



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006
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NEWS RELEASE

Contact: Ernest Ruben
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FOR RELEASE

October 21, 2022

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$879,761 for the year ended June 30, 2020. Disbursements for the year ended June 30, 2020 totaled \$859,192, including disbursements for business type activities which totaled \$229,898.

AUDIT FINDINGS:

Sand reported 26 findings related to the receipt and disbursement of taxpayer funds. They are found on pages 38 through 51 of this report. The findings address issues such as a lack of segregation of duties, lack of bank reconciliations, journal entries not supported or approved, no evidence all disbursements are properly approved, errors in the Annual Financial Report, disbursements exceeding budgeted amounts, a deficit fund balance and an excess TIF balance. Sand provided the City with recommendations to address each of the findings.

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

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

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CITY OF DEXTER
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2020

City of Dexter



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Rob Sand
Auditor of State

August 1, 2022

Officials of the City of Dexter
Dexter, Iowa 50070

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 Dexter, Iowa, for the year ended June 30, 2020. 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 Dexter throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink that reads "Rob Sand".

Rob Sand
Auditor of State

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		4-5
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	8-9
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	10-11
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	12
Fiduciary Fund Financial Statement:		
Statement of Changes of Fiduciary Net Position – Custodial Funds	D	13
Notes to Financial Statements		14-24
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds		26-27
Notes to Other Information – Budgetary Reporting		28
Schedule of the City’s Proportionate Share of the Net Pension Liability		29
Schedule of City Contributions		30-31
Notes to Other Information – Pension Liability		32
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	34-35
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		36-37
Schedule of Findings		38-51
Staff		52

City of Dexter

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Christine Huff	Mayor	Jan 2020
T.J. Morehouse	Mayor Pro tem	Jan 2022
Sarah McAndrews	Council Member	Jan 2020
Jared Wolfe	Council Member	Jan 2020
Dave Minturn	Council Member	Jan 2022
Thomas Stiles	Council Member	Jan 2022
Carolyn Bond	City Clerk/Treasurer	Indefinite
Adam Doll	Attorney	Indefinite

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Adrienne Howard	Mayor	Jan 2024
T.J. Morehouse	Mayor Pro tem	Jan 2022
Dave Minturn	Council Member	Jan 2022
Thomas Stiles	Council Member	Jan 2022
Sarah McAndrews	Council Member	Jan 2024
Jared Wolfe	Council Member	Jan 2024
Carolyn Bond	City Clerk/Treasurer	Indefinite
Adam Doll	Attorney	Indefinite



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of City of Dexter, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Modified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2019.

Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2019, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Dexter as of June 30, 2020, 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

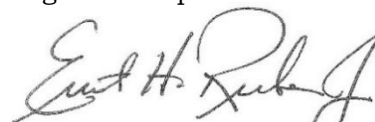
Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dexter's basic financial statements. The supplementary information included in Schedule 1 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 26 through 32, 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 August 1, 2022 on our consideration of City of Dexter'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 City of Dexter's internal control over financial reporting and compliance.



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

August 1, 2022

City of Dexter

Basic Financial Statements

City of Dexter

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 56,887	4,354	11,156
Public works	372,598	68,920	78,537
Culture and recreation	82,515	1,190	21,630
Community and economic development	2,457	-	-
General government	99,654	1,054	1,770
Debt service	15,183	-	894
Total governmental activities	629,294	75,518	113,987
Business type activities:			
Water	127,725	146,640	-
Sewer	102,173	113,098	-
Storm water	-	3,467	-
Total business type activities	229,898	263,205	-
Total primary government	\$ 859,192	338,723	113,987
Component Units:			
Dexter Fire and Rescue Association	\$ 2,133	-	-
Dexter Community House Non-Profit	1,892	-	-
Total component units	\$ 4,025	-	-
General Receipts and Transfers:			
Property and other city tax levied for:			
General purposes			
Debt service			
Local option sales tax			
Commercial/industrial tax replacement			
Unrestricted interest on investments			
Miscellaneous			
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:			
Permanent funds			
Expendable:			
Streets			
Debt service			
Capital projects			
Fire			
Community house			
Other purposes			
Unassigned			
Total cash basis net position			

See notes to financial statements.

Net (Disbursements) Receipts and Change in Cash Basis Net Position					
Primary Government			Component Units		
Governmental Activities	Business Type Activities	Total	Dexter Fire and Rescue Association	Dexter Community House Non-Profit, Inc.	
(41,377)	-	(41,377)			
(225,141)	-	(225,141)			
(59,695)	-	(59,695)			
(2,457)	-	(2,457)			
(96,830)	-	(96,830)			
(14,289)	-	(14,289)			
<u>(439,789)</u>	<u>-</u>	<u>(439,789)</u>			
-	18,915	18,915			
-	10,925	10,925			
-	3,467	3,467			
-	33,307	33,307			
<u>(439,789)</u>	<u>33,307</u>	<u>(406,482)</u>			
			(2,133)	-	
			<u>-</u>	<u>(1,892)</u>	
			<u>(2,133)</u>	<u>(1,892)</u>	
241,826	-	241,826	-	-	
15,155	-	15,155	-	-	
160,804	-	160,804	-	-	
2,391	-	2,391	-	-	
1,388	384	1,772	40	-	
5,103	-	5,103	5,663	2,555	
<u>426,667</u>	<u>384</u>	<u>427,051</u>	<u>5,703</u>	<u>2,555</u>	
(13,122)	33,691	20,569	3,570	663	
<u>591,847</u>	<u>311,458</u>	<u>903,305</u>	<u>116,728</u>	<u>2,467</u>	
<u>\$ 578,725</u>	<u>345,149</u>	<u>923,874</u>	<u>120,298</u>	<u>3,130</u>	
\$ 58,396	-	58,396	-	-	
18,380	-	18,380	-	-	
391,590	-	391,590	-	-	
24,119	-	24,119	-	-	
-	-	-	120,298	-	
-	-	-	-	3,130	
134,743	-	134,743	-	-	
(48,503)	345,149	296,646	-	-	
<u>\$ 578,725</u>	<u>345,149</u>	<u>923,874</u>	<u>120,298</u>	<u>3,130</u>	

