 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: | |
| | Urban Renewal Tax Increment | <u>\$ 75,000</u> |
| Special Revenue: | Permanent: | |
| Krouth | Krouth Principal | <u>4,368</u> |
| Debt Service | Special Revenue: | |
| | Local Option Sales Tax | 213,975 |
| | Urban Renewal Tax Increment | 377,339 |
| | Enterprise: | |
| | Water | 40,000 |
| | Sewer | <u>46,000</u> |
| | | <u>677,314</u> |
| Capital Projects | | |
| | General | 50,699 |
| | Enterprise: | |
| | Water | 65,000 |
| | Sewer | 95,000 |
| | Storm Water | <u>70,000</u> |
| | | <u>280,699</u> |
| Total | | <u>\$ 1,037,381</u> |

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

(8) Internal Loan

During the year ended June 30, 2019, the City approved an internal loan of \$100,000 from the General Fund to the Capital Projects Fund to help pay for planning and construction costs for street improvements. The loan is to be repaid without interest from the Special Revenue, Urban Renewal Tax Increment Fund over the next two years beginning on or before July 1, 2020. During the year ended June 30, 2021, the Special Revenue, Urban Renewal Tax Increment Fund repaid \$50,000 to the General Fund and no balance remained at June 30, 2021.

During the year ended June 30, 2020, the City approved an internal loan of \$107,000 from the General Fund to the Capital Projects Fund to help pay for planning and construction costs for street improvements. The loan is to be repaid without interest from the Special Revenue, Urban Renewal Tax Increment Fund in amounts not less than \$25,000 for the next four years. During the year ended June 30, 2021, the Special Revenue, Urban Renewal Tax Increment Fund repaid \$25,000 to the General Fund. At June 30, 2021, a balance of \$82,000 of the internal loan remains.

(9) Development Agreement

In May 2015, the City entered into a development agreement with Casey’s Marketing Company (Casey’s). Under the agreement, Casey’s agreed to construct a convenience store with gasoline sales facilities in return for economic development tax increment payments from the City over twenty years. The total to be paid by the City under the agreement is not to exceed \$561,349. At June 30, 2021, the City made no rebate payments under the agreement. At June 30, 2021, the remaining balance to be paid on the agreement was \$512,546.

In October 2018, the City entered into a development agreement with The Meadows Development, Inc (Developer). Under the agreement, the Developer agreed to construct a residential subdivision with public improvements. The City agreed to pay the developer an amount not to exceed \$395,000 with the agreement ending on December 31, 2035, which ever happens sooner. As of June 30, 2021, no payments have been paid under the agreement.

In April 2019, the City entered into a development agreement with EMV Holdings, LLC for the construction of an events center. The City has agreed to a tax increment grant not to exceed \$150,000 over a 10-year period. As of June 30, 2021, no payments have been paid under this agreement.

(10) Tax Abatement

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

City Tax Abatements

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

For the year ended June 30, 2021, \$0 of property tax was diverted from the City under the urban renewal and economic development agreements due to the lack of payments. See Note 9.

(11) 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 expenditures from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2021 were \$39,463.

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

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

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

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and fire department liability in varying amounts. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(12) Revolving Loan Fund

In 2001, the City established a revolving loan fund (RLF) to provide loans to promote economic development within the City. The RLF was established with proceeds from an economic development set-aside grant. At June 30, 2021, no loans were made during the year and no outstanding balance at June 30, 2021.

(13) 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 Sate continues to evolve. The full impact to local, regional and national economies, including that of the City of West Branch, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of West Branch. 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 West Branch's operations and finances.

(14) Subsequent Event

On March 7, 2022, the City approved a contract with Boomerang Corp for \$8,837,000 for the West Branch Wastewater Treatment Facility Project.

On June 6, 2022, the City approved the issuance of sewer revenue bonds for \$10,203,000 with the Iowa Finance Authority to plan, design and construct improvements and extensions to the City sanitary sewer system.

(15) 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.

