

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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

**NEWS RELEASE**

**FOR RELEASE**

**May 2, 2023**

Contact: Ernest Ruben  
515/281-5834

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

**FINANCIAL HIGHLIGHTS:**

The City's receipts totaled \$4,086,848 for the year ended June 30, 2021. Disbursements for the year ended June 30, 2021 totaled \$3,811,738.

**AUDIT FINDINGS:**

Sand reported ten findings related to the receipt and disbursement of taxpayer funds. They are found on pages 46 through 58 of this report. The findings address issues such as a lack of segregation of duties, the lack of reconciliations of book to bank balances and reconciliations of utility billings, collections and delinquent accounts, disbursements exceeding budgeted amounts, the lack of a written agreement with the Farley Commercial Club for the use of the Farley Memorial Hall, the lack of compliance with the public hearing and competitive bidding procedures of Chapter 26 of the Code of Iowa for a park project and the validity of agreements with separate nonprofit organizations. Sand provided the City with recommendations to address each of the findings.

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

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

###

**CITY OF FARLEY**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2021**

**City of Farley**



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

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

Rob Sand  
Auditor of State

April 28, 2023

Officials of the City of Farley  
Farley, 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 Farley for the year ended June 30, 2021. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Farley 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

## Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		4-5
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	8-9
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	10-11
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	13
Notes to Financial Statements		14-30
Other Information		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds		32-33
Notes to Other Information – Budgetary Reporting		35
Schedule of the City’s Proportionate Share of the Net Pension Liability		36-37
Schedule of City Contributions		38-39
Notes to Other Information – Pension Liability		40
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	43
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		44-45
Schedule of Findings		46-58
Staff		59

**City of Farley**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jeffrey Simon	Mayor	Jan 2022
Corey Birkel	Council Member	Jan 2022
Justin Philipp	Council Member	Jan 2022
Marty Benda	Council Member	Jan 2024
Joe Erion	Council Member	Jan 2024
Jay Hefel	Council Member	Jan 2024
Lory Young	City Administrator	Indefinite
Kathy Goerdt	City Clerk	(Resigned Jan 2021)
Amy Ries (Appointed Jan 2021)	City Clerk	(Resigned Apr 2021)
Lisa Baych (Appointed Jun 2021)	City Clerk	Indefinite
Ted Huinker	Attorney	Indefinite



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

Rob Sand  
Auditor of State

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

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Modified Opinions

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

### Modified Opinions

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

### Basis of Accounting

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

### Other Matters

#### *Supplementary and Other Information*

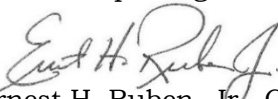
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Farley's basic financial statements. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Other Information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 32 through 40, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April 28, 2023 on our consideration of the City of Farley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Farley's internal control over financial reporting and compliance.

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

April 28, 2023



**City of Farley**

## **Basic Financial Statements**

City of Farley

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 353,663	25,339	141,873	-
Public works	219,217	30,364	291,322	-
Culture and recreation	1,087,851	103,344	-	747,760
Community and economic development	430,788	6,598	8,215	-
General government	383,191	19,377	26,335	-
Debt service	549,055	-	-	-
Total governmental activities	3,023,765	185,022	467,745	747,760
Business type activities:				
Water	432,415	495,701	-	-
Sewer	264,968	290,856	-	-
Sanitation	80,590	83,579	-	-
Total business type activities	777,973	870,136	-	-
Total	\$ 3,801,738	1,055,158	467,745	747,760

**General Receipts and Transfers:**

Property and other city tax levied for:  
    General purposes  
    Debt service  
Tax increment financing  
Local option sales tax  
Commercial/industrial tax replacement  
Unrestricted interest on investments  
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:

    Expendable:

        Streets

        Debt service

        Capital projects

        Other purposes

Unrestricted

**Total cash basis net position**

See notes to financial statements.

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Position

Governmental Activities	Business Type Activities	Total
(186,451)	-	(186,451)
102,469	-	102,469
(236,747)	-	(236,747)
(415,975)	-	(415,975)
(337,479)	-	(337,479)
(549,055)	-	(549,055)
(1,623,238)	-	(1,623,238)
-	63,286	63,286
-	25,888	25,888
-	2,989	2,989
-	92,163	92,163
(1,623,238)	92,163	(1,531,075)
436,665	-	436,665
329,198	-	329,198
693,492	-	693,492
244,432	-	244,432
11,051	-	11,051
24,891	-	24,891
64,406	2,050	66,456
113,945	(113,945)	-
1,918,080	(111,895)	1,806,185
294,842	(19,732)	275,110
1,589,972	1,004,410	2,594,382
\$ 1,884,814	984,678	2,869,492
\$ 422,969	-	422,969
1,157,079	156,393	1,313,472
26,391	-	26,391
189,679	828,285	1,017,964
88,696	-	88,696
\$ 1,884,814	984,678	2,869,492

City of Farley

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

As of and for the year ended June 30, 2021

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 436,665	-	-
Tax increment financing	-	-	693,492
Local option sales tax	244,432	-	-
Licenses and permits	25,870	-	-
Use of money and property	25,351	-	104
Intergovernmental	101,587	249,731	-
Charges for service	620	-	-
Special assessments	-	-	-
Miscellaneous	889,309	-	-
Total receipts	<u>1,723,834</u>	<u>249,731</u>	<u>693,596</u>
Disbursements:			
Operating:			
Public safety	262,763	-	-
Public works	124,793	94,424	-
Culture and recreation	1,041,975	-	-
Community and economic development	947	-	429,841
General government	266,725	-	-
Debt service	-	-	-
Total disbursements	<u>1,697,203</u>	<u>94,424</u>	<u>429,841</u>
Excess (deficiency) of receipts over (under) disbursements	<u>26,631</u>	<u>155,307</u>	<u>263,755</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	(25,000)	(99,066)
Total other financing sources (uses)	<u>-</u>	<u>(25,000)</u>	<u>(99,066)</u>
Change in cash balances	26,631	130,307	164,689
Cash balances beginning of year	62,065	292,662	425,476
Cash balances end of year	<u>\$ 88,696</u>	<u>422,969</u>	<u>590,165</u>
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Streets	\$ -	422,969	-
Capital projects	-	-	-
Debt service	-	-	590,165
Other purposes	-	-	-
Unassigned	88,696	-	-
Total cash basis fund balances	<u>\$ 88,696</u>	<u>422,969</u>	<u>590,165</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
329,198	-	-	765,863
-	-	-	693,492
-	-	-	244,432
-	-	-	25,870
2,904	133	24	28,516
5,243	-	-	356,561
-	-	-	620
30,364	-	-	30,364
-	-	169,635	1,058,944
367,709	133	169,659	3,204,662
-	-	90,900	353,663
-	-	-	219,217
-	-	45,876	1,087,851
-	-	-	430,788
-	116,466	-	383,191
549,055	-	-	549,055
549,055	116,466	136,776	3,023,765
(181,346)	(116,333)	32,883	180,897
238,011	-	-	238,011
-	-	-	(124,066)
238,011	-	-	113,945
56,665	(116,333)	32,883	294,842
510,249	142,724	156,796	1,589,972
566,914	26,391	189,679	1,884,814
-	-	-	422,969
-	26,391	-	26,391
566,914	-	-	1,157,079
-	-	189,679	189,679
-	-	-	88,696
566,914	26,391	189,679	1,884,814

