



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
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Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

March 29, 2023

Contact: Ernest Ruben
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$4,057,850 for the year ended June 30, 2022, a 107.7% increase over the prior year. Disbursements for the year ended June 30, 2022 totaled \$4,039,422, a 108.6% increase over the prior year. The significant increase in receipts is due to the receipt of note and grant proceeds for the sewer project. The significant increase in disbursement is due to the sewer project and the refunding of sewer debt.

AUDIT FINDINGS:

Sand reported eight findings related to the receipt and disbursement of taxpayer funds. They are found on pages 48 through 55 of this report. The findings address issues such as a lack of segregation of duties, a lack of utility reconciliations, lack of timesheet approval, a deficit balance in the debt service fund and sewer rates not meeting revenue note requirements. Sand provided the City with recommendations to address each of the findings.

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

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 LEWIS

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

JUNE 30, 2022

City of Lewis



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Rob Sand
Auditor of State

March 1, 2023

Officials of the City of Lewis
Lewis, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Lewis, Iowa, for the year ended June 30, 2022. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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City of Lewis

Officials

(Before January 2022)

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

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Russell Hansen	Mayor	Jan 2024
Scott Anderson	Council Member	Jan 2024
Teresa Comer	Council Member	Jan 2024
Ryan Lockwood	Council Member	Jan 2024
Ryan Archibald	Council Member	Jan 2026
Chris Jahnke	Council Member	Jan 2026
Carrie Kirchhoff	City Clerk/Treasurer	Indefinite
David Wiederstein	Attorney	Indefinite

City of Lewis



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Lewis, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Lewis as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City of Lewis, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lewis' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Lewis' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Lewis' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Lewis' basic financial statements. We previously audited, in accordance with the standards referred to in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report, the financial statements for the year ended June 30, 2021 (which is not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedules 1 through 3 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.


Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 30 through 36 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 1, 2023 on our consideration of the City of Lewis' 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 Lewis' internal control over financial reporting and compliance.



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

March 1, 2023

City of Lewis

Basic Financial Statements

City of Lewis

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2022

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 25,018	-	14,147	-
Public works	47,962	-	45,747	-
Culture and recreation	79,875	973	25,189	-
General government	62,344	150	5,676	-
Debt service	28,531	-	20	-
Capital projects	135,272	-	-	97,040
Total governmental activities	379,002	1,123	90,779	97,040
Business type activities:				
Water	226,768	146,275	-	89,473
Sewer	3,433,652	67,336	-	1,420,571
Total business type activities	3,660,420	213,611	-	1,510,044
Total primary government	\$ 4,039,422	214,734	90,779	1,607,084
Component Unit:				
First Responders and Fire Fighters Association	\$ 3,951	-	-	3,951
General Receipts and Transfers:				
Property for:				
General purposes				
Debt service				
Other city tax				
Local option sales tax				
American Rescue Plan Act				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Note proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
First Responders and Fire Fighters Association				
Streets				
Capital projects				
Debt service				
Local option sales tax				
American Rescue Plan Act projects				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	First Responders and Fire Fighters Association
(10,871)	-	(10,871)	
(2,215)	-	(2,215)	
(53,713)	-	(53,713)	
(56,518)	-	(56,518)	
(28,511)	-	(28,511)	
(38,232)	-	(38,232)	
(190,060)	-	(190,060)	
-	8,980	8,980	
-	(1,945,745)	(1,945,745)	
-	(1,936,765)	(1,936,765)	
(190,060)	(1,936,765)	(2,126,825)	
			3,951
95,627	-	95,627	-
28,789	-	28,789	-
8,561	-	8,561	-
64,951	-	64,951	-
29,830	-	29,830	-
801	-	801	-
186	144	330	-
-	1,897,458	1,897,458	-
2,574	16,332	18,906	12,590
(18,864)	18,864	-	-
212,455	1,932,798	2,145,253	12,590
22,395	(3,967)	18,428	8,639
240,522	86,161	326,683	43,138
\$ 262,917	82,194	345,111	51,777
\$ -	-	-	51,777
53,075	-	53,075	-
14,679	-	14,679	-
-	5,367	5,367	-
10,346	-	10,346	-
29,860	-	29,860	-
26,408	-	26,408	-
128,549	76,827	205,376	-
\$ 262,917	82,194	345,111	51,777

