

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

Rob Sand  
Auditor of State

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**NEWS RELEASE**

Contact: Ernest Ruben  
515/281-5834

**FOR RELEASE**

**January 23, 2023**

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Auditor of State Rob Sand today released an audit report on the City of Elliott, Iowa. The audit was performed at the request of petitioners pursuant to Chapter 11.6(3) of the Code of Iowa. The petition submitted requested an audit or examination. In accordance with Chapter 11.6(3) of the Code of Iowa, the Auditor of State determined an audit was appropriate to address the petitioner's concerns.

**FINANCIAL HIGHLIGHTS:**

The City's receipts and disbursements totaled \$416,632 and \$338,097, respectively, for the year ended June 30, 2020.

**AUDIT FINDINGS:**

Sand reported thirteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 40 through 47 of this report. The findings address issues such as a lack of segregation of duties, the lack of documented independent review on bank reconciliations, the lack of reconciliations of utility billings, collections and delinquent accounts, disbursements exceeding budgeted amounts and minutes not being properly signed. 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 ELLIOTT**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2020**

**City of Elliott**



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Rob Sand  
Auditor of State

December 16, 2022

Officials of the City of Elliott  
Elliott, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Elliott for the year ended June 30, 2020. The audit was performed pursuant to Chapter 11.6(3) 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 Elliott throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

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

Rob Sand  
Auditor of State

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**City of Elliott**

**Officials**

**(Before January 2020)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Candace Tischer	Mayor	Jan 2020
Travis Johnson	Council Member	Jan 2020
Michael Christiansen	Council Member	(Resigned Oct 2018)
Jessica Rasmussen (Appointed Nov 2018)	Council Member	Nov 2019
Charles Misner	Council Member	Jan 2020
Jacque Howell	Council Member	Jan 2018
Todd Silk	Council Member	Jan 2018
Patti Jipsen	City Clerk	Indefinite
Brody Swanson	Attorney	Indefinite

**(After January 2020)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Candace Tischer	Mayor	(Resigned Aug 2020)
Michael Carson (Appointed Sep 2020)	Mayor	Nov 2021
Jacque Howell	Council Member	Jan 2022
Leta Rush	Council Member	Jan 2022
Todd Silk	Council Member	Jan 2022
Travis Johnson	Council Member	Jan 2024
Jessica Rasmussen	Council Member	Jan 2024
Patti Jipsen	City Clerk	(Resigned Aug 2020)
Tisha Deming (Appointed Oct 2020)	City Clerk	Indefinite
Brody Swanson	Attorney	(Resigned Sep 2020)
David Weiderstein (Appointed Nov 2020)	Attorney	Indefinite

**City of Elliott**



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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 unit, each major fund and the aggregate remaining fund information of the City of Elliott, 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 unit, each major fund and the aggregate remaining fund information of the City of Elliott 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*

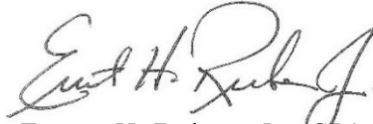
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Elliott's basic financial statements in accordance with the standards referred to in the third paragraph of this report. The supplementary information included in Schedule 1, 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 28 through 33, 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 December 16, 2022 on our consideration of the City of Elliott's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Elliott's internal control over financial reporting and compliance.