**City of Farley**

City of Farley

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

As of and for the year ended June 30, 2021

	Enterprise			Total
	Water	Sewer	Non-major Sanitation	
Operating receipts:				
Charges for service	\$ 493,624	290,856	83,579	868,059
Miscellaneous	2,077	-	-	2,077
Total operating receipts	495,701	290,856	83,579	870,136
Operating disbursements:				
Business type activities	179,434	158,787	80,590	418,811
Total operating disbursements	179,434	158,787	80,590	418,811
Excess of operating receipts over operating disbursements	316,267	132,069	2,989	451,325
Non-operating receipts (disbursements):				
Water tower rent	1,800	-	-	1,800
Interest on investments	142	108	-	250
Debt service	(252,981)	(106,181)	-	(359,162)
Net non-operating receipts (disbursements)	(251,039)	(106,073)	-	(357,112)
Excess of receipts over disbursements	65,228	25,996	2,989	94,213
Transfers out	-	(113,945)	-	(113,945)
Change in cash balances	65,228	(87,949)	2,989	(19,732)
Cash balances beginning of year	574,959	418,446	11,005	1,004,410
Cash balances end of year	\$ 640,187	330,497	13,994	984,678
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ 156,393	-	-	156,393
Unrestricted	483,794	330,497	13,994	828,285
Total cash basis fund balances	\$ 640,187	330,497	13,994	984,678

See notes to financial statements.



City of Farley

Notes to Financial Statements

June 30, 2021

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

The City of Farley is a political subdivision of the State of Iowa located in Dubuque County. It was first incorporated in 1879 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer and sanitation utilities for its citizens.

A. Reporting Entity

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

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

Blended Component Units

The Farley Volunteer Fire Department is legally separate from the City but is so intertwined with the City it is, in substance, part of the City. The Farley Volunteer Fire Department was organized under Chapter 504A of the Code of Iowa as a nonprofit corporation. The Department collects donations which are to be used to purchase items not included in the City's budget and to make donations to the City to help finance fire equipment. The financial transactions have been reported as a Special Revenue Fund of the City.

Farley Emergency Medical Services, Inc. is legally separate from the City but is so intertwined with the City it is, in substance, part of the City. Farley Emergency Medical Services, Inc. was organized under Chapter 504A of the Code of Iowa as a nonprofit corporation. Farley Emergency Medical Services, Inc. collects donations which are to be used to purchase items not included in the City's budget and to make donations to the City to help finance emergency medical services for those in need. The financial transactions have been reported as a Special Revenue Fund of the City.

Farley Commercial Club is legally separate from the City but is so intertwined with the City it is, in substance, part of the City. Farley Commercial Club was organized under Chapter 504A of the Code of Iowa as a nonprofit corporation. Farley Commercial Club collects income to aid, promote and foster the material, commercial and civic interests and welfare of the City of Farley and the surrounding community. The financial transactions have been reported as a Special Revenue Fund of the City.

#### 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: Dubuque County Assessor's Conference Board, City Assessor's Conference Board, Dubuque County Emergency Management Commission, Dubuque County Landfill Commission and Dubuque County Joint 911 Service Board.

#### B. Basis of Presentation

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

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

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

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. 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 Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

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

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

The City reports the following major proprietary funds:

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

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, general government and debt service functions.

**(2) Cash and Pooled Investments**

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

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Bonds and Notes Payable**

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

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,785,000	-	470,000	2,315,000	29,000
Promissory notes - direct borrowing	87,129	-	28,099	59,030	28,661
Governmental activities total	<u>\$ 2,872,129</u>	<u>-</u>	<u>498,099</u>	<u>2,374,030</u>	<u>57,661</u>
Business type activities:					
Direct borrowing:					
Water revenue bonds	\$ 2,949,000	-	194,000	2,755,000	197,000
Sewer revenue bonds	509,000	-	96,000	413,000	99,000
Business-type activities total	<u>\$ 3,458,000</u>	<u>-</u>	<u>290,000</u>	<u>3,168,000</u>	<u>296,000</u>

## General Obligation Bonds

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

Year Ending June 30,	Refunding Bonds			Street Improvement		
	Issued Nov 15, 2012			Issued Jun 29, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	1.75%	\$ 15,000	263	2.50%	\$ 50,000	5,705
2023		-	-	2.50	55,000	4,455
2024		-	-	2.50	55,000	3,080
2025		-	-	2.50	55,000	1,540
2026		-	-		-	-
2027-2031		-	-		-	-
2032-2032		-	-		-	-
Total		<u>\$ 15,000</u>	<u>263</u>		<u>\$ 215,000</u>	<u>14,780</u>

Year Ending June 30,	Various Projects			Total		
	Issued Jul 30, 2019					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	3.00%	\$ 225,000	62,550	\$ 290,000	68,518	358,518
2023	3.00	245,000	55,800	300,000	60,255	360,255
2024	3.00	285,000	48,450	340,000	51,530	391,530
2025	3.00	305,000	39,900	360,000	41,440	401,440
2026	3.00	135,000	30,750	135,000	30,750	165,750
2027-2031	3.00	730,000	90,900	730,000	90,900	820,900
2032-2032	3.00	160,000	4,800	160,000	4,800	164,800
Total		<u>\$ 2,085,000</u>	<u>333,150</u>	<u>\$ 2,315,000</u>	<u>348,193</u>	<u>2,663,193</u>

On November 15, 2012, the City issued \$2,050,000 of general obligation bonds with an interest rate of 1.75% per annum. The bonds were issued to refund prior debt. During the year ended June 30, 2021, the City paid \$245,000 of principal and \$4,550 of interest on the bonds.

On June 29, 2015, the City issued \$500,000 of general obligation bonds with an interest rate of 2.50% per annum. The bonds were issued for the 1<sup>st</sup> Street improvement project. During the year ended June 30, 2021, the City paid \$50,000 of principal and \$6,705 of interest on the bonds.

On July 30, 2019, the City issued \$2,435,000 of general obligation bonds with interest rates of 3.00% per annum. The bonds were issued to refund various loan agreements. During the year ended June 30, 2021, the City paid \$175,000 of principal and \$67,800 of interest on the bonds.