City of West Branch

Other Information

City of West Branch
 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 | \$ 1,916,511 | - | 1,916,511 |
| Tax increment financing | 486,103 | - | 486,103 |
| Other city tax | 337,575 | - | 337,575 |
| Licenses and permits | 50,846 | - | 50,846 |
| Use of money and property | 21,345 | 4,993 | 26,338 |
| Intergovernmental | 827,828 | - | 827,828 |
| Charges for service | 233,643 | 1,293,620 | 1,527,263 |
| Miscellaneous | 118,450 | 14,066 | 132,516 |
| Total receipts | 3,992,301 | 1,312,679 | 5,304,980 |
| Disbursements: | | | |
| Public safety | 648,205 | - | 648,205 |
| Public works | 588,587 | - | 588,587 |
| Health and Social Services | 25,000 | - | 25,000 |
| Culture and recreation | 615,155 | - | 615,155 |
| Community and economic development | 86,876 | - | 86,876 |
| General government | 196,822 | - | 196,822 |
| Debt service | 896,670 | - | 896,670 |
| Capital projects | 281,268 | - | 281,268 |
| Business type activities | - | 805,604 | 805,604 |
| Total disbursements | 3,338,583 | 805,604 | 4,144,187 |
| Excess (deficiency) of receipts over (under) disbursements | 653,718 | 507,075 | 1,160,793 |
| Other financing sources, net | 494,907 | (316,000) | 178,907 |
| Change in balances | 1,148,625 | 191,075 | 1,339,700 |
| Balances beginning of year | 2,581,154 | 593,783 | 3,174,937 |
| Balances end of year | \$ 3,729,779 | 784,858 | 4,514,637 |

See accompanying independent auditor's report.

| Budgeted Amounts | | Final to |
|------------------|------------------|------------------|
| Original | Final | Total |
| | | Variance |
| 1,908,576 | 1,908,576 | 7,935 |
| 486,238 | 486,238 | (135) |
| 268,528 | 268,528 | 69,047 |
| 35,100 | 35,100 | 15,746 |
| 20,000 | 20,000 | 6,338 |
| 1,058,403 | 1,083,403 | (255,575) |
| 1,358,200 | 1,358,200 | 169,063 |
| 40,120 | 40,120 | 92,396 |
| <u>5,175,165</u> | <u>5,200,165</u> | <u>104,815</u> |
| 861,762 | 861,762 | 213,557 |
| 704,031 | 704,031 | 115,444 |
| - | 25,000 | - |
| 736,927 | 736,927 | 121,772 |
| 128,558 | 128,558 | 41,682 |
| 212,099 | 212,099 | 15,277 |
| 1,005,824 | 1,005,824 | 109,154 |
| 850,000 | 850,000 | 568,732 |
| 815,354 | 815,354 | 9,750 |
| <u>5,314,555</u> | <u>5,339,555</u> | <u>1,195,368</u> |
| (139,390) | (139,390) | 1,300,183 |
| 200,000 | 200,000 | (21,093) |
| 60,610 | 60,610 | 1,279,090 |
| 2,833,518 | 2,833,518 | 341,419 |
| <u>2,894,128</u> | <u>2,894,128</u> | <u>1,620,509</u> |

City of West Branch

City of West Branch

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 component units. 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 Funds 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, one budget amendment increased budgeted disbursements by \$25,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements did not exceed the amounts budgeted by function. However, disbursements in health and social services function exceeded the amounts budgeted prior to approval of an amendment.

City of West Branch

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

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

Other Information

| | 2021 | 2020 | 2019 | 2018 |
|--|-----------|-----------|-----------|-----------|
| City's proportion of the net pension liability | 0.009298% | 0.008439% | 0.008668% | 0.008379% |
| City's proportionate share of the net pension liability | \$ 653 | 489 | 549 | 558 |
| City's covered payroll | \$ 998 | 948 | 927 | 882 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 65.43% | 51.58% | 59.22% | 63.27% |
| IPERS' net position as a percentage of the total pension liability | 82.90% | 85.45% | 83.62% | 82.21% |

* 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.

| 2017 | 2016 | 2015 |
|-----------|-----------|-----------|
| 0.008229% | 0.007732% | 0.006950% |
| 518 | 382 | 276 |
| 782 | 727 | 671 |
| 66.24% | 52.54% | 41.13% |
| 81.82% | 85.91% | 87.61% |

City of West Branch

Schedule of City Contributions

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

Other Information

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> |
|---|-------------|-------------|-------------|-------------|
| Statutorily required contribution | \$ 97 | 96 | 92 | 85 |
| Contributions in relation to the statutorily required contribution | <u>(97)</u> | <u>(96)</u> | <u>(92)</u> | <u>(85)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| City's covered payroll | \$ 1,018 | 998 | 948 | 927 |
| Contributions as a percentage of covered payroll | 9.53% | 9.62% | 9.70% | 9.17% |

See accompanying independent auditor's report.