City of Dexter

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

As of and for the year ended June 30, 2020

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 225,987	-	-
Local options sales tax	-	-	160,804
Other city tax	1,829	-	-
Licenses and permits	1,889	-	-
Use of money and property	1,387	-	-
Intergovernmental	23,838	78,537	-
Charges for service	72,530	-	-
Miscellaneous	3,403	-	-
Total receipts	330,863	78,537	160,804
Disbursements:			
Operating:			
Public safety	56,887	-	-
Public works	63,080	304,865	229
Culture and recreation	71,909	-	-
Community and economic development	2,457	-	-
General government	94,589	-	-
Debt service	-	-	-
Total disbursements	288,922	304,865	229
Excess (deficiency) of receipts over (under) disbursements	41,941	(226,328)	160,575
Other financing sources (uses):			
Transfers in	2,000	118,485	-
Transfers out	(13,800)	-	(104,685)
Total other financing sources (uses)	(11,800)	118,485	(104,685)
Change in cash balances	30,141	(107,843)	55,890
Cash balances beginning of year	176,352	126,223	(138)
Cash balances end of year	\$ 206,493	18,380	55,752
Cash Basis Fund Balances			
Nonspendable - Permanent funds	\$ -	-	-
Restricted for:			
Streets	-	18,380	-
Debt service	-	-	-
Capital projects	-	-	-
Other purposes	-	-	55,752
Unassigned	206,493	-	-
Total cash basis fund balances	\$ 206,493	18,380	55,752

See notes to financial statements.

Urban Renewal Tax Increment	Debt Service	<u>Permanent Cemetery Perpetual Care</u>	Nonmajor	Total
-	15,155	-	15,839	256,981
-	-	-	-	160,804
-	-	-	-	1,829
-	-	-	-	1,889
-	-	894	10,447	12,728
-	144	-	105	102,624
-	-	-	-	72,530
-	-	110	3,274	6,787
-	15,299	1,004	29,665	616,172
-	-	-	-	56,887
-	-	-	4,424	372,598
-	-	-	10,606	82,515
-	-	-	-	2,457
-	-	-	5,065	99,654
-	15,183	-	-	15,183
-	15,183	-	20,095	629,294
-	116	1,004	9,570	(13,122)
-	-	-	-	120,485
-	-	-	(2,000)	(120,485)
-	-	-	(2,000)	-
-	116	1,004	7,570	(13,122)
391,590	(247,467)	57,392	87,895	591,847
391,590	(247,351)	58,396	95,465	578,725
-	-	58,396	-	58,396
-	-	-	-	18,380
391,590	-	-	-	391,590
-	-	-	24,119	24,119
-	-	-	71,346	127,098
-	(247,351)	-	-	(40,858)
391,590	(247,351)	58,396	95,465	578,725

Exhibit C

City of Dexter

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

As of and for the year ended June 30, 2020

	Enterprise			Total
	Water	Sewer	Nonmajor Storm Water	
Operating receipts:				
Charges for service	\$ 146,640	113,098	3,467	263,205
Operating disbursements:				
Business type activities	127,725	44,996	-	172,721
Excess of operating receipts over operating disbursements	18,915	68,102	3,467	90,484
Non-operating receipts (disbursements):				
Interest on investments	-	384	-	384
Debt service	-	(57,177)	-	(57,177)
Net non-operating receipts (disbursements)	-	(56,793)	-	(56,793)
Change in cash balances	18,915	11,309	3,467	33,691
Cash balances beginning of year	176,222	96,053	39,183	311,458
Cash balances end of year	\$ 195,137	107,362	42,650	345,149
Cash Basis Fund Balances				
Unrestricted	\$ 195,137	107,362	42,650	345,149
Total cash basis fund balances	\$ 195,137	107,362	42,650	345,149

See notes to financial statements.

City of Dexter

Statement of Changes of Fiduciary Net Position
Custodial Funds

As of and for the year ended June 30, 2020

	<u>Custodial</u> <u>Hoy Trust</u>
Additions:	
None	\$ -
Deductions:	
Trusts paid out	<u>50,000</u>
Change in cash balances	(50,000)
Net position beginning of year	<u>50,000</u>
Net position end of year	<u>\$ -</u>

See notes to financial statements.

City of Dexter

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

City of Dexter is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1871 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

Discretely Presented Component Units

The Dexter Fire and Rescue Association (Association) was organized as a nonprofit entity in accordance with Chapter 504A of the Code of Iowa. The purpose of the Association is to acquire and maintain fire, emergency, rescue and related equipment for the benefit of the City and its citizens. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be discretely presented.

The Dexter Community House Non-Profit, Inc. (Non-profit) was organized as a non-profit entity in accordance with Chapter 504A of the Code of Iowa. The purpose of the Non-profit is to assist in the maintenance, care, restoration and operation of the Dexter Community House owned by the City. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Non-profit 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: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission, Dallas County Joint E911 Service Board and the Dallas County Multi-Jurisdictional Local Hazard Mitigation Plan.

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales and Services Tax Fund is used to account for the collection and use of local option sales and services tax.