Revenue Bonds/Notes – Direct Borrowing

Year Ending June 30,	Water Tower Debt Issued Apr 5, 2007			Water Well Debt # 1 Issued Jun 30, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	1.75%	\$ 86,000	9,748	1.75%	\$ 11,000	3,343
2023	1.75	89,000	8,243	1.75	11,000	3,150
2024	1.75	91,000	6,685	1.75	12,000	2,958
2025	1.75	94,000	5,093	1.75	12,000	2,748
2026	1.75	97,000	3,448	1.75	12,000	2,538
2027-2031	1.75	100,000	1,750	1.75	63,000	9,485
2032-2036		-	-	1.75	70,000	3,745
2037-2038		-	-		-	-
Total		<u>\$ 557,000</u>	<u>34,967</u>		<u>\$ 191,000</u>	<u>27,967</u>

Year Ending June 30,	Water Well Debt #2 Issued Aug 24, 2018			Sewer - WWTP Issued Oct 21, 2004		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	1.75%	\$ 100,000	35,123	1.75%	\$ 99,000	7,228
2023	1.75	102,000	33,373	1.75	101,000	5,495
2024	1.75	104,000	31,588	1.75	105,000	3,728
2025	1.75	106,000	29,768	1.75	108,000	1,890
2026	1.75	108,000	27,913		-	-
2027-2031	1.75	576,000	110,390		-	-
2032-2036	1.75	638,000	57,820		-	-
2037-2038	1.75	273,000	7,193		-	-
Total		<u>\$ 2,007,000</u>	<u>333,168</u>		<u>\$ 413,000</u>	<u>18,341</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2022	\$ 296,000	55,442	351,442
2023	303,000	50,261	353,261
2024	312,000	44,959	356,959
2025	320,000	39,499	359,499
2026	217,000	33,899	250,899
2027-2031	739,000	121,625	860,625
2032-2036	708,000	61,565	769,565
2037-2038	273,000	7,193	280,193
Total	<u>\$ 3,168,000</u>	<u>414,443</u>	<u>3,582,443</u>

On April 5, 2007, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank, N.A. for the issuance of \$1,533,000 of water revenue bonds with an interest rate of 3.00% per annum. The Iowa Finance Authority approved a reduction to the interest rate from 3.00% per annum to 1.75% per annum effective June 1, 2017. The City is also required to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384 of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system. During fiscal year 2021, the City paid principal of \$84,000 and interest of \$11,218 on the bonds. The outstanding principal balance at June 30, 2021 was \$557,000.

On September 9, 2016, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank, N.A. for the issuance of \$1,200,000 of water revenue bonds with an interest rate of 1.75% per annum. The City is also required to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384 of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system. During fiscal year 2021, the City paid principal of \$11,000 and interest of \$3,535 on the bonds. The outstanding principal balance at June 30, 2021 was \$191,000.

On August 24, 2018, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank, N.A. for the issuance of \$2,304,000 of water revenue bonds with an interest rate of 1.75% per annum. The City is also required to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384 of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's water system. During fiscal year 2021, the City paid principal of \$99,000 and interest of \$36,855 on the bonds. The outstanding principal balance at June 30, 2021 was \$2,007,000.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the \$5,037,000 of water revenue bonds issued in April 2007, September 2016 and August 2018. The bonds are payable solely from water customer net receipts. Annual principal and interest payments on the bonds are expected to require 78% of net receipts. The total principal and interest remaining to be paid on the bonds is \$3,151,102. For the current year, principal and interest paid and total customer net receipts were \$245,608 and \$316,267, respectively.

On October 21, 2004, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank, N.A. for the issuance of \$1,650,000 of sewer revenue bonds with an interest rate of 3.00% per annum. The Iowa Finance Authority approved a reduction to the interest rate from 3.00% per annum to 1.75% per annum effective December 1, 2014. The City is also required to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384 of the Code of Iowa to pay the costs of constructing improvements and extensions to the City's sewer system. During fiscal year 2021, the City paid principal of \$96,000 and interest of \$8,908 on the bonds. The outstanding principal balance at June 30, 2021 was \$413,000.

The City has pledged future sewer customer receipts, net of specified operating, disbursements, to repay the \$1,650,000 of sewer revenue bonds issued in October 2004. The bonds are payable solely from sewer customer net receipts. Annual principal and interest payments on the bonds are expected to require 79% of net receipts. The total principal and interest remaining to be paid on the bonds is \$431,341. For the current year, principal and interest paid and total customer net receipts were \$104,908 and \$132,069, respectively.

The resolutions providing for the issuance of the water and 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 110% of the amount of principal and interest on the notes falling due in the same year.

Promissory Notes - Direct Borrowing

On February 12, 2016, the Farley Volunteer Fire Department entered into a promissory note for \$79,543 with Dubuque County Iowa c/o E.C.I.A. Business Growth Inc. for the purchase of Self-Contained Breathing Apparatus (SCBA) equipment. The note bears interest at 2.00% per annum and matures on February 16, 2022. The note requires annual payments of \$14,200. In the event of a default, outstanding amounts become due immediately. During the year ended June 30, 2021, the City paid \$13,649 of principal and \$551 of interest. The outstanding note balance at June 30, 2021 is \$13,922.

On May 27, 2014, the Farley Emergency Medical Services, Inc. entered into a promissory note for \$140,500 with Dubuque County Iowa c/o E.C.I.A. Business Growth Inc. for the purchase of a 2015 Ford ambulance. The note bears interest at 2.00% per annum and matures on June 1, 2024. The note requires annual payments of \$15,641. In the event of a default, outstanding amounts become due immediately. During the year ended June 30, 2021, the City paid \$14,450 of principal and \$1,191 of interest. The outstanding note balance at June 30, 2021 is \$45,108.

Future principal and interest payments as of June 30, 2021 are as follows:

Year Ending June 30,	SCBA Equipment		Ambulance		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 13,922	278	\$ 14,739	902	\$ 28,661	1,180
2023	-	-	15,034	607	15,034	607
2024	-	-	15,335	306	15,335	306
Total	\$ 13,922	278	\$ 45,108	1,815	\$ 59,030	2,093

**(4) Pension Plan**

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

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

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

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



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

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

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

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

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

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

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

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$29,162.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$178,493 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.002541%, which was an increase of 0.000023% over its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$34,812, \$23,912 and \$23,823, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100.0%</u>	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 333,581	178,493	48,500

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

**(5) Compensated Absences**

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

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 11,000
Compensatory time	2,000
Total	<u>\$ 13,000</u>

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

**(6) Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Road Use Tax	\$ 25,000
	Urban Renewal Tax Increment	99,066
	Enterprise:	
	Sewer	<u>113,945</u>
Total		<u>\$ 238,011</u>

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

**(7) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$75,942 during the year ended June 30, 2021.

**(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 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2021 were \$58,330.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2021, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation in the amount of \$1,000,000. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## **(9) Development Agreements**

In accordance with a development agreement dated December 5, 2011 with LSI, LLC, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated through June 1, 2023 up to a maximum of \$100,000. Payments are expected to be paid over a period of ten years (twenty semi-annual payments) beginning December 1, 2013. This agreement includes an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreement is subject to the constitutional debt limit. During the year ended June 30, 2021, the City made payments of \$10,000 to the developer.

In accordance with a development agreement dated December 5, 2011 with Top Grade Leasing, LLC, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated through June 1, 2023 up to a maximum of \$300,000. Payments are expected to be paid over a period of ten years (twenty semi-annual payments) beginning December 1, 2013. This agreement includes an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreement is subject to the constitutional debt limit. During the year ended June 30, 2021, the City made payments of \$30,000 to the developer.

In accordance with a development agreement dated June 4, 2012 with Behnke Family, LLC, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated through June 1, 2024 up to a maximum of \$120,000. Payments are expected to be paid over a period of ten years (twenty semi-annual payments) beginning December 1, 2014. Under the agreement, the developer must establish twenty-five new jobs within three years of the date the project is completed. This agreement includes an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreement is subject to the constitutional debt limit. During the year ended June 30, 2021, the City made payments of \$12,000 to the developer.