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

December 16, 2022

**City of Elliott**

## **Basic Financial Statements**

City of Elliott

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
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 8,074	378	-
Public works	38,024	2,735	40,275
Culture and recreation	42,528	6,405	16,020
General government	49,302	3,450	-
Debt service	21,140	-	-
Total governmental activities	159,068	12,968	56,295
Business type activities:			
Water	63,560	46,198	-
Sewer	91,099	60,157	-
Utility service fee	24,370	27,277	-
Total business type activities	179,029	133,632	-
Total	\$ 338,097	146,600	56,295
<b>Component Unit:</b>			
Elliott Volunteer Fire and Rescue Association	\$ 7,647	-	17,946
<b>General Receipts and Transfers:</b>			
Property and other city tax levied for:			
General purposes			
Debt service			
Local option sales tax			
Unrestricted interest on investments			
Note proceeds			
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			
<b>Cash Basis Net Position</b>			
Restricted:			
Streets			
Local option sales tax			
Employee benefits			
Debt service			
Library			
Other purposes			
Unrestricted			
<b>Total cash basis net position</b>			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Governmental Activities	Business Type Activities	Total	Elliott Volunteer Fire and Rescue Association
(7,696)	-	(7,696)	
4,986	-	4,986	
(20,103)	-	(20,103)	
(45,852)	-	(45,852)	
(21,140)	-	(21,140)	
<u>(89,805)</u>	<u>-</u>	<u>(89,805)</u>	
-	(17,362)	(17,362)	
-	(30,942)	(30,942)	
-	2,907	2,907	
-	(45,397)	(45,397)	
<u>(89,805)</u>	<u>(45,397)</u>	<u>(135,202)</u>	
			<u>10,299</u>
69,817	-	69,817	-
22,569	-	22,569	-
34,642	-	34,642	-
147	-	147	207
-	81,976	81,976	-
4,586	-	4,586	-
<u>131,761</u>	<u>81,976</u>	<u>213,737</u>	<u>207</u>
41,956	36,579	78,535	10,506
204,317	130,679	334,996	29,879
<u>\$ 246,273</u>	<u>167,258</u>	<u>413,531</u>	<u>40,385</u>
\$ 56,161	-	56,161	-
99,482	-	99,482	-
9,638	-	9,638	-
31,092	48,509	79,601	-
3,888	-	3,888	-
29,243	-	29,243	40,385
16,769	118,749	135,518	-
<u>\$ 246,273</u>	<u>167,258</u>	<u>413,531</u>	<u>40,385</u>

City of Elliott

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

As of and for the year ended June 30, 2020

	General	Special Revenue	
		Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 53,869	-	-
Local option sales tax	-	-	34,642
Licenses and permits	130	-	-
Use of money and property	6,552	-	-
Intergovernmental	16,020	40,275	-
Charges for service	2,735	-	-
Miscellaneous	6,608	-	-
Total receipts	85,914	40,275	34,642
Disbursements:			
Operating:			
Public safety	8,074	-	-
Public works	16,437	20,078	-
Culture and recreation	40,793	-	-
General government	45,769	-	-
Debt service	-	-	-
Total disbursements	111,073	20,078	-
Excess (deficiency) of receipts over (under) disbursements	(25,159)	20,197	34,642
Other financing sources (uses):			
Transfers in	14,467	-	-
Transfers out	-	-	(14,467)
Total other financing sources (uses)	14,467	-	(14,467)
Change in cash balances	(10,692)	20,197	20,175
Cash balances beginning of year	56,704	35,964	79,307
Cash balances end of year	\$ 46,012	56,161	99,482
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Streets	\$ -	56,161	-
Local option sales tax	-	-	99,482
Employee benefits	-	-	-
Debt service	-	-	-
Library	-	-	-
Other purposes	29,243	-	-
Unassigned	16,769	-	-
Total cash basis fund balances	\$ 46,012	56,161	99,482

See notes to financial statements.

Debt Service	Nonmajor	Total
22,569	15,948	92,386
-	-	34,642
-	-	130
-	-	6,552
-	-	56,295
-	-	2,735
-	1,676	8,284
<u>22,569</u>	<u>17,624</u>	<u>201,024</u>
-	-	8,074
-	1,509	38,024
-	1,735	42,528
-	3,533	49,302
<u>21,140</u>	-	<u>21,140</u>
<u>21,140</u>	<u>6,777</u>	<u>159,068</u>
<u>1,429</u>	<u>10,847</u>	<u>41,956</u>
-	-	14,467
-	-	(14,467)
-	-	-
<u>1,429</u>	<u>10,847</u>	<u>41,956</u>
<u>29,663</u>	<u>2,679</u>	<u>204,317</u>
<u>31,092</u>	<u>13,526</u>	<u>246,273</u>
-	-	56,161
-	-	99,482
-	9,638	9,638
<u>31,092</u>	-	<u>31,092</u>
-	3,888	3,888
-	-	29,243
-	-	16,769
<u>31,092</u>	<u>13,526</u>	<u>246,273</u>