City of Lewis

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

As of and for the year ended June 30, 2022

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 78,271	-	-
Local option sales tax	-	-	64,951
Other city tax	8,561	-	-
Licenses and permits	150	-	-
Use of money and property	6,815	-	-
Intergovernmental	63,475	45,747	-
Special assessments	427	-	-
Miscellaneous	8,341	-	-
Total receipts	<u>166,040</u>	<u>45,747</u>	<u>64,951</u>
Disbursements:			
Operating:			
Public safety	24,061	-	-
Public works	11,845	30,502	-
Culture and recreation	74,722	-	-
General government	54,824	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>165,452</u>	<u>30,502</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>588</u>	<u>15,245</u>	<u>64,951</u>
Other financing sources (uses):			
Transfers in	74,865	-	-
Transfers out	(45,500)	(1,000)	(60,000)
Total other financing sources (uses)	<u>29,365</u>	<u>(1,000)</u>	<u>(60,000)</u>
Change in cash balances	29,953	14,245	4,951
Cash balances beginning of year	151,833	38,830	5,395
Cash balances end of year	<u>181,786</u>	<u>53,075</u>	<u>10,346</u>
Cash Basis Fund Balances			
Restricted for:			
Streets	-	53,075	-
Capital projects	-	-	-
Local option sales tax	-	-	10,346
American Rescue Plan Act projects	29,860	-	-
Other purposes	10,361	-	-
Assigned for fire department fund	16,800	-	-
Unassigned	124,765	-	-
Total cash basis fund balances	<u>\$ 181,786</u>	<u>53,075</u>	<u>10,346</u>

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	46,145	124,416
-	-	64,951
-	-	8,561
-	-	150
20	20	6,855
97,040	298	206,560
-	-	427
-	-	8,341
97,060	46,463	420,261
-	957	25,018
-	5,615	47,962
-	5,153	79,875
-	7,520	62,344
-	28,531	28,531
135,272	-	135,272
135,272	47,776	379,002
(38,212)	(1,313)	41,259
42,500	-	117,365
(29,729)	-	(136,229)
12,771	-	(18,864)
(25,441)	(1,313)	22,395
40,120	4,344	240,522
14,679	3,031	262,917
-	-	53,075
14,679	-	14,679
-	-	10,346
-	-	29,860
-	16,047	26,408
-	-	16,800
-	(13,016)	111,749
14,679	3,031	262,917

City of Lewis

City of Lewis

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

As of and for the year ended June 30, 2022

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 146,275	67,336	213,611
Miscellaneous	16,332	-	16,332
Total operating receipts	162,607	67,336	229,943
Operating disbursements:			
Business type activities	131,619	47,481	179,100
Excess of operating receipts over operating disbursements	30,988	19,855	50,843
Non-operating receipts (disbursements):			
Community Development Block Grant	-	272,366	272,366
USDA grant	89,473	1,148,205	1,237,678
Interest on investments	75	69	144
Note proceeds	-	1,897,458	1,897,458
Debt service	(26,676)	(1,402,768)	(1,429,444)
Capital outlay	(68,473)	(1,983,403)	(2,051,876)
Net non-operating receipts (disbursements)	(5,601)	(68,073)	(73,674)
Excess (deficiency) of receipts over (under) disbursements	25,387	(48,218)	(22,831)
Transfers in (out)			
Transfers in	10,432	10,432	20,864
Transfers out	(1,000)	(1,000)	(2,000)
Net transfers in (out)	9,432	9,432	18,864
Change in cash balances	34,819	(36,786)	(3,967)
Cash balances beginning of year	14,504	71,657	86,161
Cash balances end of year	\$ 49,323	34,871	82,194
Cash Basis Fund Balances			
Restricted for debt service	\$ 2,223	3,144	5,367
Unrestricted	47,100	29,727	76,827
Total cash basis fund balances	\$ 49,323	32,871	82,194

See notes to financial statements.