In accordance with a development agreement dated August 20, 2012 with LSI, LLC and Eastern Iowa Machine Company, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated through June 1, 2024 up to a maximum of \$420,000. Payments are expected to be paid over a period of ten years (twenty semi-annual payments) beginning December 1, 2014. This agreement includes an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreement is subject to the constitutional debt limit. During the year ended June 30, 2021, the City made payments of \$42,000 to the developer.

In accordance with a development agreement dated November 4, 2013 with Behnke Enterprises, Inc, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated through June 1, 2025 up to a maximum of \$324,000. Payments are expected to be paid over a period of ten years (twenty semi-annual payments) beginning December 1, 2015. Under the agreement, the developer must establish twenty-five new jobs within three years of the date the project is completed. This agreement includes an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreement is subject to the constitutional debt limit. During the year ended June 30, 2021, the City made payments of \$32,400 to the developer.

In accordance with a development agreement dated April 21, 2014 with South Lake Development Corporation, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated through June 1, 2026. Payments are expected to be paid over a period of ten years (twenty semi-annual payments) beginning December 1, 2016. The amount rebated is not to exceed the lesser of \$61,000 or the actual cost of the public improvements paid for by the developer. This agreement includes an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreement is subject to the constitutional debt limit. During the year ended June 30, 2021, the City made payments of \$41,493 to the developer on this agreement.

In accordance with a development agreement dated April 21, 2014 with Darlene and Craig Kluesner, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated through June 1, 2026 up to a maximum of \$60,000. Payments are expected to be paid over a period of ten years (annual payments) beginning June 1, 2017. This agreement includes an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreement is subject to the constitutional debt limit. During the year ended June 30, 2014, the City made payments of \$6,545 to the developer.

In accordance with a development agreement dated September 1, 2015 with Top Grade Leasing, LLC, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated through June 1, 2027 up to a maximum of \$40,000. Payments are expected to be paid over a period of ten years (twenty semi-annual payments) beginning December 1, 2017. This agreement includes an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreement is subject to the constitutional debt limit. During the year ended June 30, 2021, the City made payments of \$4,000 to the developer.

In accordance with a development agreement dated September 1, 2015 with Kauffmann Storage, L.L.C., the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated through June 1, 2027 up to a maximum of \$65,000. Payments are expected to be paid over a period of ten years (annual payments) beginning June 1, 2018. This agreement includes an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreement is subject to the constitutional debt limit. During the year ended June 30, 2021, the City made payments of \$6,500 to the developer.

In accordance with a development agreement dated September 1, 2015 with KV Properties, LLC, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated through June 1, 2026 up to a maximum of \$30,000. Payments are expected to be paid over a period of ten years (annual payments) beginning June 1, 2017. This agreement includes an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreement is subject to the constitutional debt limit. During the year ended June 30, 2021, the City made any payments of \$3,000 to the developer.

In accordance with a development agreement dated May 15, 2017 with Wildcat Investment Group, LLC, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated through June 1, 2029 the lessor of \$400,000 or the demonstrated infrastructure costs. Payments are expected to be paid over a period of eleven years (annual payments) beginning June 1, 2020. This agreement includes an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreement is subject to the constitutional debt limit. During the year ended June 30, 2021, the City made payments of \$14,370 to the developer.

In accordance with a development agreement dated August 7, 2017 with Kress Transport, LLC, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated through June 1, 2029 up to a maximum of \$80,000. Payments are expected to be paid over a period of ten years (twenty semi-annual payments) beginning December 1, 2019. This agreement includes an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreement is subject to the constitutional debt limit. During the year ended June 30, 2021, the City made payments of \$8,000 to the developer.

In accordance with a development agreement dated December 4, 2017 with Farley Industrial Development Corporation, in cooperation with Dubuque County, the incremental property tax to be received by the City from Dubuque County will be rebated through June 1, 2029 up to a maximum amount of \$1,000,000. Payments are expected to be paid over a period of ten years (twenty semi-annual payments) beginning December 1, 2019. This agreement includes an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreement is subject to the constitutional debt limit. During the year ended June 30, 2021, the City made payments of \$100,000 to the developer.

In accordance with a development agreement dated May 7, 2018 with Cory Heims, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated through June 1, 2030 up to a maximum of \$12,000. Payments are expected to be paid over a period of eleven years (twenty - two semi-annual payments) beginning December 1, 2019. This agreement is subject to the constitutional debt limitation. During the year ended June 30, 2021, the City made payments of \$1,283 to the developer.

In accordance with a development agreement dated November 5, 2018 with Farley Industrial Development Corporation, in cooperation with Dubuque County, the incremental property tax to be received by the City from Dubuque County will be rebated through June 1, 2034 up to the lesser of \$750,000 or the actual project costs paid by the developer. Payments are expected to be paid over a period of fifteen years (thirty semi-annual payments) beginning December 1, 2019. This agreement includes an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreement is subject to the constitutional debt limit. During the year ended June 30, 2021, the City made payments of \$70,000 to the developer.

In accordance with a development agreement dated November 5, 2018 with Big River Cast Stone, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated through June 1, 2030 up to a maximum of \$300,000. Payments are expected to be paid over a period of ten years (twenty semi-annual payments) beginning December 1, 2020. This agreement includes an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreement is subject to the constitutional debt limit. During the year ended June 30, 2021, the City made payments of \$ 30,000 to the developer.

In accordance with a development agreement dated December 27, 2018 with Triton Manufacturing, Inc., the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated through June 1, 2030 up to a maximum of \$240,000. Payments are expected to be paid over a period of eleven years (twenty-two semi-annual payments) beginning December 1, 2019. This agreement includes an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreement is subject to the constitutional debt limit. During the year ended June 30, 2021, the City made payments of \$12,000 to the developer.

In accordance with a development agreement dated October 23, 2019 with JABC Properties LLC, the incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated through June 1, 2031 up to a maximum of \$125,000. Payments are expected to be paid over a period of ten years (twenty semi-annual payments) beginning December 1, 2021. This agreement includes an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreement is subject to the constitutional debt limit. During the year ended June 30, 2021, the City made payments of \$6,250 to the developer.

## **(10) Tax Abatements**

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

### City Tax Abatements

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

For the year ended June 30, 2021, \$151,530 of property tax was diverted from the City under the urban renewal and economic development agreements.



**(11) COVID-19**

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

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

**(12) Prospective Accounting Change**

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

**(13) Subsequent Event**

During the year ended June 30, 2018, the City received \$200,012 pursuant to an agreement with the Iowa Department of Transportation (IDOT) for a Revitalize Iowa's Sound Economy (RISE) Project. The project consisted of the construction of a street project and associated economic development in accordance with RISE eligible activities within 20 years of construction of the street project. Pursuant to the agreement, failure to develop the acres in accordance with the RISE requirements is considered a default under the agreement. In a letter dated February 3, 2023, the IDOT notified the City they would be required to repay \$200,012 to the State as a result of developing the majority of the acres with non-RISE eligible uses. The City is working with legal counsel and the IDOT to determine a repayment plan.