**City of Elliott**

City of Elliott

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

As of and for the year ended June 30, 2020

	Enterprise			
	Water	Sewer	Utility Service Fee	Total
Operating receipts:				
Charges for service	\$ 46,089	60,157	27,277	133,523
Operating disbursements:				
Business type activities	63,560	66,239	-	129,799
Excess (deficiency) of operating receipts over (under) operating disbursements	(17,471)	(6,082)	27,277	3,724
Non-operating receipts (disbursements):				
Miscellaneous	109	-	-	109
Note proceeds	-	81,976	-	81,976
Capital projects	-	(24,860)	-	(24,860)
Debt service	-	-	(24,370)	(24,370)
Net non-operating receipts (disbursements)	109	57,116	(24,370)	32,855
Changes in cash balances	(17,362)	51,034	2,907	36,579
Cash balances beginning of year	56,071	29,006	45,602	130,679
Cash balances end of year	\$ 38,709	80,040	48,509	167,258
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ -	-	48,509	48,509
Unrestricted	38,709	80,040	-	118,749
Total cash basis fund balances	\$ 38,709	80,040	48,509	167,258

See notes to financial statements.

City of Elliott

Notes to Financial Statements

June 30, 2020

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

The City of Elliott is a political subdivision of the State of Iowa located in Montgomery County. It was first incorporated in 1882 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, culture and recreation, and general government services. The City also provides water, sewer and utility service fee utilities for its citizens.

A. Reporting Entity

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

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

Discretely Presented Component Unit

The Elliott Volunteer Fire and Rescue Association is presented in a separate column to emphasize it is legally separate from the City but is financially accountable to the City or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Association was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa. Their purpose is to benefit the City of Elliott (the primary government) by soliciting contributions and managing those funds. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Elliott Volunteer Fire and Rescue Association meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or help by the Association are substantially for the direct benefit of the City of Elliott.

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: Montgomery County Assessor's Conference Board, Montgomery County Emergency Management Commission, and Montgomery County Joint 911 Service Board.

B. Basis of Presentation

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

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

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 Tax Fund is used to account for the local option sales tax allocation from the State of Iowa to be used in accordance with the local option sales tax ballot.

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

The City reports the following major proprietary funds:

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

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

The Enterprise, Utility Service Fee Fund accounts for the payment of debt, related to capital improvements or upgrades to the City's wastewater treatment, sanitary sewer and water systems.

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 receipts 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:

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 classification.

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 general government and business type activities functions.

**(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:					
General obligation bonds	\$ 30,000	-	15,000	15,000	15,000
General obligation bonds - direct borrowing	84,000	-	4,000	80,000	5,000
Governmental activities total	<u>\$ 114,000</u>	<u>-</u>	<u>19,000</u>	<u>95,000</u>	<u>20,000</u>
Business type activities:					
Sewer revenue notes	\$ 244,000	-	18,000	226,000	18,000
Sewer revenue anticipation notes - direct borrowing	-	81,976	-	81,976	-
Business-type activities total	<u>\$ 244,000</u>	<u>81,976</u>	<u>18,000</u>	<u>307,976</u>	<u>18,000</u>

General Obligation Bonds

Year	<u>Sewer Improvement and Refunding</u>		
	<u>Issued Nov 30, 2010</u>		
Ending June 30,	Interest Rates	Principal	Interest
2021	3.50%	\$ 15,000	525

On November 30, 2010, the City issued \$150,000 of general obligation sewer improvement and refunding bonds with an interest rate of 3.50% per annum. The bonds were issued for constructing sanitary sewer improvements and refunding 2001 general obligation storm sewer improvement notes. During the year ended June 30, 2020, the City paid \$15,000 of principal and \$1,050 of interest on the bonds.

General Obligation Bonds – Direct Borrowing

Year Ending June 30,	Sewer Improvement		
	Issued Apr 8, 2016		
	Interest Rates	Principal	Interest
2021	1.75%	\$ 5,000	1,400
2022	1.75	5,000	1,313
2023	1.75	5,000	1,225
2024	1.75	5,000	1,137
2025	1.75	5,000	1,050
2026-2030	1.75	25,000	3,938
2031-2033	1.75	30,000	1,575
Total		<u>\$ 80,000</u>	<u>11,638</u>

On April 8, 2016, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority (IFA) for the issuance of \$100,000 of general obligation sewer improvement bonds with an interest rate of 1.75% per annum. The bonds were issued for improvements and extensions to the sanitary sewer system. The agreement also requires the City to pay 0.25% servicing fee on the outstanding principal balance. During the year ended June 30, 2020, the City paid \$4,000 of principal and \$1,465 of interest on the bonds.