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.

Permanent:

The Cemetery Perpetual Care Fund is used to account for the permanently maintained restricted cash balance and the interest earned that can only be used for maintaining the City Cemetery.

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.

Additionally, the City reports a custodial fund to account for assets held by the City as an agent for the Hoy Trust. The museum continues to receive the earnings off the Hoyt Trust as long as there is a museum board. However, the corpus was transferred to the Dexter Community Foundation, a legally separate 504A nonprofit corporation.

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

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.

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, 2020, disbursements exceeded the amounts budgeted in the culture and recreation function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2020 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 Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
Fire truck loan - direct borrowing	\$ 26,141	-	12,846	13,295	13,295
Business type activities:					
Sewer revenue notes - direct borrowings	\$ 704,898	-	24,966	679,932	26,115

Fire Truck Loan – Direct Borrowing

A summary of the City’s June 30, 2020 truck loan payable is as follows:

Year	Fire Truck			
	Issued Jun 10, 2015			
Ending June 30,	Interest Rates	Principal	Interest	Total
2021	3.50%	\$ 13,295	466	13,761

On June 10, 2015, the City entered into a loan agreement to purchase a fire truck with the issuance of a \$62,000 loan with an interest rate of 3.50% per annum. In the event of a default, the City agrees to pay all costs of collection, including attorney fees, the lender may incur to collect on the note. The total principal and interest remaining to be paid on the note is \$13,761. During the year ended June 30, 2020, the City paid principal of \$12,846 and an interest of \$916.

Revenue Notes – Direct Borrowings

A summary of the City’s June 30, 2020 revenue notes payable is as follows:

Year	Sewer			Sewer			Total		
	Issued Jan 19, 1996			Issued Nov 15, 1999					
Ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	5.00%	\$ 9,744	10,503	4.38%	\$ 16,371	20,557	\$ 26,115	31,060	57,175
2022	5.00	10,231	10,016	4.38	17,087	19,841	27,318	29,857	57,175
2023	5.00	10,743	9,504	4.38	17,835	19,093	28,578	28,597	57,175
2024	5.00	11,280	8,967	4.38	18,615	18,313	29,895	27,280	57,175
2025	5.00	11,845	8,403	4.38	19,429	17,498	31,274	25,901	57,175
2026-2030	5.00	68,722	32,516	4.38	110,666	73,974	179,388	106,490	285,878
2031-2035		87,492	13,529	4.38	137,087	47,553	224,579	61,082	285,661
2036-2040		-	-		132,785	14,828	132,785	14,828	147,613
Total		\$ 210,057	93,438		\$ 469,875	231,657	\$ 679,932	325,095	1,005,027

On January 19, 1996, The City issued \$341,500 of sewer revenue capital loan notes, series 1996, with an interest rate of 5.0%, per annum. The notes were issued to finance the improvements and extension to the municipal sewer utility, including the replacement of sewer lines.

On November 15, 1999, the City issued \$678,200 of sewer revenue capital loan notes, series 1999, with an interest rate of 4.38% per annum. The notes were issued to finance improvements and extensions to the municipal sewer system.

The resolutions for both the January 19, 1996 and the November 15, 1999 sewer revenue capital loan note issuances states, that in the event of a default the U.S. Department of Agriculture, Farmers Home Administration, may declare the entire principal outstanding and any accrued interest immediately due and payable.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$341,500 and \$678,200 of sewer revenue notes issued in January 1996 and November 1999, respectively. The notes are payable solely from sewer customer net receipts and are payable through 2040. Annual principal and interest payments on the notes are expected to require less than 84% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,005,027. For the current year, principal and interest paid and total customer net receipts were \$57,177 and \$68,102, respectively.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer revenue note sinking fund within the Enterprise Funds for the purpose of making the note principal and interest payments when due. The amount transferred in any month shall be equal to 1/12th of the installment of principal and interest coming due on the next succeeding payment date on the then outstanding notes and parity obligations.
- (c) Additional monthly transfers equal to 10% of the amount required to be deposited in such month in the sinking fund shall be made to a sewer revenue reserve account within the Enterprise Funds until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying principal at maturity of or interest on the notes and parity obligations for the payment of which insufficient money shall be available in the sinking fund.
- (d) User rates shall be established at a level which produces and maintains net receipts at a level not less than 120% of the amount of principal and interest on the notes falling due in the same year.

At June 30, 2020, the City did not establish user rates sufficient to produce and maintain net receipts at a level not less than 120% of the current principal and interest on the notes falling due in the current year for the sewer fund.

(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.

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 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%.

The City’s contributions to IPERS for the year ended June 30, 2020 totaled \$12,436.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$84,127 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City’s proportion was 0.001453%, which was a decrease of 0.000021% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$15,475, \$9,244 and \$12,505, respectively.

There were no non-employer contributing entities to IPERS.

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

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. 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, 2019 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 2019 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 149,382	84,127	29,391

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, 2020, the City contributed \$6,141 and plan members eligible for benefits contributed \$15,152 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of Dexter 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, 2020, the following employees were covered by the benefit terms:

Active employees	2
------------------	---

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation to employees at June 30, 2020, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 4,800

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

(7) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Knight Estate	\$ 2,000
Special Revenue: Road Use Tax	General Special Revenue: Local Option Sales Tax	13,800 <u>104,685</u>
		<u>118,485</u>
Total		<u>\$ 120,485</u>

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

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City carries commercial insurance for coverage associated with workers' compensation, general liability and employee blanket bond in the amounts of \$500,000, \$4,000,000 and \$100,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Interfund Loans

During the year ended June 30, 2013, the Capital Projects Fund loaned the Special Revenue, Tax Increment Financing Fund \$34,327 at no interest. The loan will be repaid through transfers from the Special Revenue, Tax Increment Financing Fund as receipts of the fund become available. There was no principal repaid during the year ended June 30, 2020. The balance of the loan at June 30, 2020 was \$34,327.