## **Other Information**

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

Other Information

Year ended June 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 765,863	-	-	765,863
Tax increment financing	693,492	-	-	693,492
Other city tax	244,432	-	-	244,432
Licenses and permits	25,870	-	-	25,870
Use of money and property	28,516	2,050	24	30,542
Intergovernmental	356,561	-	-	356,561
Charges for service	620	868,059	-	868,679
Special assessments	30,364	-	-	30,364
Miscellaneous	1,058,944	2,077	169,635	891,386
Total receipts	<u>3,204,662</u>	<u>872,186</u>	<u>169,659</u>	<u>3,907,189</u>
Disbursements:				
Public safety	353,663	-	90,900	262,763
Public works	219,217	-	-	219,217
Culture and recreation	1,087,851	-	45,876	1,041,975
Community and economic development	430,788	-	-	430,788
General government	383,191	-	-	383,191
Debt service	549,055	359,162	-	908,217
Capital projects	-	-	-	-
Business type activities	-	418,811	-	418,811
Total disbursements	<u>3,023,765</u>	<u>777,973</u>	<u>136,776</u>	<u>3,664,962</u>
Excess of receipts over disbursements	180,897	94,213	32,883	242,227
Other financing sources, net	113,945	(113,945)	-	-
Change in balances	294,842	(19,732)	32,883	242,227
Balances beginning of year	1,589,972	1,004,410	156,796	2,437,586
Balances end of year	<u>\$ 1,884,814</u>	<u>984,678</u>	<u>189,679</u>	<u>2,679,813</u>

See accompanying independent auditor's report.

---

Budgeted Amounts		Final to
Original	Final	Total
		Variance
748,984	748,984	16,879
555,848	555,848	137,644
214,683	214,683	29,749
13,900	13,900	11,970
41,955	41,955	(11,413)
245,736	245,736	110,825
842,900	842,900	25,779
10,000	10,000	20,364
98,600	98,600	792,786
<u>2,772,606</u>	<u>2,772,606</u>	<u>1,134,583</u>
222,666	257,666	(5,097)
221,180	221,180	1,963
248,109	955,109	(86,866)
346,330	346,330	(84,458)
284,934	284,934	(98,257)
570,082	570,082	(338,135)
-	115,000	115,000
<u>787,190</u>	<u>787,190</u>	<u>368,379</u>
<u>2,680,491</u>	<u>3,537,491</u>	<u>(127,471)</u>
92,115	(764,885)	1,007,112
-	-	-
<u>92,115</u>	<u>(764,885)</u>	<u>1,007,112</u>
<u>2,193,734</u>	<u>2,193,734</u>	<u>243,852</u>
<u>2,285,849</u>	<u>1,428,849</u>	<u>1,250,964</u>

**City of Farley**

City of Farley

Notes to Other Information – Budgetary Reporting

June 30, 2021

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$857,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, general government and debt service functions.

---

City of Farley

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

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

Other Information

	2021	2020	2019	2018
City's proportion of the net pension liability	0.002541%	0.002518%	0.002485%	0.002271%
City's proportionate share of the net pension liability	\$ 178	146	157	151
City's covered payroll	\$ 258	255	242	216
City's proportionate share of the net pension liability as a percentage of its covered payroll	68.99%	57.25%	64.88%	69.91%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

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

**Note:** GASB Statement No. 68 requires ten years of information be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

---

2017	2016	2015
0.002023%	0.001997%	0.001891%
127	99	75
193	193	190
65.80%	51.30%	39.47%
81.82%	85.19%	87.61%



---

City of Farley

Schedule of City Contributions

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

Other Information

	2021	2020	2019	2018
Statutorily required contribution	\$ 29	25	24	22
Contributions in relation to the statutorily required contribution	(29)	(25)	(24)	(22)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 264	258	255	242
Contributions as a percentage of covered payroll	10.98%	9.69%	9.41%	9.09%

**Note:** GASB Statement No. 68 requires ten years of information be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

---

2017	2016	2015
19	17	18
(19)	(17)	(18)
-	-	-
216	193	193
8.80%	8.81%	9.33%

City of Farley

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

**Supplementary Information**

**City of Farley**

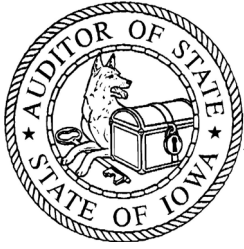
## City of Farley

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

As of and for the year ended June 30, 2021

	Special Revenue			Total
	Farley Volunteer Fire Department	Farley Emergency Medical Services, Inc.	Farley Commercial Club	
Receipts:				
Use of money and property	\$ 9	15	-	24
Miscellaneous	109,800	7,465	52,370	169,635
Total receipts	109,809	7,480	52,370	169,659
Disbursements:				
Operating:				
Public safety	87,690	3,210	-	90,900
Culture and recreation	-	-	45,876	45,876
Total disbursements	87,690	3,210	45,876	136,776
Change in cash balances	22,119	4,270	6,494	32,883
Cash balances beginning of year	111,906	22,293	22,597	156,796
Cash balances end of year	\$ 134,025	26,563	29,091	189,679
<b>Cash Basis Fund Balances</b>				
Restricted for other purposes	\$ 134,025	26,563	29,091	189,679

See accompanying independent auditor's report.



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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Farley, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 28, 2023. Our report expressed modified 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 since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Farley's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Farley's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Farley's internal control.

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

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

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

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

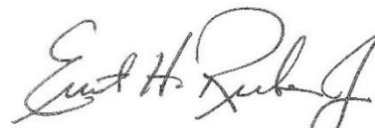
### City of Farley's Response to the Findings

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

### Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Farley 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

April 28, 2023



City of Farley

Schedule of Findings

Year ended June 30, 2021

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

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

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

- (1) Accounting system – performing all general accounting functions, including journal entries, and having custody of assets, and controlling all data input and output.
- (2) Cash – handling, reconciling and recording.
- (3) Investing – recordkeeping, investing, and reconciling earnings.
- (4) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (5) Utilities – billing, collecting, depositing, journalizing, reconciling and posting.
- (6) Debt – recordkeeping, compliance and debt payment processing.
- (7) Journal entries – preparing and journalizing.
- (8) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (9) Payroll – entering rates into the system, recordkeeping, preparing, signing and distributing.

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 employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

City of Farley

Schedule of Findings

Year ended June 30, 2021

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, handling of the cash receipts, depositing, posting and bank reconciling duties will be separated and spread among several employees and the City Council will also start reviewing and tracing all deposits to the cash receipts journal posting.

Conclusion – Response accepted.

(B) Bank Reconciliations

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

Condition – Bank reconciliations were not performed from April 2021 through June 2021.

Cause – City turnover resulted in bank reconciliations not being completed.

Effect – The lack of monthly bank reconciliations could cause errors in financial reporting.

Recommendation – To improve financial accountability and control, monthly bank reconciliations should be performed and variances between book and bank balances should be investigated and resolved timely. In addition, the reconciliation should be reviewed by an independent person and the review should be documented by the initials or signature of the reviewer and the date of the review.

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, completing bank reconciliations within one month of the month being reconciled. This issue arose due to staff turnover. We originally caught up on this and then lost another temporary employee and became behind again. We will be fully staffed beginning January 1, 2023 and will begin completing bank reconciliations in a timely manner.

Conclusion – Response accepted.