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|-------|-------|-------|-------|-------|-------|
| 81 | 72 | 67 | 62 | 55 | 42 |
| (81) | (72) | (67) | (62) | (55) | (42) |
| - | - | - | - | - | - |
| 882 | 782 | 727 | 671 | 598 | 592 |
| 9.18% | 9.21% | 9.22% | 9.24% | 9.20% | 7.09% |

City of West Branch

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

City of West Branch

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 | | | |
|---------------------------------------|----------------------|------------------------------|-------------------|---------------|
| | Employee Benefits | Local Option Sales Tax | Revolving Loan | Krouth |
| Receipts: | | | | |
| Property tax | \$ 258,314 | - | - | - |
| Local option sales tax | - | 266,112 | - | - |
| Other city tax | 4,724 | - | - | - |
| Use of money and property | - | - | - | 235 |
| Intergovernmental | 13,891 | - | - | - |
| Miscellaneous | 100 | - | - | - |
| Total receipts | <u>277,029</u> | <u>266,112</u> | <u>-</u> | <u>235</u> |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | 114,155 | - | - | - |
| Public works | 28,603 | - | - | - |
| Culture and recreation | 80,701 | - | - | - |
| General government | 17,155 | - | - | - |
| Total disbursements | <u>240,614</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of receipts over disbursements | <u>36,415</u> | <u>266,112</u> | <u>-</u> | <u>235</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | - | 4,368 |
| Transfers out | - | (213,975) | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>(213,975)</u> | <u>-</u> | <u>4,368</u> |
| Change in cash balances | 36,415 | 52,137 | - | 4,603 |
| Cash balances beginning of year | <u>179,367</u> | <u>123,485</u> | <u>137,081</u> | <u>19,309</u> |
| Cash balances end of year | <u>\$ 215,782</u> | <u>175,622</u> | <u>137,081</u> | <u>23,912</u> |
| Cash Basis Fund Balances | | | | |
| Nonspendable: | | | | |
| Cemetery perpetual care | \$ - | - | - | - |
| Krouth principal | - | - | - | - |
| Restricted for: | | | | |
| Employee benefits | 215,782 | - | - | - |
| Park improvements | - | 175,622 | - | - |
| Library | - | - | - | 23,912 |
| Other purposes | - | - | 137,081 | - |
| Total cash basis fund balances | <u>\$ 215,782</u> | <u>175,622</u> | <u>137,081</u> | <u>23,912</u> |

See accompanying independent auditor's report.

| Permanent | | |
|---------------------|-------------------------------|-----------|
| Krouth Principal | Cemetery Perpetual Care | Total |
| - | - | 258,314 |
| - | - | 266,112 |
| - | - | 4,724 |
| 867 | 1,296 | 2,398 |
| - | - | 13,891 |
| - | 2,820 | 2,920 |
| 867 | 4,116 | 548,359 |
| - | - | 114,155 |
| - | - | 28,603 |
| - | - | 80,701 |
| - | - | 17,155 |
| - | - | 240,614 |
| 867 | 4,116 | 307,745 |
| - | - | 4,368 |
| (4,368) | - | (218,343) |
| (4,368) | - | (213,975) |
| (3,501) | 4,116 | 93,770 |
| 54,509 | 121,963 | 635,714 |
| 51,008 | 126,079 | 729,484 |
| - | 126,079 | 126,079 |
| 51,000 | - | 51,000 |
| - | - | 215,782 |
| - | - | 175,622 |
| 8 | - | 23,920 |
| - | - | 137,081 |
| 51,008 | 126,079 | 729,484 |