During the year ended June 30, 2016, the General Fund loaned the Special Revenue, Tax Increment Financing Fund \$2,191 at no interest. The loan will be repaid through transfers from the Special Revenue, Tax Increment Financing Fund as receipts of the fund become available. There was no principal repaid during the year ended June 30, 2020. The balance of the loan at June 30, 2020 was \$2,191.

During the year ended June 30, 2017, the General Fund loaned the Special Revenue, Tax Increment Financing Fund \$4,347 at no interest. The loan will be repaid through transfers from the Special Revenue, Tax Increment Financing Fund as receipts of the fund become available. There was no principal repaid during the year ended June 30, 2020. The balance of the loan at June 30, 2020 was \$4,347.

The loans from the General Fund and Capital Projects Fund to the Special Revenue, Tax Increment Financing Fund for costs associated with the City's urban renewal projects were never formally approved by the City Council.

(10) Hoy Trust

In 2001, the City was appointed trustee of the Clell F. Hoy Trust. In 2014, the City resigned as trustee and the Dexter Community Foundation, an Iowa nonprofit corporation, was appointed trustee of the Clell F. Hoy Trust. This Trust was established pursuant to the Last Will and Testament of Clell F. Hoy. This Trust instrument provides that the net income of the Trust is to be paid to the Dexter Museum monthly or other convenient installments, so long as the Dexter Museum is operating with a Board of Directors. If the Museum Board disbands, the net income of the Trust is to be paid to the Dallas County Historical Society.

Distributions are credited to the Museum, Special Revenue Fund. The Museum received \$10,447 from this trust during the year ended June 30, 2020.

(11) Litigation Settlement

The City is required to pay \$1,422 annually to the South Dallas County Landfill resulting from a legal settlement for closure and postclosure care costs. The agreement is for 30 years and will terminate June 30, 2025

(12) Special Investigation

The City requested the Office of Auditor of State to perform a special investigation of the City as a result of concerns identified with the deposit of library donations to a nonprofit entity. A separate report may be issued upon completion of the special investigation dependent on the findings, if any.

Other Information

City of Dexter
 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, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 256,981	-	256,981
Other city tax	162,633	-	162,633
Licenses and permits	1,889	-	1,889
Use of money and property	12,728	384	13,112
Intergovernmental	102,624	-	102,624
Charges for service	72,530	263,205	335,735
Miscellaneous	6,787	-	6,787
Total receipts	616,172	263,589	879,761
Disbursements:			
Public safety	56,887	-	56,887
Public works	372,598	-	372,598
Culture and recreation	82,515	-	82,515
Community and economic development	2,457	-	2,457
General government	99,654	-	99,654
Debt service	15,183	-	15,183
Business type activities	-	229,898	229,898
Total disbursements	629,294	229,898	859,192
Change in balances	(13,122)	33,691	20,569
Balances beginning of year	591,847	311,458	903,305
Balances end of year	\$ 578,725	345,149	923,874

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
253,831	253,831	3,150
115,266	115,266	47,367
1,585	1,585	304
400	400	12,712
107,352	107,352	(4,728)
301,645	301,645	34,090
250	250	6,537
<u>780,329</u>	<u>780,329</u>	<u>99,432</u>
59,060	59,060	2,173
174,035	426,742	54,144
79,258	79,258	(3,257)
3,000	3,000	543
127,757	127,757	28,103
15,183	15,183	-
<u>233,772</u>	<u>233,772</u>	<u>3,874</u>
<u>692,065</u>	<u>944,772</u>	<u>85,580</u>
88,264	(164,443)	185,012
<u>885,558</u>	<u>885,558</u>	<u>17,747</u>
<u>973,822</u>	<u>721,115</u>	<u>202,759</u>

City of Dexter

Notes to Other Information – Budgetary Reporting

June 30, 2020

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$252,707. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the culture and recreation function.

City of Dexter

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

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

Other Information

	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability	0.001453%	0.001474%
City's proportionate share of the net pension liability	\$ 84	93
City's covered payroll	\$ 110	111
City's proportionate share of the net pension liability as a percentage of its covered payroll	76.36%	83.78%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%

* 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.

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

Other Information

	2020	2019	2018	2017
Statutorily required contribution	\$ 12	10	10	10
Contributions in relation to the statutorily required contribution	(12)	(10)	(10)	(10)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 132	110	111	108
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
9	9	7	8	8	7
(9)	(9)	(7)	(8)	(8)	(7)
-	-	-	-	-	-
102	100	76	94	93	99
8.93%	8.93%	8.93%	8.67%	8.07%	6.95%

City of Dexter

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

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

As of and for the year ended June 30, 2020

	Employee Benefits	Park Fundraising	Special Knight Estate
Receipts:			
Property tax	\$ 15,839	-	-
Use of money and property	-	-	-
Intergovernmental	105	-	-
Miscellaneous	-	-	-
Total receipts	15,944	-	-
Disbursements:			
Operating:			
Public works	4,424	-	-
Culture and recreation	4,081	-	-
General government	5,065	-	-
Total disbursements	13,570	-	-
Excess (deficiency) of receipts over (under) disbursements	2,374	-	-
Other financing uses:			
Transfers out	-	-	(2,000)
Change in cash balances	2,374	-	(2,000)
Cash balances beginning of year	13,915	633	47,927
Cash balances end of year	\$ 16,289	633	45,927
Cash Basis Fund Balances			
Restricted for:			
Capital projects	\$ -	-	-
Other purposes	16,289	633	45,927
Total cash basis fund balances	\$ 16,289	633	45,927

See accompanying independent auditor's report.