Revenue Notes

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

Year Ending June 30,	Sewer			Sewer			Totals		
	Issued Sep 6, 2007			Issued Mar 7, 2014					
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	3.00%	\$ 6,000	1,380	1.75%	\$ 12,000	3,150	\$ 18,000	4,530	22,530
2022	3.00	6,000	1,200	1.75	12,000	2,940	18,000	4,140	22,140
2023	3.00	6,000	1,020	1.75	13,000	2,730	19,000	3,750	22,750
2024	3.00	7,000	840	1.75	13,000	2,503	20,000	3,343	23,343
2025	3.00	7,000	630	1.75	13,000	2,275	20,000	2,905	22,905
2026-2030	3.00	14,000	630	1.75	71,000	7,788	85,000	8,418	93,418
2031-2033		-	-	1.75	46,000	1,627	46,000	1,627	47,627
Total		<u>\$ 46,000</u>	<u>5,700</u>		<u>\$ 180,000</u>	<u>23,013</u>	<u>\$ 226,000</u>	<u>28,713</u>	<u>254,713</u>

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$300,000 of sewer revenue notes issued in September 2007 and \$250,000 of sewer revenue notes issued in March 2014. Proceeds from the notes provided financing for the construction of certain wastewater treatment facilities. The notes are payable solely from sewer customer net receipts and are payable through 2033. Annual principal and interest payments on the notes are expected to require more than 100% of net receipts. During the year ended June 30, 2020, the City paid \$6,000 and \$12,000 of principal and \$1,650 and \$3,360 of interest, respectively, on the 2007 and 2014 notes. The total principal and interest remaining to be paid on the notes is \$254,713. For the current year, principal and interest paid and total sewer customer net receipts and utility service fee receipts were \$23,010 and \$21,195, respectively.

The resolutions for both the September 2007 and March 2014 sewer revenue note issuances states, that in the event of a default, the issuer shall have the right to take any action authorized under the resolutions, the revenue note or the agreement and to take whatever other action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement.

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) The rents, rates and other charges shall be at least sufficient to meet the operation and maintenance expenses of the sewer system and to produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the revenue bonds.

At June 30, 2020, the City did not establish user rates sufficient to produce and maintain net receipts at a level not less than 110% of the current principal and interest on the notes falling due in the current year for the sewer fund.

#### Sewer Revenue Capital Loan Anticipation Project Note - Direct Borrowing

On November 11, 2019, the City entered into a loan anticipation project note agreement with the Iowa Finance Authority to borrow \$225,000 to pay the costs of planning, designing, and constructing improvement and extensions to the sanitary sewer system. The note is payable from the proceeds of an authorized loan agreement and a corresponding issuance of sewer revenue capital loan notes in an amount sufficient to repay the note. At June 30, 2020, the City had drawn \$81,976 against the anticipation note and subsequent draws will be made by the City as the project progresses.

#### **(4) Pension Plan**

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

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

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

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



Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

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

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

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

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

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

In fiscal year 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%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$6,922.

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 \$54,255 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 0.000937%, which was a decrease of 0.000067% 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 \$9,980, \$8,526 and \$10,630, 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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	\$ 96,339	54,255	18,955

IPERS’ Fiduciary Net Position – Detailed information about IPERS’ fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS’ website at [www.ipers.org](http://www.ipers.org).

**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused compensatory time 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 compensatory time payable to employees at June 30, 2020, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Compensatory time	\$ 300

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

**(6) Interfund Transfers**

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

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 14,467

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

**(7) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2020 were \$10,403.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

**(8) Subsequent Event**

On April 21, 2022, the City issued a Sewer Revenue Loan Agreement Anticipation Project Note not to exceed \$985,000, for the purpose of paying the costs of planning, designing and constructing improvements and extensions to the sanitary sewer system.