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Discretely Presented Component Unit

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

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.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2022, disbursements did not exceed the amount budgeted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2022 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$246,626. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

(3) Notes Payable

A summary of changes in notes payable for the year ended June 30, 2022 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation notes	\$ 162,130	-	23,000	139,130	24,000
Business type activities:					
Direct borrowings:					
Water revenue notes	\$ 801,898	-	15,748	786,150	15,967
Sewer revenue notes	186,000	1,186,000	201,325	1,170,675	23,227
Sewer revenue SRF note	225,000	-	225,000	-	-
Sewer USDA anticipation note	249,542	711,458	961,000	-	-
	<u>\$ 1,462,440</u>	<u>1,897,458</u>	<u>1,403,073</u>	<u>1,956,825</u>	<u>39,194</u>

General Obligation Note

A summary of the City’s June 30, 2022 general obligation note payable is as follows:

Year Ending June 30,	General Obligation Street Improvement Note		
	Issued Jun 20, 2018		
	Interest Rates	Principal	Interest
2023	3.40%	\$ 24,000	4,730
2024	3.40	25,000	3,914
2025	3.40	26,000	3,064
2026	3.40	26,000	2,180
2027	3.40	27,000	1,296
2028-2031	3.40	11,130	378
Total		\$ 139,130	15,562

On June 20, 2018, the City issued a \$244,000 of general obligation note with interest rate of 3.4%. The note was issued for street improvements. During the year ended June 30, 2022, the City paid \$23,000 of principal and \$5,531 of interest on the note.

Water Revenue Notes – Direct Borrowing

Year Ending June 30,	Water Revenue Improvement and Refunding Note, Series 2020 R-1			Water Revenue Improvement and Refunding Note, Series 2020 R-2		
	Issued Apr 22, 2020			Issued Apr 22, 2020		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	1.375%	\$ 8,900	5,968	1.375%	\$ 5,121	3,435
2024	1.375	9,023	5,845	1.375	5,192	3,364
2025	1.375	9,148	5,720	1.375	5,264	3,292
2026	1.375	9,274	5,594	1.375	5,337	3,219
2027	1.375	9,403	5,465	1.375	5,411	3,145
2028-2032	1.375	49,002	25,339	1.375	28,195	14,585
2033-2037	1.375	52,486	21,854	1.375	30,203	12,577
2038-2042	1.375	56,219	18,121	1.375	32,351	10,429
2043-2047	1.375	60,218	14,123	1.375	34,651	8,129
2048-2052	1.375	64,501	9,839	1.375	37,117	5,662
2053-2057	1.375	69,088	5,252	1.375	39,756	3,024
2058-2060	1.375	40,870	817	1.375	23,545	471
Total		\$ 438,132	123,937		\$ 252,143	71,332

Year Ending June 30,	Water Revenue Improvement and Refunding Note, Series 2020 R-3			Water Revenue Totals		
	Issued Apr 22, 2020					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2023	1.375%	\$ 1,946	1,306	\$ 15,967	10,709	26,676
2024	1.375	1,973	1,279	16,188	10,488	26,676
2025	1.375	2,000	1,252	16,412	10,264	26,676
2026	1.375	2,028	1,224	16,639	10,037	26,676
2027	1.375	2,056	1,196	16,870	9,806	26,676
2028-2032	1.375	10,713	5,547	87,910	45,471	133,381
2033-2037	1.375	11,478	4,782	94,167	39,213	133,380
2038-2042	1.375	12,293	3,968	100,863	32,518	133,381
2043-2047	1.375	13,167	3,093	108,036	25,345	133,381
2048-2052	1.375	14,104	2,156	115,722	17,657	133,379
2053-2057	1.375	15,108	1,152	123,952	9,428	133,380
2058-2060	1.375	9,009	182	73,424	1,470	74,894
Total		\$ 95,875	27,137	\$ 786,150	222,406	1,008,556