<u>Revenue</u>			
<u>Park</u>	<u>Museum</u>	<u>Capital Projects</u>	<u>Total</u>
-	-	-	15,839
-	10,447	-	10,447
-	-	-	105
2,143	1,131	-	3,274
<u>2,143</u>	<u>11,578</u>	<u>-</u>	<u>29,665</u>
-	-	-	4,424
2,439	4,086	-	10,606
-	-	-	5,065
<u>2,439</u>	<u>4,086</u>	<u>-</u>	<u>20,095</u>
(296)	7,492	-	9,570
-	-	-	(2,000)
(296)	7,492	-	7,570
729	572	24,119	87,895
<u>433</u>	<u>8,064</u>	<u>24,119</u>	<u>95,465</u>
-	-	24,119	24,119
433	8,064	-	71,346
<u>433</u>	<u>8,064</u>	<u>24,119</u>	<u>95,465</u>



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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, each major fund and the aggregate remaining fund information of the City of Dexter, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 1, 2022. The financial statements were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed modified opinions on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Dexter's internal control over financial reporting to determine the 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 Dexter's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dexter'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 deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Dexter's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (G) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (H) through (M) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dexter'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

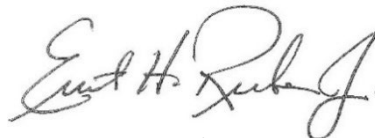
City of Dexter's Responses to the Findings

The City of Dexter's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Dexter'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 Dexter 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

August 1, 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 financial statements.

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

- (1) Accounting system – performing all accounting functions and having custody of assets.
- (2) Cash – initiating cash receipt and disbursement transactions, handling and recording cash, deposit preparation, approval of petty cash vouchers, and reconciling bank accounts.
- (3) Receipts – opening mail, collecting, depositing, recording and reconciling.
- (4) Bank reconciliation – preparing and maintaining accounting records.
- (5) Long-term debt – maintaining long-term debt records and handling and recording cash.
- (6) Disbursements – purchasing, disbursement preparation, recording, check writing, and reconciling.

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

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

Recommendation – The City should review control procedures 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. Independent reviews of financial transactions, reconciliations and reports should be documented by the signature or initials of the reviewer and the date of the review.

Response – Bank statements are reconciled and provided to the City Council monthly. It is difficult to segregate duties with one employee.

Conclusion – Response acknowledged. The City should utilize currently available staff, including elected officials, to provide additional control through review of financial transactions.

City of Dexter

Schedule of Findings

Year ended June 30, 2020

(B) Segregation of Duties – Component Units and Separately Maintained Records

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 Board member. This segregation of duties helps prevent losses from Board member error or dishonesty and maximizes the accuracy of the component unit financial statements.

Condition –

For the Parks and Recreation Board, Museum Board, Dexter Community House Non-Profit, Inc. and Dexter Fire and Rescue Association, one individual has control over each of the following areas:

- (1) Cash – handling and recording.
- (2) Receipts – recording and depositing.
- (3) Disbursements – purchasing, disbursement preparation, recording, and check writing.

Cause – The Parks and Recreation Board, Museum Board, Dexter Community House Non-Profit, Inc. and Dexter Fire and Rescue Association have a limited number of Board members and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect the Parks and Recreation Board, Museum Board, Dexter Community House Non-Profit, Inc. and Dexter Fire and Rescue Association’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by Board members in the normal course of performing their assigned functions.

Recommendation – The Parks and Recreation Board, Museum Board, Dexter Community House Non-Profit, Inc. and the Dexter Fire and Rescue Association’s operating procedures should be reviewed to obtain the maximum internal control possible under the circumstances. Currently available Board members should be utilized to provide additional control through a review of financial transactions and reconciliations.

Responses –

Parks and Recreation Board – Two Board members and the City Clerk have access to the bank statements online. The President and Vice President review records and provide to the Parks and Recreation Board at regularly scheduled meetings. Our current liaison will review procedures for the Parks and Recreation Board.

Museum Board – The Museum Board reviews deposits, checks written, and bank balances each month that we meet.

City of Dexter

Schedule of Findings

Year ended June 30, 2020

Dexter Community House Non-Profit, Inc. – All monies are counted by several individuals and recorded before being given to the Treasurer for deposit. All disbursements are approved by the Board, including receipts for reimbursements. Treasurer reports are presented at monthly meetings for approval. Treasurer reports and bank statements are presented to the City Council on a monthly basis.

Fire and Rescue Association – Cash is counted by the Rescue Captain and reported to the Treasurer. Cash is recorded in the minutes and deposited by the Treasurer. Receipts are reported by the Fire Chief at meetings and is recorded in the minutes. Approval of disbursements are voted on at meetings. Treasurer receives approved bills and pays bills.

Conclusions – Responses acknowledged. The Parks and Recreation Board, Museum Board, Dexter Community House Non-Profit, Inc., and Dexter Fire and Rescue Association should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

(C) Financial Reporting

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

Condition – Balances for two certificates of deposit (CD's) were not properly recorded in the City's financial records and interest was not recorded.

Cause – City policies do not require and procedures have not been established to provide for an independent review of CD's to ensure the City's financial statements are accurate.

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

Recommendation – The City should implement procedures to ensure CD's and earned interest are properly recorded in the City's financial statements.