**(9) COVID-19**

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

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

## **Other Information**

City of Elliott

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	\$ 92,386	-	92,386
Other city tax	34,642	-	34,642
Licenses and permits	130	-	130
Use of money and property	6,552	-	6,552
Intergovernmental	56,295	-	56,295
Charges for service	2,735	133,523	136,258
Miscellaneous	8,284	109	8,393
Total receipts	201,024	133,632	334,656
Disbursements:			
Public safety	8,074	-	8,074
Public works	38,024	-	38,024
Culture and recreation	42,528	-	42,528
General government	49,302	-	49,302
Debt service	21,140	-	21,140
Business type activities	-	179,029	179,029
Total disbursements	159,068	179,029	338,097
Excess (deficiency) of receipts over (under) disbursements	41,956	(45,397)	(3,441)
Other financing sources, net	-	81,976	81,976
Change in fund balances	41,956	36,579	78,535
Balances beginning of year	204,317	130,679	334,996
Balances end of year	\$ 246,273	167,258	413,531

See accompanying independent auditor's report.

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Budgeted Amounts	Final to Total Variance
Original and Final	
88,946	3,440
31,625	3,017
-	130
8,000	(1,448)
37,500	18,795
134,600	1,658
-	8,393
<u>300,671</u>	<u>33,985</u>
13,300	5,226
44,335	6,311
50,720	8,192
42,347	(6,955)
23,370	2,230
<u>119,129</u>	<u>(59,900)</u>
<u>293,201</u>	<u>(44,896)</u>
7,470	(10,911)
-	81,976
7,470	71,065
<u>347,820</u>	<u>(12,824)</u>
<u><u>355,290</u></u>	<u><u>58,241</u></u>



City of Elliott

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 discretely presented component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund 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 ended June 30, 2020, disbursements in the general government and business type activities functions exceeded the amounts budgeted.

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City of Elliott

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

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

Other Information

	<u>2020</u>
City's proportion of the net pension liability	0.000937%
City's proportionate share of the net pension liability	\$ 54
City's covered payroll	\$ 73
City's proportionate share of the net pension liability as a percentage of its covered payroll	73.97%
IPERS' net position as a percentage of the total pension liability	85.45%

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

See accompanying independent auditor's report.

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City of Elliott

Schedule of City Contributions

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

Other Information

	<u>2020</u>
Statutorily required contribution	\$ 7
Contributions in relation to the statutorily required contribution	<u>(7)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered payroll	\$ 73
Contributions as a percentage of covered payroll	9.44%

See accompanying independent auditor's report.

City of Elliott

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.

**City of Elliott**

**Supplementary Information**

**City of Elliott**

## City of Elliott

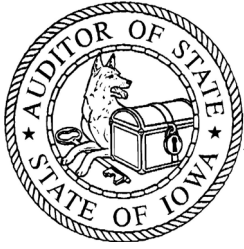
Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2020

	Special Revenue		
	Employee Benefits	Friends of the Library	Total
Receipts:			
Property tax	\$ 15,948	-	15,948
Miscellaneous	330	1,346	1,676
Total receipts	16,278	1,346	17,624
Disbursements:			
Operating:			
Public works	1,509	-	1,509
Culture and recreation	1,600	135	1,735
General government	3,533	-	3,533
Total disbursements	6,642	135	6,777
Change in cash balances	9,636	1,211	10,847
Cash balances beginning of year	2	2,677	2,679
Cash balances end of year	\$ 9,638	3,888	13,526
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Employee benefits	9,638	-	9,638
Library	-	3,888	3,888
Total cash basis fund balances	\$ 9,638	3,888	13,526

See accompanying independent auditor's report.





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

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Elliott, 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 December 16, 2022. The financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than the U.S. generally accepted accounting principles. Our report expressed modified opinions on the governmental activities, business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information since we were unable to satisfy ourselves as to the distribution by fund of the total July 1, 2019 fund balance.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Elliott'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 Elliott's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Elliott'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 Elliott'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 (C) 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 (D) through (G) to be significant deficiencies.