City of West Branch

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

For the Last Ten Years

| | 2021 | 2020 | 2019 | 2018 |
|------------------------------------|---------------------|------------------|------------------|------------------|
| Receipts: | | | | |
| Property tax | \$ 1,916,511 | 1,768,219 | 1,724,999 | 1,631,625 |
| Tax increment financing | 486,103 | 461,103 | 403,116 | 249,972 |
| Local option sales tax | 266,112 | 225,687 | 216,090 | 193,266 |
| Other city tax | 71,463 | 70,130 | 67,188 | 28,511 |
| Licenses and permits | 50,846 | 126,171 | 41,934 | 58,917 |
| Use of money and property | 21,345 | 35,991 | 80,843 | 46,396 |
| Intergovernmental | 827,828 | 1,291,199 | 799,958 | 647,327 |
| Charges for service | 233,643 | 118,529 | 116,167 | 122,607 |
| Miscellaneous | 118,450 | 33,189 | 101,038 | 117,922 |
| Total | \$ 3,992,301 | 4,130,218 | 3,551,333 | 3,096,543 |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | \$ 648,205 | 673,149 | 609,150 | 1,294,486 |
| Public works | 588,587 | 435,046 | 392,936 | 395,399 |
| Health and social services | 25,000 | - | - | - |
| Culture and recreation | 615,155 | 629,014 | 626,015 | 637,963 |
| Community and economic development | 86,876 | 124,832 | 59,636 | 52,911 |
| General government | 196,822 | 177,642 | 175,404 | 206,342 |
| Debt service | 896,670 | 1,000,829 | 1,063,861 | 681,872 |
| Capital projects | 281,268 | 1,828,227 | 2,821,540 | 1,625,144 |
| Total | \$ 3,338,583 | 4,868,739 | 5,748,542 | 4,894,117 |

See accompanying independent auditor's report.

| 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|------------------|------------------|------------------|------------------|------------------|------------------|
| 1,613,353 | 1,544,428 | 1,537,122 | 1,559,380 | 1,329,716 | 1,157,867 |
| 152,449 | 154,260 | 215 | 36,912 | 97,387 | 374,400 |
| 219,609 | 183,720 | 173,221 | 147,596 | 166,392 | 112,030 |
| 27,918 | 30,562 | - | - | - | - |
| 49,282 | 58,941 | 54,892 | 65,481 | 60,216 | 47,563 |
| 13,822 | 7,516 | 5,984 | 6,817 | 7,083 | 10,027 |
| 597,068 | 592,752 | 486,289 | 394,359 | 381,215 | 427,391 |
| 116,572 | 107,827 | 94,935 | 97,863 | 83,971 | 71,122 |
| 134,422 | 66,781 | 154,161 | 216,635 | 153,030 | 178,850 |
| 2,924,495 | 2,746,787 | 2,506,819 | 2,525,043 | 2,279,010 | 2,379,250 |
| 592,081 | 695,809 | 835,978 | 556,440 | 495,520 | 461,258 |
| 463,907 | 438,783 | 609,663 | 480,201 | 706,656 | 573,811 |
| - | - | - | - | - | - |
| 605,758 | 727,100 | 571,811 | 925,633 | 457,409 | 499,060 |
| 655,049 | 64,898 | 147,241 | 85,428 | 21,250 | 484,467 |
| 278,833 | 399,311 | 231,897 | 198,704 | 221,738 | 252,766 |
| 532,538 | 372,115 | 468,291 | 340,488 | 1,650,192 | 210,283 |
| 1,716,074 | 483,366 | 6,798 | - | - | 252,978 |
| 4,844,240 | 3,181,382 | 2,871,679 | 2,586,894 | 3,552,765 | 2,734,623 |



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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with 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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of West Branch, 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 September 7, 2022. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of West Branch's internal control over financial reporting as a basis for designing audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of West Branch's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Branch'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, we identified certain deficiencies in internal control we consider to be a material weakness and a significant deficiency.

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 West Branch's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

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 deficiency described in the accompanying Schedule of Findings as item (B) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of West Branch'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 that are required to be reported under Government Auditing Standards. However, we noted a certain immaterial instance of non-compliance or other matter which is described in the accompanying Schedule of Findings.

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.

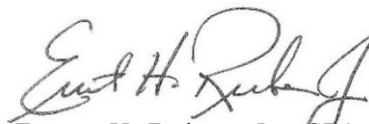
The City of West Branch's Responses to the Findings

The City of West Branch's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of West Branch'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 West Branch during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



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

September 7, 2022

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

Condition – Generally, one individual in the City has control over each of the following areas:

- (1) Receipts – collecting, depositing and posting.