On April 22, 2020, the City issued \$820,000 of USDA taxable water revenue improvement and refunding notes, series R-1, R-2 and R-3, for the purpose of paying a portion of the costs for planning, designing and constructing improvements and extensions to the City’s municipal water works utility system and to refund the outstanding balance of the City’s water revenue bond SRF Series 2011. The notes bear interest of 1.375% per annum and mature in 2060. During the year ended June 30, 2022 the City paid principal of \$15,748 and interest of \$10,928 on the notes.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the \$820,000 of water revenue notes issued in April 2020. The notes are payable solely from water customer net receipts. Annual principal and interest payments on the notes are expected to require 86% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,008,556. For the current year, principal and interest paid and total customer net receipts were \$26,676 and \$30,988 respectively.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water revenue sinking accounts for the purpose of making the note principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net receipts at a level at least sufficient to pay expenses of operation and maintenance of the utility and leave a balance sufficient to pay the principal and interest on outstanding notes. Not less than 110% of the amount of principal and interest on the notes falling due in the same year.

Sewer Revenue Notes – Direct Borrowing

Year Ending June 30,	Sewer Revenue Improvement and Refunding Note, Series 2020 R-1 Issued Oct 26, 2021				Sewer Revenue Improvement and Refunding Note, Series 2021 R-2 Issued Oct 26, 2021			
	Interest		Principal	Interest	Interest		Principal	Interest
	Rates				Rates			
2023	1.25%	\$ 20,380	12,728	1.25%	\$ 2,847	1,773		
2024	1.25	20,636	12,472	1.25	2,884	1,737		
2025	1.25	20,896	12,212	1.25	2,919	1,701		
2026	1.25	21,158	11,950	1.25	2,956	1,664		
2027	1.25	21,424	11,684	1.25	2,993	1,627		
2028-2032	1.25	111,231	54,310	1.25	15,540	7,559		
2033-2037	1.25	118,399	47,141	1.25	16,541	6,558		
2038-2042	1.25	126,033	39,507	1.25	17,607	5,493		
2043-2047	1.25	134,156	31,384	1.25	18,742	4,357		
2048-2052	1.25	142,804	22,736	1.25	19,952	3,149		
2053-2057	1.25	152,009	13,531	1.25	21,237	1,863		
2058-2062	1.25	138,428	3,819	1.25	18,903	512		
Total		\$ 1,027,554	273,474		\$ 143,121	37,993		

Year Ending June 30,	Sewer Revenue Totals		
	Principal	Interest	Total
2023	\$ 23,227	14,501	37,728
2024	23,520	14,209	37,729
2025	23,815	13,913	37,728
2026	24,114	13,614	37,728
2027	24,417	13,311	37,728
2028-2032	126,771	61,869	188,640
2033-2037	134,940	53,699	188,639
2038-2042	143,640	45,000	188,640
2043-2047	152,898	35,741	188,639
2048-2052	162,756	25,885	188,641
2053-2057	173,246	15,394	188,640
2058-2062	157,331	4,331	161,662
Total	\$ 1,170,675	311,467	1,482,142

On November 17, 2010, the City issued \$339,524 of sewer revenue notes with the Iowa Finance Authority State Revolving Fund to provide financing for the construction of improvements to the sewer treatment plant. The notes currently bear interest at 1.75%, per annum, and are payable through 2030. During the year ended June 30, 2022, the City paid the outstanding principal balance of \$186,000 and interest of \$1,320.

On October 26, 2018, the City entered into an agreement for \$225,000 with the Iowa Finance Authority State Revolving Fund for a sewer planning and design loan at .0% interest per annum. During the year ended June 30, 2022, the City paid the principal balance of \$225,000 from the USDA grant funds.

On May 25, 2021, the City entered into an agreement with a local bank for a Sewer Revenue Loan Agreement Anticipation Project Note in a principal amount not to exceed \$961,000 at an interest rate of 1.8% per annum. The project note was issued to pay the cost of planning, designing and constructing improvements and extensions to the sewer system. During the year ended June 30, 2022, the City drew down \$711,458 of anticipation project note proceeds. During the year ended June 30, 2022, the City also repaid the note, in full, \$961,000 of principal and \$4,296 of interest from the USDA taxable sewer revenue improvement and refunding notes issued October 26, 2021.