### Compliance and Other Matters

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

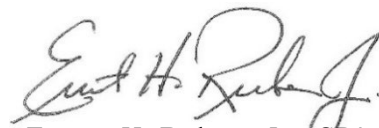
### City of Elliott's Responses to the Findings

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

December 16, 2022

City of Elliott

Schedule of Findings

Year ended June 30, 2020

**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.

Condition – Generally, one individual in the City may have control over the following areas for which no compensating controls exist:

- (1) Accounting system – performance of all accounting functions and having custody of assets.
- (2) Cash – handling, reconciling and recording.
- (3) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (4) Utilities – billing, collecting, depositing and posting.
- (5) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (6) Payroll – recordkeeping, preparing and distributing.
- (7) Journal entries – preparing and recording.

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

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

Recommendation – The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – As stated in this finding, the City only employs 2 people: one City Clerk, who must handle everything in the office within 25 hours per week, with the exception of taking monies to the bank for deposit, which is handled 100% by the Mayor; and one 40 hour per week maintenance position who must handle all other things. There can be no more segregation of duties.

Conclusion – Response acknowledged. The City should continue to review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

City of Elliott

Schedule of Findings

Year ended June 30, 2020

(B) Independent Review of Bank Reconciliation

Criteria – An effective internal control system provides for an independent review of reconciliations of monthly bank statements to book balances.

Condition – Although monthly reconciliations of book to bank balances were prepared, the independent review or the date of review was not documented.

Cause – Policies have not been established and procedures have not been implemented to require an independent review of bank reconciliations.

Effect – The lack of independent review of the bank reconciliations increases the risk misstatements may not be prevented or detected and corrected on a timely basis in the normal course of operations.

Recommendation – To improve financial accountability and control, the monthly reconciliations of the book and bank balances 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.

Response – Since October 2020, the Mayor does review, sign and date all bank reconciliations.

Conclusion – Response accepted.

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

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

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year and the City does not have a written policy for write-offs of delinquent accounts.

Cause – Policies have not been established and procedures have not been implemented to reconcile utility billings, collections and delinquent accounts. Policies have not been established for handling write-offs of delinquent accounts.

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

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. An elected official or other independent person should review the reconciliations and monitor delinquencies. In addition, the City Council should establish policies and procedures for write-offs of delinquent accounts.

City of Elliott

Schedule of Findings

Year ended June 30, 2020

Response – Since October 2020, utility reports are reviewed and signed off on by the Council at the end of every month and fiscal year. Any write-off or collections with regard to utility accounts is at the sole discretion of the Council and to date has not been an issue, as the City has very strict monthly disconnect guidelines for utility customers.

Conclusion – Response accepted.

(D) Credit Cards

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

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

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

Response – Since October 2020, the City credit card is used under the discretion of the Mayor. Any employee is required to ask to put something on the credit card and provide product information and price as well as print out a receipt for the transaction that is then matched up with and filed with the credit card statement once it is received.

Conclusion – Response acknowledged. The City should adopt a formal written policy regulating the use of City credit cards.

(E) Timesheets and Pay Rates

Criteria – An effective internal control system provides for internal controls related to preparation of timesheets by all employees and proper approval of pay rates. Timesheets support all hours worked and vacation, sick leave, compensatory time, holiday hours and personal days. Supervisory review of timesheets can help ensure the accuracy of recorded hours worked.

City of Elliott

Schedule of Findings

Year ended June 30, 2020

Condition – Although timesheets are prepared by all employees, there was no evidence of the approval of four timesheets tested. In addition, the pay rate for one individual was not approved and documented in the City Council minutes.

Cause – Policies have not been established and procedures have not been implemented to require timesheets be reviewed and approved by supervisory personnel and to ensure pay rates are approved and documented in the City Council minutes.

Effect – The lack of a documented supervisory review process increases the probability of staff errors in recording of hours or leave could go undetected. The lack of an approval of pay rates could result in unauthorized, unapproved or incorrect increases in pay.

Recommendation – Timesheets should be submitted to an appropriate supervisor for approval and be signed by the employee and supervisor. Wages of employees should be stated in the City Council minutes as an hourly wage or annual salary.

Response – Since October 2020, the Mayor reviews and signs off on all timesheets presented for payment. Wages/raises are in the meeting minutes with resolutions as well. Wages are also posted in the paper at the beginning of the calendar year showing wage totals for the previous calendar year.