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

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

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared. Also, utility collections were not reconciled to deposits.

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

City of Farley

Schedule of Findings

Year ended June 30, 2021

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

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

Response – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, completing utility billing reconciliations within one month of the month being reconciled. We will be fully staffed beginning January 1<sup>st</sup>, 2023 and will begin completing utility billing reconciliations in a timely manner.

Conclusion – Response accepted.

(D) Bank Signature Card

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

Condition – The bank signature card included former employees as authorized signers for one bank account.

Cause – Adoption of a formal policy to update bank signature cards has not been prioritized by the City Council.

Effect – A possibility exists for unauthorized disbursements by the City.

Recommendation – The City should ensure the bank signature card is accurate and updated timely.

Response – We have reviewed this finding and have corrected it.

Conclusion – Response accepted.

(E) Payroll

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

City of Farley

Schedule of Findings

Year ended June 30, 2021

Condition – For three of six employee timesheets tested, there was no indication the time sheets had been reviewed and approved by the appropriate supervisory personnel prior to the preparation of payroll. In addition, certain vacation accrual rates were recorded to the payroll records which were not consistent with the City’s approved vacation policy.

Cause – Procedures have not been designed and implemented to ensure proper review and approval of timesheet records and vacation accruals.

Effect – This condition could result in incorrect hours worked by employees and unrecorded or misstated vacation balances and the opportunity for misappropriation.

Recommendation – Time sheets should be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The supervisor review and approval should be signed or initialed and dated prior to processing payroll. In addition, all vacation accrual rates should be consistent with the City’s approved personnel handbook.

Response – We have reviewed this finding and have implemented segregating certain duties in the payroll process as well as having all department heads sign off on employee timesheets in their respective departments as well as the Director of Finance and Economic Development.

Conclusion – Response accepted.

(F) Farley Memorial Hall

Criteria – The City owns the Farley Memorial Hall and rents out the hall for various events. The rental of the Farley Memorial Hall is managed by the Farley Commercial Club, a legally separate entity, who is responsible for scheduling, giving tours, setting rates and ensuring contracts are signed.

Condition – The City maintains rental agreements and cash deposits for the Farley Memorial Hall; however, the City has no other role in the rental of the Farley Memorial Hall. The City does not have a written agreement with the Farley Commercial Club including among other things, rights and obligations, rates, and expectations regarding alcohol of the Farley Commercial Club in the rental of the hall. In addition, there is no accounting of the activities occurring at the Memorial Hall to ensure all rentals are being collected and remitted to the City.

Cause – Officials have been unaware of the need for a written agreement with the Farley Commercial Club.

Effect – The lack of a written agreement with the Farley Commercial Club for the use of the Farley Memorial Hall could result in unclear obligations and potential mismanagement of City owned property and loss of rental receipts.

Recommendation – If the arrangement above continues, the City should establish a written agreement with the Farley Commercial Club establishing, at a minimum, rights and obligations, rates, and expectations regarding alcohol for the rental of the hall. In addition, the agreement should address an accounting of all activities occurring on City owned property and the City should implement procedures to ensure all rental receipts are remitted to the City.

City of Farley

Schedule of Findings

Year ended June 30, 2021

Response – As of January 1st, 2023 the City of Farley has completely taken over management of the Memorial Hall. Should the Farley Commercial Club ever take the management responsibilities of the Memorial Hall back over, the City shall ensure an agreement is developed and signed by both parties to clearly define both parties' responsibilities.

Conclusion – Response accepted.

(G) Petty Cash Policy

Criteria – Internal controls over safeguarding petty cash constitutes a process, effected by an entity's governing body, management and other personnel designated to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding petty cash from error or misappropriation. Such processes include establishing policies addressing proper petty cash use including the requirement for supporting documentation.

Condition – The City utilizes a petty cash fund; however, the City does not have a policy for the petty cash fund specifying proper usage, allowable disbursements, approvals and maximum dollar amount to be maintained in the petty cash fund.

Cause – Policies and procedures have not been designed and implemented to ensure sufficient records are maintained to properly account for petty cash.

Effect – This condition could result in unrecorded disbursements and the opportunity for misappropriation.

Recommendation – The City should formalize a petty cash fund policy establishing proper usage, allowable disbursements, approvals and maximum dollar amount to be maintained in the petty cash fund.

Response – The City will investigate petty cash policies in other cities and will present a petty cash policy for consideration by the City Council by February 1, 2023.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Farley

Schedule of Findings

Year ended June 30, 2021

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the public safety, culture and recreation, community and economic development, general government, and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General’s Opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Craig Kluesner, Park Board Member, owns Kluesner Construction and Sanitation	Street repairs and garbage pick up	\$ 75,942

In accordance with Chapter 362.5(3)(e) of the Code of Iowa, transactions with Kluesner Construction and Sanitation do not appear to represent a conflict of interest since the Park Board was not directly affected as a result of the contract and the duties of employment did not directly involve the procurement or preparation of any part of these contracts.

- (5) Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (8) Deposits and Investments – For one certificate of deposit tested, the interest rate was not in accordance with rates established by State Rate Setting Committee.

Except as noted, 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 Farley

Schedule of Findings

Year ended June 30, 2021

Recommendation – The City should ensure interest rates for certificates of deposit are in accordance with rates established by State Rate Setting Committee.

Response – We have reviewed this recommendation and will assign this job duty to one of the administration employees, when fully staffed, to specifically review this on an annual or bi-annual basis.

Conclusion – Response accepted.

- (9) Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.
- (10) Park Board Project – On August 7, 2020, the City estimated costs for the Farley Park Splash Pad and Site Improvements project to be \$1,941,840. Per discussion with the City Attorney, the plan for constructing and paying for the project was for the City to enter into an agreement with a nonprofit in which the nonprofit would construct the improvements on City property at no cost to the City other than the engineering and architectural fees. This would enable the City to implement protections in the agreement with the nonprofit that would allow some oversight on the project and require the transfer of the improvements to the City upon completion. Donors would gift money and in kind labor and services to the nonprofit to pay for the project. As of June 30, 2021, \$747,760 had been donated to pay for the project. As of June 30, 2021, the City paid construction costs on the above project totaling \$872,271.

We noted the following regarding this project:

- Chapter 26.2(3) of the Code of Iowa defines a public improvement as “building or construction work that is constructed under the control of a governmental entity and is paid for in whole or in part with funds of the governmental entity, including a building or improvement constructed or operated jointly with any other public or private agency...”
- Chapter 26.3(1) of the Code of Iowa states in part, “If the estimated total cost of a public improvement exceeds the competitive bid threshold of one hundred thousand dollars, or the adjusted competitive bid threshold established in section 314.1B, the governmental entity shall advertise for sealed bids for the proposed public improvement by publishing notice to bidders.” The adjusted competitive bid threshold was \$139,000 for the calendar year beginning January 1, 2019.
- Chapter 26.12 states in part, “If the estimated total cost of a public improvement exceeds the competitive bid threshold in section 26.3, or as adjusted in section 314.1B, the governmental entity shall not enter into a contract for the public improvement until the governmental entity has held a public hearing and has approved the proposed plans, specifications, and form of contract, and estimated total cost of the public improvement.”
- Chapter 26.6 of the Code of Iowa states, “If private funds are offered to a governmental entity for a building or an improvement to be used by the public and such funds are conditioned upon private construction of the building or improvement, this chapter shall not apply to the project if the governmental entity does not contribute any funds to such construction.”