For the West Branch Firefighters Foundation, one individual has control over each of the following areas:

- (1) Receipts – collecting, depositing, recording and reconciling.

For the Friends of the West Branch Library, one individual has control over each of the following areas:

- (1) Receipts – depositing, recording, and reconciling.
- (2) Disbursements – preparing, recording and reconciling.

Cause – The City, the West Branch Firefighters Foundation and the Friends of the West Branch Library have 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 each entity’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – The City, the West Branch Firefighters Foundation and the Friends of the West Branch Library should review their control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports.

City of West Branch

Schedule of Findings

Year ended June 30, 2021

Responses –

City – City staff agrees with this finding and will continue to work to implement suggestions contained within the recommendation. The Finance Officer will review receipts and sign off on them.

West Branch Firefighters Foundation – Staff agrees with this finding and will work to implement suggestions contained within the recommendation. Staff will ensure transactions are not prepared, recorded and reconciled by one individual.

Friends of the Library – Staff agrees with this finding and will work to implement suggestions contained within the recommendation. Staff will ensure collecting, depositing, posting, and reconciling funds is not performed by one individual. Disbursements will be reviewed by an independent person.

Conclusion – Response accepted.

(B) Firefighters Foundation Account Bank Reconciliation

Criteria – An effective internal control system provides for internal controls related to reconciling monthly bank statements to the book balance to ensure the accuracy of the book balance.

Condition – The West Branch Firefighters Foundation has not been preparing a monthly bank to book reconciliation.

Cause – Policies have not been established and procedures have not been implemented to reconcile monthly bank statements to ensure the accuracy of the book balance.

Effect – Since monthly bank statement reconciliations were not prepared, misstatements of the book balances could occur and not be detected.

Recommendation – To improve financial accountability and control, the reconciliation of the book and bank balances should be prepared and reviewed by an independent person. The review should be documented by the signature or initials of the reviewer and the date of the review.

Response – Staff agrees with this finding and will work to implement suggestions contained within the recommendation. Staff will ensure bank reconciliations are prepared monthly and reviewed and approved by an independent person. The review will be documented by the signature or initials of the reviewer and the date of the review.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of West Branch

Schedule of Findings

Year ended June 30, 2021

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the health and social services function prior to amendment. 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 two employees who had first-hand knowledge about why we exceeded the health and social services function before the amendment no longer work for the City so I can only surmise as to why this happened. The City applied and was awarded a \$25,000 CDBG grant to assist the West Branch Food Pantry at the beginning of fiscal year 2021. It is my assumption that the City Administrator and Finance Officer did not think to amend for one grant so early in the year and the realization to do so came later as they reviewed other changes to the budget. Amendments will be completed in the future before the budget is exceeded.

Conclusion – Response accepted.

- (2) 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.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|---|--|----------|
| Kevin Stoolman, Volunteer Fire Chief, Owner of West Branch Repairs | Vehicle repairs | \$ 2,436 |
| Roger Laughlin, Mayor, Owner of Laughlin Design | Door and A/C install and repair pantry building | 16,500 |

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with West Branch Repairs do not appear to represent a conflict of interest since the total transactions were less than \$6,000 during the fiscal year.

In accordance with Chapter 362.5(3)(d) of the Code of Iowa, the transactions with Laughlin Design do not appear to represent a conflict of interest since the contract was entered into through competitive bidding.

- (5) Restricted Donor Activity – No transactions were noted between the City, City officials or City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

City of West Branch

Schedule of Findings

Year ended June 30, 2021

- (6) 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.
- (7) City Council Meeting Minutes – No transactions were found that we believe should have been approved in the City Council meeting minutes but were not.
- (8) 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.
- (9) Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.
- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.
- (11) Tax Increment Financing – The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates. Also, City of West Branch properly completed the Tax Increment Debt Certificate Forms to request TIF properly taxes.

City of West Branch

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Katherine L. Rupp, CPA, Manager
Noelle M. Johnson, Senior Auditor
Sidot K. Shipley, Senior Auditor
Brett A. Logsdon, Staff Auditor