Response – We will correct the CD balances in the City's records.

Conclusion – Response accepted.

(D) Reconciliation of Utility Billings, Collections and Delinquent Accounts

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

City of Dexter

Schedule of Findings

Year ended June 30, 2020

Condition – Although the City prepares a monthly reconciliation of utility billings, collections and delinquent accounts, certain reconciling items for the month tested were not supported.

Cause – Policies have not been established and procedures have not been implemented to ensure all amounts in the utility reconciliation are supported by the City’s financial and utility billing records. Also, policies have not been established to require an independent review of the reconciliations.

Effect – Inadequate reconciliations can result in unrecorded or misstated utility receipts and improper or unauthorized adjustments and write-offs.

Recommendation – The City should ensure all amounts on the reconciliations of utility billings, collections and delinquent accounts are properly supported. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquencies. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

Response – We have implemented proper reconciliation of utilities with the assistance of a trainer.

Conclusion – Response accepted.

(E) Bank Reconciliation

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances. An independent review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – The balances in the City’s general ledger were not properly reconciled to the bank account and investment balances throughout the year. The City did not reconcile the general bank account for six months. For the months reconciled, there is no evidence the monthly bank reconciliations were reviewed timely.

Cause – Procedures have not been designed and implemented to ensure all book balances are properly reconciled to bank balances, reconciling items are identified and supported and the reconciliations are reviewed timely.

Effect – The lack of complete bank to book reconciliations and unsupported reconciling items can result in unrecorded transactions, undetected errors and opportunities for misappropriation.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly. Variances, if any, should be reviewed and resolved timely. An independent person should review the bank reconciliations and document the review by signing or initialing and dating the monthly bank reconciliation.

Response – We implemented monthly bank reconciliations that are provided to City Council.

Conclusion – Response acknowledged. An independent person should review the bank reconciliations and document the review.

City of Dexter

Schedule of Findings

Year ended June 30, 2020

(F) Bank Reconciliation – Component Units and Separately Maintained Records

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances.

Condition – Bank reconciliations were not performed on a monthly basis for the Parks and Recreation Board and Fire and Rescue Association. Bank reconciliations were not reviewed by an independent person for the Dexter Community House Non-Profit, Inc.

Cause – Procedures have not been designed and implemented to ensure the bank reconciliations are performed and independently reviewed.

Effect – A lack of monthly bank reconciliations can result in undetected errors and opportunity for misappropriation.

Recommendation – The Parks and Recreation Board and Fire and Rescue Association should perform monthly bank to book reconciliations. Bank reconciliations should be reviewed by an independent person and should be documented by the signature or initials of the independent reviewer and the date of the review. Bank reconciliations for the Dexter Community House Non-Profit, Inc. should be reviewed by an independent person. The reviews should be evidenced by the signature or initials of the independent reviewer and the date of the review.

Responses –

Parks and Recreation Board – The President and Vice President review the bank statements and provide to the Parks and Recreation Board at regularly scheduled meetings. Our current liaison will review procedures for the Parks and Recreation Board.

Dexter Community House Non-Profit, Inc. – Monthly bank statements are provided to City Clerk, City Council and Mayor for review.

Fire Department – Bank statements are reviewed at monthly meetings by all volunteer fire fighters.

Conclusion – Responses acknowledged. Monthly bank to book reconciliations should be performed. The reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review.

(G) Journal Entries

Criteria – Supporting documentation for all journal entries supports the accuracy of the entries by employees and an independent review helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's financial statements.

Condition – Supporting documentation is not maintained for all journal entries. Approval and review for journal entries is not documented.

Cause – The City has a limited number of employees and procedures have not been designed to clearly document supporting documentation for journal entries and to document the review and approval of journal entries.

City of Dexter

Schedule of Findings

Year ended June 30, 2020

Effect – Inadequate supporting documentation or lack of independent approval of transactions could adversely affect the City’s ability to prevent or detect and correct misstatements, errors or misappropriations on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – Journal entries should be supported, and support should be provided to the reviewer for approval by an independent person.

Response – We now retain support for journal entries. Journal entries are reviewed weekly with trainer and provided monthly to City Council.

Conclusion – Response accepted.

(H) Computer System Policies

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

Condition – The City does not have written policies for password privacy and confidentiality. Also, the City does not have a written disaster recovery plan.

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

Effect – Lack of written policies for the computer-based system could result in a loss of data or compromised data, resulting in unreliable financial information. The failure to have a formal disaster recovery plan could result in the City’s inability to function in the event of a disaster or continue City business without interruption.

Recommendation – The City should develop written policies addressing password privacy and confidentiality to improve the City’s control over its computer system. A written disaster recovery plan should be developed.

Response – We now have a disaster recovery plan and have implemented a password policy.

Conclusion – Response accepted.

(I) Payroll Rates

Criteria – An effective internal control system provides for controls relating to payroll, including proper approval of pay rates.

Condition – For six of eight employees tested, there was no documentation of pay rates being approved by the City Council.

Cause – The City has not implemented procedures to ensure payroll is approved and the actual wage rate is documented in the minutes.

City of Dexter

Schedule of Findings

Year ended June 30, 2020

Effect – Not documenting approved pay rates may cause errors resulting in unauthorized, unapproved or incorrect pay.

Recommendation – The City Council should approve hourly rates for all employees. The approval should be documented in the City Council meeting minutes.

Response – We have implemented procedures.

Conclusion – Response accepted.

(J) Petty Cash

Criteria – Petty cash should be maintained on an imprest basis and all vouchers should be cancelled to prevent reuse.