Conclusion – Response accepted.

(F) Disbursements

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 supporting documentation, including properly canceling supporting documentation to prevent repayment of invoices.

Condition – Nine transactions tested were not properly marked paid to prevent possible duplicate payment of invoices. In addition, two transactions tested did not have supporting documentation.

Cause – Policies and procedures were not established to ensure supporting documentation is maintained and effectively cancelled upon payment.

Effect – Lack of supporting documentation for all disbursements could result in unauthorized and unsupported transactions and the opportunity for misappropriation. Lack of sufficient cancellation of supporting documentation upon payment could result in unintentional and/or intentional duplicate payment of those invoices.

Recommendation – All paid invoices should be marked or stamped paid with the date of payment to aid in preventing possible duplicate payment of invoices. All disbursements should be supported by invoices or other supporting documentation.

City of Elliott

Schedule of Findings

Year ended June 30, 2020

Response – The City is currently using ClerkBooks, which runs off of QuickBooks, making it perfect for Government Fund based accounting and tracks all bills and payments and even closes out every month to ensure that nothing can be changed in the system. At the end of every fiscal year, ClerkBooks also reviews the books and does a fiscal year closing process that further locks up the system from any changes being made.

Conclusion – Response acknowledged. All paid invoices should be marked or stamped paid with the date of payment to aid in preventing possible duplicate payment of invoices and all disbursements should be supported by invoices or other supporting documentation.

(G) Journal Entries

Criteria – Supporting documentation for 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 and the entries were not approved by an independent person.

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

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 provided to an independent person for review and approval.

Response – With the installation of ClerkBooks, journal entries are not necessary, and spreadsheets are no longer used to attempt to track fund balances, this module handles all of that.

Conclusion – Response acknowledged. Journal entries should be supported and provided to an independent person for review and approval.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Elliott

Schedule of Findings

Year ended June 30, 2020

**Findings Related to Required Statutory Reporting:**

- 1) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the general government and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – Since October 2020, the budget gets amended every year.

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 – There were no business transactions between the City and City officials or employees.
- 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.

Twelve of the meeting minutes tested did not include a signature from the City Clerk, as required by Chapter 380.7 of the Code of Iowa.

Recommendation – The City should comply with Chapter 380.7 of the Code of Iowa and ensure all minutes are signed, as required.

Response – Since October 2020, all minutes typed up by the Clerk are reviewed by the Mayor and approved for accuracy, then signed off on by the Mayor and the Clerk.

Conclusion – Response accepted.

- 8) Deposits and Investments – The City has adopted a depository resolution; however, it does not specify the maximum amount that may be kept at the depository as required by Chapter 12C of the Code of Iowa.

Recommendation – The City should specify the maximum amount that may be kept at the depository as required by Chapter 12C of the Code of Iowa.



City of Elliott

Schedule of Findings

Year ended June 30, 2020

Response – I was unaware of this requirement and will make sure it is done correctly from here out.

Conclusion – Response accepted.

- 9) Revenue Notes – The City has not established sewer rates to produce net operating receipts equal to at least 110% of the principal and interest coming due each year as required by the note 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 note resolution.

Response – We are in the process of collecting data that will give us the information we need to accurately get our sewer rates set to cover the 110% that is needed to cover the loan payback. We will continue to monitor and adjust as necessary to make sure we don't have any shortfall.

Conclusion – Response accepted.

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

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

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

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

Response – The City will work with the Friends of the Library to integrate the Library's records with the City's records.

Conclusion – Response accepted.

City of Elliott

Schedule of Findings

Year ended June 30, 2020

- 11) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not obtain an image of the front and back of each cancelled check as required.

Recommendation – The City should obtain and retain an image of both the front and back of each cancelled check for all accounts, as required.

Response – Since October 2020, images of checks are a part of the City’s monthly bank statements through Bank Iowa.

Conclusion – Response accepted.

- 12) Petition for Audit – Except as noted, all items included in the petition for audit have been resolved. A complete listing of the citizen petition concerns and recommendations have been presented to the City of Elliott officials in a communication dated December 16, 2022. A copy of the communication is available for review on the Auditor of State’s web site at [Auditor of State](#).

City of Elliott

Staff

This audit was performed by:

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