



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

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Auditor of State

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Des Moines, Iowa 50319-0006  
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**NEWS RELEASE**

**FOR RELEASE**

**June 21, 2023**

Contact: Ernest Ruben  
515/281-5834

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

**FINANCIAL HIGHLIGHTS:**

The City's receipts and disbursements totaled \$1,151,863 and \$1,129,746, respectively, for the year ended June 30, 2021.

**AUDIT FINDINGS:**

Sand reported thirteen findings related to the receipt and disbursement of taxpayer funds. They are found on pages 42 through 49 of this report. The findings address issues such as a lack of segregation of duties, incorrect recording of property tax receipts, the lack of independent review of utility reconciliations, the lack of approval of timesheets, disbursements exceeding budgeted amounts and non-compliance with revenue note resolutions. Sand provided the City with recommendations to address each of the findings.

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

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

###

**CITY OF ROLFE**

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

**JUNE 30, 2021**

**City of Rolfe**



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Rob Sand  
Auditor of State

April 27, 2023

Officials of the City of Rolfe  
Rolfe, 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 Rolfe 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 Rolfe throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

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

Rob Sand  
Auditor of State

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**City of Rolfe**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Andersen	Mayor	Jan 2022
Carrie Frerk	Council Member	(Resigned Aug 2021)
Connie Dewey (Elected Sep 2021)	Council Member	Jan 2022
Rick Jones	Council Member	(Resigned Aug 2021)
Jim Pentico (Elected Sep 2021)	Council Member	Jan 2022
Kris Trenary (Appointed Jul 2020)	Council Member	Sep 2021
Dan Allen (Elected Sep 2021)	Council Member	Jan 2022
Ryan Peters	Council Member	(Resigned Aug 2021)
Lana Pratt (Elected Sep 2021)	Council Member	Jan 2024
Jon Wellik	Council Member	(Resigned Aug 2021)
Rob Jackson (Elected Sep 2021)	Council Member	Jan 2024
Angela Montag	City Clerk	Indefinite
De Sindergard	City Treasurer	Indefinite
Greg Stoebe	Attorney	Indefinite

**City of Rolfe**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Rolfe, 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 were 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 Rolfe 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*

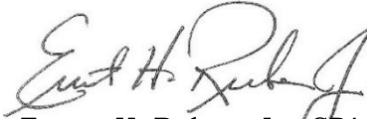
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Rolfe's basic financial statements in accordance with the standards referred to in the third paragraph of this report. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Other Information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 30 through 35, 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 27, 2023 on our consideration of the City of Rolfe'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 Rolfe's internal control over financial reporting and compliance.



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

April 27, 2023

**City of Rolfe**

## **Basic Financial Statements**

City of Rolfe

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
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 175,468	8,159	56,797
Public works	63,217	-	89,461
Culture and recreation	100,626	12,243	31,854
Community and economic development	4,950	-	-
General government	80,721	2,357	-
Debt service	118,386	-	-
Total governmental activities	543,368	22,759	178,112
Business type activities:			
Water	122,955	118,053	116
Sewer	101,024	113,300	-
Gas	268,460	238,620	116
Garbage	68,042	61,257	233
Recycling	20,430	13,138	-
Storm water	5,467	12,820	-
Total business type activities	586,378	557,188	465
Total	\$ 1,129,746	579,947	178,577
<b>General Receipts and Transfers:</b>			
Property and other city tax levied for:			
General purposes			
Debt service			
Local option sales tax			
Commercial/industrial tax replacement			
Unrestricted interest on investments			
Miscellaneous			
Sale of real property			
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			
<b>Cash Basis Net Position</b>			
Restricted:			
Expendable:			
Streets			
Local option sales tax			
Capital projects			
Employee benefits			
Debt service			
Library			
Other purposes			
Unrestricted			
<b>Total cash basis net position</b>			

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
(110,512)	-	(110,512)
26,244	-	26,244
(56,529)	-	(56,529)
(4,950)	-	(4,950)
(78,364)	-	(78,364)
(118,386)	-	(118,386)
(342,497)	-	(342,497)
-	(4,786)	(4,786)
-	12,276	12,276
-	(29,724)	(29,724)
-	(6,552)	(6,552)
-	(7,292)	(7,292)
-	7,353	7,353
-	(28,725)	(28,725)
(342,497)	(28,725)	(371,222)
197,466	-	197,466
76,698	-	76,698
62,025	-	62,025
10,507	-	10,507
2,345	5,678	8,023
37,120	-	37,120
1,500	-	1,500
68,000	(68,000)	-
455,661	(62,322)	393,339
113,164	(91,047)	22,117
452,314	745,226	1,197,540
\$ 565,478	654,179	1,219,657
105,527	-	105,527
41,579	-	41,579
125,912	-	125,912
42,688	-	42,688
23,111	7,472	30,583
82,745	-	82,745
68,301	-	68,301
74,694	646,707	721,401
\$ 564,557	654,179	1,218,736