On October 26, 2021, the City issued \$1,186,000 of USDA taxable sewer revenue improvement and refunding notes, series 2021 R-1 and R-2, for the purpose of current refunding of the outstanding sewer revenue notes and for paying a portion of the costs for planning, designing and constructing improvements and extensions to the City's municipal sewer utility system. The notes bear interest at 1.25%, per annum, and are payable through 2062. From the note proceeds the City paid the outstanding balance of \$186,000 and \$961,000, respectively, of the Iowa Finance Authority State Revolving Fund, sewer revenue notes, dated November 17, 2010 and the Sewer Revenue Loan Agreement Anticipation Project Note dated May 25, 2021. During the year ended June 30, 2022, the City paid principal of \$15,325 and interest of \$9,827 on the notes.

The City has pledged future sewer customer receipts, net of specified operating, disbursements, to repay \$1,186,000 of sewer revenue notes issued in October of 2021 with interest at 1.25% per annum. The notes were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa to provide financing for the construction of sewer extensions. The notes are payable solely from sewer customer net receipts and are payable through 2062. Annual principal and interest payments on the notes are expected to require approximately 127% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,482,142. For the current year, principal and interest paid and total customer net receipts were \$25,152 and \$19,885, respectively.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) User rates shall be established at a level which produces and maintains net receipts at a level not less than the amount of principal and interest on the notes falling due in the same year. The City has not established sewer rates at a level to produce and maintain net receipts, as required.
- (c) Sufficient monthly transfers shall be made to separate sewer revenue sinking accounts for the purpose of making the note principal and interest payments when due.

- (d) The City shall maintain a reserve fund with monthly deposits until there is a balance to pay the principal and interest coming due in the next fiscal year. The City shall also maintain a short-lived asset reserve fund in order to pay cost of extraordinary expenses for maintenance and repair or capital improvements.

(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 2022, 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, 2022 totaled \$10,619.

Net Pension Liability (Asset), Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City reported a liability of \$1,943 for its proportionate share of the overall plan net pension asset. The overall plan net pension asset was measured as of June 30, 2021 and the total pension liability used to calculate the overall plan net pension asset was determined by an actuarial valuation as of that date. The City’s proportion of the overall plan net pension asset was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City’s proportion was (0.000563%), which was a decrease of 0.001970% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2021, the City’s pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled \$18,870, \$10,742 and \$10,472, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability (asset) in the June 30, 2021 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, 2021 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 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
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 (asset).

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 (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 68,770	1,943	(54,062)

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 and retirees. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2022, the City contributed \$19,829 and plan members eligible for benefits did not contribute to the plan. At June 30, 2022, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2022, the following employees were covered by the benefit terms:

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

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation payable to employees at June 30, 2022, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$ 4,600</u>

This liability has been computed based on rates of pay in effect at June 30, 2022.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 60,000
	Capital Projects	14,865
		<u>74,865</u>
Special Revenue:	General	39,500
Capital Projects	Special Revenue:	
	Road Use Tax	1,000
	Enterprise:	
	Water	1,000
	Sewer	1,000
		<u>42,500</u>
Enterprise:	General	3,000
Water	Capital Projects	7,432
		<u>10,432</u>
Sewer	General	3,000
	Capital Projects	7,432
		<u>10,432</u>
Total		<u>\$ 138,229</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 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 794 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, 2022 were \$15,442.

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, 2022, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

(9) Construction Commitments

The City has entered into contracts totaling \$3,596,918 for Water and Wastewater system improvements and sidewalk improvements. As of June 30, 2022, costs of \$3,189,635 on the projects have been incurred. The \$407,283 balance remaining on the project at June 30, 2022 will be paid as work on the project progresses.