Condition – The petty cash was not maintained on an imprest basis. An imprest system is one in which petty cash is maintained at a fixed, authorized amount and all distributions from the petty cash fund are supported/documentated with a vendor receipt/voucher. In addition, vouchers were not cancelled to prevent reuse.

Cause – Procedures have not been implemented to maintain all petty cash on an imprest basis and ensure vouchers are cancelled to prevent reuse.

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

Recommendation – The petty cash should be maintained on an imprest basis to provide additional control over the fund. Petty cash vouchers should be cancelled to prevent reuse.

Response – We now maintain petty cash on an imprest basis.

Conclusion – Response accepted.

(K) Annual Financial Report

Criteria – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report (AFR) contain a "summary of the preceding fiscal year of all collections and receipts, all accounts due the City and all expenditures...".

Condition – Beginning fund balances reported on the June 30, 2020 AFR did not agree with the City's records and did not trace to prior year ending balance. Ending fund balances reported on the June 30, 2020 AFR did not agree with the City's records. In addition, certain AFR receipt and disbursement amounts did not trace to the City's General Ledger amounts for June 30, 2020.

Cause – Policies have not been established and procedures have not been implemented to ensure all amounts on the AFR are supported by the City's financial records. Also, policies have not been established to require independent review of the AFR.

Effect – The AFR does not accurately reflect the City's financial activity for the fiscal year ended June 30, 2020.

City of Dexter

Schedule of Findings

Year ended June 30, 2020

Recommendation – The City should establish procedures to ensure the AFR is accurate and agrees with City records.

Response – We have implemented policies and procedures.

Conclusion – Response accepted.

(L) Disbursements

Criteria – An effective internal control system provides for internal controls related to ensuring all disbursements are properly supported.

Condition – Invoices for 10 of 30 disbursements selected for testing were unable to be traced to supporting documentation. While these disbursements did not have supporting documentation, we did not note any unusual vendors for City operations. 15 of 30 disbursements selected for testing were unable to be traced to City Council approval. In addition, mileage was not paid at the rate approved by City Council.

Cause – Management oversight. In addition, the City has not implemented policies and procedures requiring supporting documentation for all disbursements prior to signing checks.

Effect – Lack of proper supporting documentation and evidence of City Council approval can result in unauthorized or improper disbursements and improperly recorded transactions.

Recommendation – The City should ensure disbursements are approved by the City Council prior to being paid and that mileage is paid at the approved rate. The City should establish policies and procedures to require proper support for all disbursements. Disbursements should not be approved unless adequate supporting documentation is available.

Response – We have implemented a policy. Disbursement support is provided monthly to City Council. We will ensure disbursements are approved prior to being paid and adequate retention of cancelled checks is implemented.

Conclusion – Response acknowledged. The City should also ensure mileage is paid at the approved rate.

(M) Credit Cards

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

City of Dexter

Schedule of Findings

Year ended June 30, 2020

Condition – The City has credit cards and a Casey’s charge account for use by employees and firefighters while on City business, including the purchase of fuel for City vehicles. The City has not adopted a formal policy to regulate the use of credit cards or charge accounts and has not established procedures for the proper accounting of fuel charges. Supporting documentation was not available to support one \$50 credit card charge tested. Late fees and penalties totaling \$75 were paid during the year.

Cause – Adoption of a formal policy to regulate the use of credit cards and charge accounts has not been prioritized by the City Council.

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

Recommendation – The City should adopt a formal written policy regulating the use of City credit cards and charge accounts. The policy, at a minimum, should address who controls the credit cards, who is authorized to use the credit cards and the charge account and for what purposes, as well as the types of supporting documentation required to substantiate charges. Procedures should be established to ensure timely payment of credit card/charge account to avoid late fees and penalties.

Response – We now have a new Resolution and policy in place.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Dexter

Schedule of Findings

Year ended June 30, 2020

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the culture and recreation function. In addition, there is no documentation showing the original budget was published in accordance with Chapter 384.16(3) of the Code of Iowa.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 the Code of Iowa before disbursements were allowed to exceed the budget. In addition, the budget should have been published in accordance with Chapter 384.16(3) of the Code of Iowa.

Response – We will ensure the budget will be amended as needed in the future. We will ensure to publish the budget and retain proper documentation.

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 – No business transactions between the City and City officials or employees were noted.
- (5) Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (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 Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

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

Recommendation – The City should publish minutes, including total disbursements for each fund and a summary of receipts and annual individual salaries, as required.

Response – We are now complying with timeliness of publication and inclusion of disbursements from each fund and summary of receipts.

Conclusion – Response accepted.

City of Dexter

Schedule of Findings

Year ended June 30, 2020

- (8) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

A resolution naming official depositories has been adopted by the City. However, maximum deposits amount for each bank were not included on the depository resolution as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa. In addition, the City should adopt a new depository resolution including maximum deposit amounts for each bank as required by Chapter 12C.2 of the Code of Iowa.

Response – We have implemented a policy that complies.

Conclusion – Response accepted.

- (9) Revenue Notes – The City has not established sewer rates to produce net operating receipts equal to at least 120% of the principal and interest coming due each year as required by the bond resolution.

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

Response – We are working on compliance with the revenue note net operating receipt requirement.

Conclusion – Response accepted.

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

The City certified tax increment financing (TIF) indebtedness to the County Auditor for transfers to the Special Revenue, Urban Renewal Tax Increment Fund for project and other miscellaneous costs within the City's urban renewal area. While the City intended these payments to represent loans to the Special Revenue, Urban Renewal Tax Increment Fund for the related TIF projects, certain loans were not formally approved by the City Council and accordingly, do not represent TIF debt which may be certified to the County Auditor.