City of Farley

Schedule of Findings

Year ended June 30, 2021

The City did not obtain competitive bids as required by Chapter 26.3 of the Code of Iowa. Because City funds were used for a portion of the construction of the Farley Park Splash Pad and Site Improvements and the estimated cost exceeded \$139,000, the project should have been competitively bid. In addition, the City did not hold a public hearing prior to starting construction for the park project as required. Also, the City has not entered into a formal written agreement with the nonprofit establishing the terms and responsibilities of the parties for the portion of the work on the park funded by the City.

Recommendation – The City should consult legal counsel to determine the disposition of these matters. To safeguard the public funds provided for the park board project, the City should enter into a formal written agreement with the nonprofit, establishing the terms and responsibilities of the parties with regard to the outlay of public funds for the project. In the future, the City should comply with the public hearing and competitive bidding procedures of Chapter 26 of the Code of Iowa.

Response – We have reviewed this instance of non-compliance in statutory reporting and have established a position titled Director of Finance and Economic Development which will oversee any projects the City pursues and will ensure the City is in compliance throughout the project lifespan from beginning to end. In addition, the City will work more closely with the City Attorney on public improvements in the future to ensure compliance with Chapter 26 of the Iowa Code.

Conclusion – Response accepted.

- (11) Revitalize Iowa’s Sound Economy (RISE) Project – During the year ended June 30, 2018, the City received \$200,012 pursuant to an agreement with the Iowa Department of Transportation (IDOT) for a RISE Project. The award was used to support local economic development by providing for a roadway to developable land targeted for RISE eligible activities. The award was contingent on the development of properties which meet specific eligibility criteria. In a letter dated February 3, 2023, the IDOT determined the developed properties did not meet the eligibility criteria. As a result, the IDOT has declared the project agreement in default and the City is required to reimburse IDOT the total amount of the award.

Recommendation – The City should develop procedures to monitor all grant requirements established in the future to ensure all grant requirements are met.

Response – Over the last 4 years, there has been a significant amount of turnover in City Hall, which has resulted in oversight in different areas. City Hall now has three full-time employees. Additionally, Farley Industrial Development Group seemed to be partially responsible to ensure grant guidelines were followed, as the president signed many of the documents associated with the grant. The Development group was also the Developer of the project and seller of the properties. Moving forward, the City will ensure that all grants are obtained, reviewed, and managed by the City so no expectations are on other parties to ensure criteria is followed.

Conclusion – Response accepted.



City of Farley

Schedule of Findings

Year ended June 30, 2021

(12) Farley Volunteer Fire Department

Background Information:

Chapter 364.16 of the Code of Iowa requires the City to provide for the protection of life and property against fire. This section also states in part, "A City has the same governmental immunity outside its corporate limits when providing fire protection as when operating within the corporate limits."

Chapter 28E.4 of the Code of Iowa states, "Any public agency of this state may enter into an agreement with one or more public or private agencies for joint or cooperative action pursuant to the provisions of this chapter, including the creation of a separate entity to carry out the purpose of the agreement. Appropriate action by ordinance, resolution or otherwise pursuant to law of the governing bodies involved shall be necessary before any such agreement may enter into force."

Chapter 5 of Title III of the Farley City Code establishes a City Volunteer Fire Department (to prevent and extinguish fires), hereafter referred to as "the City Fire Department". The City ordinance also states the City shall contract for worker's compensation and liability insurance.

The Farley Volunteer Fire Department, a legally separate entity, was established in December of 1968 under the Iowa Nonprofit Corporation Act under Chapter 504A of the 1966 Code of Iowa. In accordance with the Articles of Incorporation, the purpose and objectives of the corporation are, "The safeguarding of the property and lives of its members and of all families serviced by the Farley Volunteer Fire Department, from fire, and all other emergencies of any kind or descriptions. This is to be accomplished by acquisition of, maintenance and operation of firefighting equipment and other emergency equipment, by the organization and training of volunteer firemen to operate such equipment in time of fire or emergency, in such areas as the Farley Volunteer Fire Department shall assume to protect." This legally separate entity similarly named the "Farley Volunteer Fire Department" hereafter will be referred to as the "Nonprofit Fire Department". The City's Fire Chief has authority over the nonprofit organization.

According to City personnel, the Nonprofit Fire Department provides fire protection to the City of Farley and the townships of Iowa, Taylor, Dodge, Cascade and New Wine in Dubuque County, each of which pay their levied property taxes to the City of Farley. The levied property taxes for the five townships are paid to the City of Farley. The City of Farley uses these funds to service the rural tankers in support of the Nonprofit Fire Department.

The Nonprofit Fire Department maintains two bank accounts, a checking and savings, with balances totaling \$134,025 at June 30, 2021.

The fire trucks used by the Nonprofit Fire Department are titled as "City of Farley" although the funding to purchase the fire trucks is provided by the Nonprofit Fire Department.

According to City personnel, the City of Farley does not pay the Nonprofit Fire Department directly for services to the City, but instead is responsible for paying routine expenses such as worker's compensation insurance and liability insurance. The City also owns a building designated as the fire station. While there is no formal contract or agreement spelling out these terms, we did not find evidence contrary to this representation.

City of Farley

Schedule of Findings

Year ended June 30, 2021

We noted the following:

1. As noted above, in December 1968, the City's Fire Chief and the City Fire Department volunteer firefighters established the Farley Volunteer Fire Department as a legally separate 504A (nonprofit) organization which provides fire protection services to its members and all families serviced by the Farley Volunteer Fire Department.

It is unclear how volunteers of a department created by the City's governing body through City ordinance can legally separate themselves from the City without City Council approval.

2. Based on an inspection of the activity of the Nonprofit Fire Department bank account, it appears fire protection services are being provided by the Nonprofit Fire Department and costs associated with the service run primarily through that account. According to City personnel, the City owns the building housing the equipment, and the City pays the worker's compensation insurance for the fire fighters and utilities for the building.

28E agreements as described in Chapters 28E.4 and 359.42 of the Code of Iowa and providing for the joint provision of fire protection do exist between the City and the five townships of Iowa, Taylor, Dodge, Cascade and New Wine, however there is no formal written agreement between the City and the Nonprofit Fire Department or between the Townships and the Nonprofit Fire Department identifying the terms and conditions under which the Nonprofit Fire Department is to provide service to the City or to each townships.

3. During the year ended June 30, 2021, the City deposited grant funds totaling \$15,000 to the Nonprofit Fire Department for the purchase of a stationary generator for the fire station. During the year ended June 30, 2022, the Nonprofit Fire Department sold a City Fire truck for \$85,000 and deposited the proceeds into the Nonprofit Fire Department account. Per discussion with City officials, the previous fire truck was purchased with fund raising proceeds. In addition, on February 12, 2016, the Farley Volunteer Fire Department, an Iowa nonprofit corporation, entered into a promissory note for \$79,543 with Dubuque County Iowa c/o E.C.I.A. Business Growth Inc. for the purchase of Self-Contained Breathing Apparatus (SCBA) equipment.