(10) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 96, Subscription-Based Information Technology Arrangements. The statement will be implemented for the fiscal year ending June 30, 2023. The revised requirements of this statement will require reporting of the right to use another party's information technology software alone or in combination with tangible capital assets that are not currently reported

Other Information

City of Lewis

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

Other Information

Year ended June 30, 2022

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 124,416	-	124,416
Other city tax	73,512	-	73,512
Licenses and permits	150	-	150
Use of money and property	6,855	144	6,999
Intergovernmental	206,560	1,510,044	1,716,604
Charges for service	-	213,611	213,611
Special assessments	427	-	427
Miscellaneous	8,341	16,332	24,673
Total receipts	420,261	1,740,131	2,160,392
Disbursements:			
Public safety	25,018	-	25,018
Public works	47,962	-	47,962
Culture and recreation	79,875	-	79,875
General government	62,344	-	62,344
Debt service	28,531	-	28,531
Capital projects	135,272	-	135,272
Business type activities	-	3,660,420	3,660,420
Total disbursements	379,002	3,660,420	4,039,422
Excess of receipts over disbursements	41,259	(1,920,289)	(1,879,030)
Other financing sources, net	(18,864)	1,916,322	1,897,458
Change in balances	22,395	(3,967)	18,428
Balances beginning of year	240,522	86,161	326,683
Balances end of year	\$ 262,917	82,194	345,111

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
119,871	119,871	4,545
73,467	98,467	(24,955)
640	250	(100)
7,390	7,390	(391)
88,106	3,397,507	(1,680,903)
220,100	242,100	(28,489)
-	-	427
1,000	3,500	21,173
510,574	3,869,085	(1,708,693)
39,995	39,995	14,977
82,210	83,770	35,808
60,135	103,650	23,775
70,980	83,030	20,686
28,531	28,531	-
-	150,000	14,728
209,750	4,486,213	825,793
491,601	4,975,189	935,767
18,973	(1,106,104)	(772,926)
-	965,300	932,158
18,973	(140,804)	159,232
328,995	328,995	(2,312)
347,968	188,191	156,920

City of Lewis

Notes to Other Information – Budgetary Reporting

June 30, 2022

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$4,483,588 primarily for the sewer project. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2022, disbursements did not exceed the amounts budgeted in any function.

City of Lewis

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

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

Other Information

	2022	2021	2020
City's proportion of the net pension liability/asset	(0.000563)% **	0.001407%	0.001481%
City's proportionate share of the net pension liability (asset)	\$ 2	99	86
City's covered payroll	\$ 113	113	113
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	1.77%	87.61%	76.11%
IPERS' net position as a percentage of the total pension liability (asset)	100.81%	82.90%	85.45%

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

** Overall plan net asset.

See accompanying independent auditor's report.

City of Lewis

Schedule of City Contributions

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

Other Information

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 11	11	11	11
Contributions in relation to the statutorily required contribution	<u>(11)</u>	<u>(11)</u>	<u>(11)</u>	<u>(11)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 115	113	113	113
Contributions as a percentage of covered payroll*	9.44%	9.44%	9.44%	9.44%

Note: City's contributions and covered payroll information for the years ended 2013 to 2014 were not readily available.

* Amounts reported do not agree with the calculated amounts due to rounding required contributions and covered payroll to the nearest thousandth.

See accompanying independent auditor's report.

2018	2017	2016	2015
9	9	8	7
(9)	(9)	(8)	(7)
-	-	-	-
102	105	95	84
8.93%	8.93%	8.93%	8.93%