In addition, the TIF fund balance and certified TIF indebtedness at June 30, 2020 totaled \$391,590 and \$40,865, respectively, leaving an excess balance of \$350,725.

Recommendation – The City should ensure transfers from the Special Revenue, Urban Renewal Tax Increment Fund are formally approved by the City Council as interfund loans and represent TIF debt before being certified to the County Auditor. The City should consult legal counsel to determine whether the TIF receipts in excess of TIF indebtedness should be returned to the County Treasurer as required by Chapter 24.21 of the Code of Iowa.

City of Dexter

Schedule of Findings

Year ended June 30, 2020

Response – We are working with the City Attorney and City Council to correct. After visiting with Ahlers Cooney Law Firm, the City will spend the TIF money on an acceptable project within the TIF district, hopefully within the 2022-23 fiscal year.

Conclusion – Response accepted.

- (11) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks and unrepresented bonds/coupons, outstanding for more than two years to the Office of Treasurer of State annually. The City did not remit these obligations as required. At June 30, 2020, outstanding checks totaling approximately \$160 had been outstanding greater than two years.

Recommendation – The outstanding checks and bonds/coupons should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State as required.

Response – We are working on implementing procedures.

Conclusion – Response accepted.

- (12) Quarterly Federal Tax Returns – Three of the four Employer’s Quarterly Federal Tax Returns, Form 941, were not retained or available for audit. Based on a review of disbursements, we were unable to determine if the appropriate FICA and Medicare amounts were remitted to the Internal Revenue Service (IRS).

Recommendation – The City should contact the IRS to ensure all appropriate taxes are remitted. In the future, the City should ensure all IRS Forms 941 are filed quarterly and retained as required and all federal withholdings are properly remitted.

Response – We are working on ensuring all employment taxes are paid.

Conclusion – Response accepted.

- (13) Transfers – Effective April 17, 2019, Rule 545-2.5 of the Iowa Administrative Code requires transfers between funds be passed by resolution and include a clear statement of the reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred. During fiscal year 2020, the City made transfers that were not passed by resolution and did not include the required information.

Recommendation – The City should comply with the Iowa Administrative Code and approve transfers by a resolution and include the required information.

Response – We are working on implementing.

Conclusion – Response accepted.

City of Dexter

Schedule of Findings

Year ended June 30, 2020

- (14) Separately Maintained Records – The City maintains separate bank accounts for the Museum and Park Boards. These accounts were not reflected in the City’s accounting system or monthly fund balances.

Recommendation – Chapter 384.20 the Code of Iowa requires a City to keep accounts which show an accurate and detailed statement of all public funds collected received or expended for any City purpose. The financial activity of the separately maintained bank accounts and investments should be reflected in the City’s monthly financial statements.

Response – We are working on implementing.

Conclusion – Response accepted.

- (15) Annual Perpetual Care Cemeteries – The City did not file the Annual Perpetual Care Cemetery report within four months following the end of the cemetery’s reporting period.

Recommendation – Chapter 523I.813 of the Code of Iowa requires the annual report for perpetual care cemeteries to be filed with the Insurance Commissioner within four months following the end of the cemetery’s reporting period. The Commissioner shall levy an administrative penalty in the event of late filing per Section 505.7 of the Insurance Division code. The City should file the annual report timely to avoid penalties.

Response – We will implement procedures to ensure timely filing.

Conclusion – Response accepted.

- (16) Financial Condition – The Debt Service Fund had a deficit balance of \$247,351 at June 30, 2020.

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

Response – We are working on correcting deficit balances.

Conclusion – Response accepted.

- (17) Hoy Trust – The Last Will and Testament of Clell F. Hoy states the Trustee shall pay to the Dexter Museum in monthly or other convenient installments, the net income derived from the Trust, so long as the museum is operating with a Board of Directors.

The City has not received the net income derived from the Trust since November 2019, when the \$50,000 bequest was moved to a Charles Schwab Investment Account, under the current Trustee, the Dexter Community Foundation.

Recommendation – The City should work with the Dexter Community Foundation to ensure the net income derived from the Trust is paid to the Dexter Museum in monthly or other convenient installments, in accordance with the Last Will and Testament of Clell F. Hoy.

Response – Going forward, we will work with the Dexter Community Foundation to properly record the net income derived from the Trust for the Dexter Museum.

Conclusion – Response accepted.

City of Dexter

Schedule of Findings

Year ended June 30, 2020

- (18) City Funds Deposited to Private Non-Profit Entity – Documentation was provided which identified \$1,020 of checks written to the Dexter Library between the period April 2016 through December 2016 which were deposited into the Dexter Community Foundation, a non-profit, 504A Corporation. The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, section 31 states, "No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two-thirds of the members elected to each branch of the general assembly. "At least six official Iowa Attorney General Opinions since 1972 have consistently concluded that "a governmental body may not donate public funds to a private entity, even if the entity is established for charitable or educational purposes and performs work which the government could perform directly." The Opinions further state, "Even if the function of a private non-profit corporation fits within the scope of activities generally recognized as serving a public purpose a critical question exists regarding whether funds or property transferred to a private entity will indeed be used for those public purposes." "Political subdivisions and municipalities, including cities, counties, schools, and townships are municipal-governmental-entities. As governmental entities, they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support 'public' services which are the same or similar to the services provided by government, the private organizations are not subjected to the same degree of public accountability and oversight as governmental entities."

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

Response – The current Library Board and City Administration did not know that monies received for the Library were not deposited with the City. We now have procedures in place to help ensure that this will not happen again in the future.

Conclusion – Response accepted.

City of Dexter

Staff

This audit was performed by:

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