It is unclear whether the above noted grant funds are the responsibility of the City or the Nonprofit Fire Department. In addition, the sale and purchase of the fire truck, which the City holds title, should be the responsibility of the City. Also, the City makes annual payments for the note which should be the responsibility of the Nonprofit Fire Department.

4. Organizations established as nonprofit corporations are typically created to further charitable pursuits, not to provide a service or act as a vendor in providing a service such as fire protection. Legally separate nonprofit "fire" organizations typically exist to support a City government in carrying out its responsibility under Chapter 364.16 of the Code of Iowa to provide fire protection. These nonprofit organizations provide this support by holding various fund raisers and collecting donations to help provide funds to purchase equipment and other items needed by the City to carry out its duties. Funds in these situations flow from the nonprofit organization to the City in compliance with the Iowa Constitution which prohibits public funds from being provided to private, nonprofit organizations.

City of Farley

Schedule of Findings

Year ended June 30, 2021

The arrangement the City has with the Nonprofit Fire Department to provide fire protection services, and not just to support the City in providing that service, is unusual. It is unclear whether a nonprofit organization can be established for the noted purpose or whether the nonprofit organization is afforded the same immunities in providing the service as a government. In addition, both the name given to the Nonprofit Fire Department as the “Farley Volunteer Fire Department” and the City’s Fire Chief’s oversight of the Nonprofit Fire Department, makes the lines of authority and responsibilities of the Nonprofit Fire Department and the City unclear.

Recommendation – The City should consult legal counsel to determine the validity of the City’s arrangement with the Nonprofit Fire Department to provide fire protection services, including whether the organization has the proper legal immunities for providing that service, i.e., those same immunities afforded a government providing fire protection services, and under what authority the City provides funding and other public property to a private nonprofit organization. Any future agreements between the City and a separate nonprofit organization should be formally documented to clearly identify the roles and responsibilities of each party to the agreement. Further, unless a public purpose is clearly documented and approved by the City Council, the City should discontinue making annual payments on the promissory note for the Nonprofit Fire Department.

Response – We have reached out to our attorney, Doug Hermann, to provide us direction on changing the name/status of the nonprofit Fire Department in order to distinguish and gain more clarity on the roles/responsibilities of the Farley Fire Department and the nonprofit Fire Department (we will also be assigning a name such as: Farley Volunteer Fire Association for the nonprofit entity for additional distinguishment). We have met with the State Auditor’s Office as well as the Fire Chief and have additionally decided that all expenses for the nonprofit Fire Department will pass through City funds and the nonprofit Fire Department will reimburse the City for agreed upon expenses. Further, the City and Fire Department plan to implement an agreement outlining which revenue sources cover Fire Department expenses and which revenue sources cover Nonprofit Fire Department expenses.

Conclusion – Response accepted.

(13) Farley Emergency Medical Services, Inc.

Background Information:

Chapter 28E.4 of the Code of Iowa states, “Any public agency of this state may enter into an agreement with one or more public or private agencies for joint or cooperative action pursuant to the provisions of this chapter, including the creation of a separate entity to carry out the purpose of the agreement. Appropriate action by ordinance, resolution or otherwise pursuant to law of the governing bodies involved shall be necessary before any such agreement may enter into force.”

City of Farley

Schedule of Findings

Year ended June 30, 2021

The Farley Emergency Medical Services, Inc., a legally separate entity, was established July 1, 2008 under the Iowa Nonprofit Corporation Act under Chapter 504A of the Code of Iowa. According to the Articles of Incorporation of Farley Emergency Medical Services, Inc, the corporation is organized exclusively for charitable, educational, religious or scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code. The primary purpose of the corporation is to provide emergency medical services for those in need. The City of Farley does not pay the Farley Emergency Medical Services, Inc directly for services to the City, but instead is responsible for paying routine expenses such as insurance, equipment repairs and utilities. The Emergency Medical Services, Inc. provides emergency medical services to the City of Farley and the townships of Iowa, Taylor, Dodge, Cascade and New Wine in Dubuque County each of which have established a 28E agreement for township EMS protection with the City of Farley. The Farley Emergency Medical Services, Inc. also has a contract with EMS Billing Services, Inc, a 3<sup>rd</sup> party vendor, to provide for billing and collection services. All billing collections are to be directly deposited to the City of Farley's bank account.

We noted the following:

1. 28E agreements as described in Chapters 28E.4 and 359.42 of the Code of Iowa and providing for the joint provision of emergency medical services do exist between the City and the five townships however there is no formal written agreement between the City and the Farley Emergency Medical Services, Inc or between the Townships and the Farley Emergency Medical Services, Inc identifying the terms and conditions under which the Farley Emergency Medical Services, Inc is to provide service to the City or to each townships.
2. The funds collected by EMS Billing Services, Inc, the 3rd party billing vendor, are deposited with the City's bank account. In addition, payments to EMS Billing Services, Inc. are paid by the City of Farley. However, the agreement with the 3rd party billing company is between the Farley Emergency Medical Services, Inc., a separate nonprofit organization and EMS Billing Services, Inc. There is no formal agreement established for billing collections or claim reimbursements with the City of Farley. In addition, City procedures do not include a process to ensure billing collections are monitored and properly deposited with the City.
3. Also, on May 27, 2014, the Farley Emergency Medical Services, Inc. entered into a promissory note for \$140,500 with Dubuque County Iowa c/o E.C.I.A. Business Growth Inc. for the purchase of a 2015 Ford ambulance. The City makes the annual payments for this note which should be the responsibility of the Farley Emergency Medical Services, Inc.

Recommendation – The City should consult legal counsel to determine the validity of the City's arrangement with the Farley Emergency Medical Services, Inc. to provide emergency medical services for the City. In addition, if the arrangement with the Farley Emergency Medical Services, Inc., is to continue, an amendment to the contract between the Farley Emergency Medical Services, Inc. and EMS Billing Services, Inc. for billing services should be made to replace the name of the separate nonprofit organization with the name of the City of Farley. In addition, City procedures should be implemented to ensure billing collections are monitored and properly deposited to the City. Further, unless a public purpose is clearly documented and approved by the City Council, the City should discontinue making annual payments on the promissory note for the Farley Emergency Medical Services, Inc.

City of Farley

Schedule of Findings

Year ended June 30, 2021

Response – We have reached out to our attorney, Doug Hermann to provide us direction on changing the status of the nonprofit Farley Emergency Medical Services, Inc. in order to distinguish and gain more clarity on the roles/responsibilities of the City of Farley emergency management services and the nonprofit. We have met with the State Auditor’s Office as well as the Fire Chief and have additionally decided that all expenses for the nonprofit will pass through City funds and the nonprofit Farley Emergency Medical Services, Inc. will reimburse the City for agreed upon expenses. Further, the City and Fire Department plan to implement an agreement outlining which revenue sources cover City emergency management expenses and which revenue sources cover the Nonprofit Farley Emergency Medical Services, Inc. expenses.

Conclusion – Response accepted.

City of Farley

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy  
Suzanne R. Dahlstrom, CPA, Manager  
Alex N. Kawamura, CPA, Senior II Auditor  
Jorge M. Morales, Assistant Auditor