City of Lewis

Notes to Other Information – Pension Liability

Year ended June 30, 2022

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 Lewis

City of Lewis

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

As of and for the year ended June 30, 2022

	Special Revenue			Total
	Employee Benefits	Freedom Rock	Debt Service	
Receipts:				
Property tax	\$ 17,356	-	28,789	46,145
Intergovernmental	112	-	186	298
Use of money and property	-	-	20	20
Total receipts	17,468	-	28,995	46,463
Disbursements:				
Operating:				
Public safety	957	-	-	957
Public works	5,615	-	-	5,615
Cultures and recreation	4,956	197	-	5,153
General government	7,520	-	-	7,520
Debt service	-	-	28,531	28,531
Total disbursements	19,048	197	28,531	47,776
Excess (deficiency) of receipts over (under) disbursements	(1,580)	(197)	464	(1,313)
Cash balances beginning of year	10,962	6,862	(13,480)	4,344
Cash balances end of year	\$ 9,382	6,665	(13,016)	3,031
Cash Basis Fund Balances				
Restricted for:				
Employee benefits	\$ 9,382	-	-	9,382
Freedom Rock	-	6,665	-	6,665
Unassigned	-	-	(13,016)	(13,016)
Total cash basis fund balances	\$ 9,382	6,665	(13,016)	3,031

See accompanying independent auditor's report.

Schedule 2

City of Lewis

Schedule of Receipts by Source and Disbursements by Function –
All Governmental Funds

For the Last Two Years

	<u>2022</u>	<u>2021</u>
Receipts:		
Property tax	\$ 124,416	126,048
Local option sales tax	64,951	65,395
Other city tax	8,561	8,835
Licenses and permits	150	390
Use of money and property	6,855	6,430
Intergovernmental	206,560	246,427
Charges for service	-	125
Special assessments	427	543
Miscellaneous	8,341	4,304
Total	<u>\$ 420,261</u>	<u>458,497</u>
Disbursements:		
Operating:		
Public safety	\$ 25,018	29,585
Public works	47,962	109,203
Culture and recreation	79,875	50,253
General government	62,344	53,731
Debt service	28,531	28,156
Capital projects	135,272	157,963
Total	<u>\$ 379,002</u>	<u>428,891</u>

See accompanying independent auditor's report.

City of Lewis

Schedule of Expenditures of Federal Awards

Year ended June 30, 2022

Grantor/Program	Assistance Listings Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 2,359,439
Community Facilities Loans and Grants	10.766		<u>97,040</u>
U.S. Department of Housing and Urban Development:			
Passed through Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	20-WS-024	<u>216,449</u>
Total			<u>\$ 2,672,928</u>

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Lewis under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Lewis, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Lewis.

Summary of Significant Accounting Policies – Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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

See accompanying independent auditor's report.



**OFFICE OF AUDITOR OF STATE
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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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Lewis, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 1, 2023. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lewis' internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Lewis' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lewis' 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 were not identified. However, as described in Part II of the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2022-001 through 2022-003 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2022-004 and 2022-005 to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

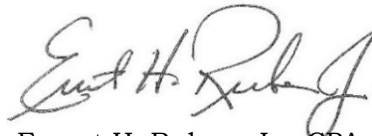
City of Lewis' Responses to the Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Lewis' responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City of Lewis' responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

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



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

March 1, 2023

City of Lewis



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**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by the Uniform Guidance**

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Lewis' compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Lewis' major federal program for the year ended June 30, 2022. The City of Lewis' major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Lewis complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards), and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Lewis and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Lewis' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Lewis' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Lewis' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgement made by a reasonable user of the report on compliance about the City of Lewis' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Lewis' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Lewis' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Lewis' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

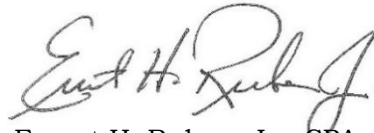
Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



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

March 1, 2023

City of Lewis

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

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

- (a) Unmodified opinions were issued on the financial statements prepared on the cash basis of accounting, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (e) The audit did not disclose audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (f) The major program was Assistance Listings Number 10.760 – Water and Waste Disposal Systems for Rural Communities.
- (g) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (h) The City of Lewis did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2022-001 Segregation of Duties

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

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

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

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

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

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

City of Lewis

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Response – The City staff, Mayor, and City Council will review the City’s control procedures and appoint and implement more oversight of City financials. The City has hired an Assistant City Clerk and will review job descriptions to help with the segregation of duties.

Conclusion – Response accepted.

2022-002 Segregation of Duties – Lewis First Responders and Fire Fighters Association

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

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

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

Cause – The Lewis First Responders and Fire Fighters Association have a limited number of members and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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

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

Response – The Mayor and City Council has conferred with the Lewis First Responders and Fire Association Members to implement procedures and a policy for review of bank reconciliations and or bank statements by more than one member for both bank accounts. They have assured the Council they have implemented the above procedures.

Conclusion – Response accepted.

City of Lewis

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

2022-003 Reconciliation of Utility Billings, Collections and Delinquent Accounts

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

Condition – The City does not prepare reconciliations of utility billings, collections and delinquent accounts. The City started to maintain a listing of delinquent accounts, however this is not reviewed by an independent person.

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

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

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

Response – The City will monitor the delinquent accounts more closely, and they will be reviewed by the Mayor and the City Council, which is presented to Council for approval at Regular City Council Meetings monthly for approval under the Consent Agenda. Reconciliations are now done monthly and will be signed off on by City Staff, Mayor, and/or Council.

Conclusion – Response accepted.

2022-004 Timesheet Approval

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

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

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

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

City of Lewis

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

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

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

Conclusion – Response accepted.

2022-005 Computer System

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

Condition – The City does not have written policies for:

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

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

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

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

Response – The City has implemented an Internet and Email Security Policy. City staff, the Mayor and the City Council along with ICAP will continue to work on implementing an up-to-date Computer System Policy for the City.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Lewis

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCE OF NON-COMPLIANCE:

No matters noted.

INTERNAL CONTROL DEFICIENCY:

No material weaknesses in internal controls over compliance were noted.

City of Lewis

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Part IV: Other Findings Related to Required Statutory Reporting:

- 2022-A Certified Budget – Disbursements during the year ended June 30, 2022 did not exceed the amount budgeted.
- 2022-B 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.
- 2022-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 2022-D Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Colton Erickson, Maintenance Manager, Owner of Erickson Lawncare & Water Septic	Mowing, fertilizer and equipment rental	\$ 6,121

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the Maintenance Manager appear to represent a conflict of interest since total transactions were over \$6,000 during the fiscal year.

Response – The City will be more diligent in obtaining price quotes/bids for smaller projects needed for City Maintenance.

Conclusion – Response accepted.

- 2022-E Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 2022-F Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- 2022-G City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- 2022-H Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Lewis

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

- 2022-I Revenue Notes – The City has not established sewer rates to produce net operating revenues at least equal to the principal and interest coming due each year as required by the bond resolution.
- Recommendations- The City should ensure net operating receipts for the Enterprise, Sewer Fund are sufficient to make required debt service payments and comply with the revenue bond resolution.
- Response – The City has reviewed the current Water and Sewer Rates and has implemented a Water Debt Fee and Sewer Debt Fee that should ensure net operating receipts for the Enterprise Water and Sewer Fund will be sufficient to make required month debt service payments to USDA-RD to comply with the Bond Resolutions for both Water and Sewer.
- Conclusion – Response accepted.
- 2022-J Financial Condition – At June 30, 2022, the Debt Service Fund has a deficit balance of \$13,016.
- Recommendation – The City should investigate alternatives to eliminate the deficit and return the fund to sound financial position.
- Response – The City staff has conferred with gWorks, City Software, and has rectified the negative Debt Service for fiscal year 2023.
- Conclusion – Response accepted.
- 2022-K Interfund Transfers – Section 545-2 of the City Finance Committee Rules requires “A fund transfer resolution must be completed for all transfers between funds and must include a clear statement of reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred. For transfers of utility surpluses outlined in subrule 2.5(5), the calculation proving the surplus must also be shown in the resolution.”
- A resolution was not approved for all transfers and the transfers passed by resolution did not contain all the necessary information including a clear purpose for the transfer.
- Recommendation – The resolutions approving all fund transfers should include the information required by Section 545-2 of the City Finance Committee Rules. All interfund transfers should be preceded by a resolution.
- Response – The City will be more diligent in preparing and approving resolutions before any transfers are made.
- Conclusion – Response accepted.

City of Lewis

Staff

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