City of Rolfe

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

As of and for the year ended June 30, 2021

	General	Special		
		Road Use Tax	Local Option Sales Tax	Library Trust
<b>Receipts:</b>				
Property tax	\$ 141,639	-	-	-
Local option sales tax	-	-	62,025	-
Other city tax	13,056	-	-	-
Licenses and permits	595	-	-	-
Use of money and property	3,958	-	-	1,093
Intergovernmental	90,955	87,403	-	-
Charges for service	14,818	-	-	-
Special assessments	1,795	-	-	-
Miscellaneous	7,437	-	-	-
Total receipts	274,253	87,403	62,025	1,093
<b>Disbursements:</b>				
Operating:				
Public safety	149,452	-	-	-
Public works	13,417	46,973	-	-
Culture and recreation	95,776	-	-	-
Community and economic development	-	-	-	-
General government	68,064	-	-	-
Debt service	-	-	-	-
Total disbursements	326,709	46,973	-	-
Excess (deficiency) of receipts over (under) disbursements	(52,456)	40,430	62,025	1,093
<b>Other financing sources (uses):</b>				
Sale of real property	1,500	-	-	-
Transfers in	76,000	-	-	-
Transfers out	-	-	(57,000)	-
Total other financing sources (uses)	77,500	-	(57,000)	-
Change in cash balances	25,044	40,430	5,025	1,093
Cash balances beginning of year	116,841	65,097	36,554	81,652
Cash balances end of year	\$ 141,885	105,527	41,579	82,745
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Streets	\$ -	105,527	-	-
Local option sales tax	-	-	41,579	-
Capital projects	-	-	-	-
Employee benefits	-	-	-	-
Debt service	-	-	-	-
Library	-	-	-	82,745
Other purposes	3,585	-	-	-
Unassigned	138,300	-	-	-
Total cash basis fund balances	\$ 141,885	105,527	41,579	82,745

See notes to financial statements.

<u>Revenue</u>				
Economic Development	Debt Service	Capital Projects	Nonmajor	Total
-	74,255	-	41,407	257,301
-	-	-	-	62,025
-	2,443	-	1,364	16,863
-	-	-	-	595
-	-	891	3	5,945
-	3,041	37	1,697	183,133
-	-	-	-	14,818
-	-	-	-	1,795
-	-	12,206	24,914	44,557
-	79,739	13,134	69,385	587,032
-	-	-	26,016	175,468
-	-	-	2,827	63,217
-	-	-	4,850	100,626
4,950	-	-	-	4,950
-	-	-	12,657	80,721
-	118,386	-	-	118,386
4,950	118,386	-	46,350	543,368
(4,950)	(38,647)	13,134	23,035	43,664
-	-	-	-	1,500
5,000	44,000	-	-	125,000
-	-	-	-	(57,000)
5,000	44,000	-	-	69,500
50	5,353	13,134	23,035	113,164
(62,735)	17,758	112,778	84,369	452,314
(62,685)	23,111	125,912	107,404	565,478
-	-	-	-	105,527
-	-	-	-	41,579
-	-	125,912	-	125,912
-	-	-	42,688	42,688
-	23,111	-	-	23,111
-	-	-	-	82,745
-	-	-	64,716	68,301
(62,685)	-	-	-	75,615
(62,685)	23,111	125,912	107,404	565,478



City of Rolfe

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

As of and for the year ended June 30, 2021

	Enterprise			
	Water	Sewer	Gas	Garbage
Operating receipts:				
Charges for service	\$ 118,053	113,300	238,620	61,257
Operating disbursements:				
Business type activities	99,935	36,024	268,460	66,939
Excess (deficiency) of operating receipts over (under) operating disbursements	18,118	77,276	(29,840)	(5,682)
Non-operating receipts (disbursements):				
Interest on investments	320	3,068	2,290	-
Fuel tax refund	116	-	116	233
Debt service	(23,020)	(65,000)	-	-
Capital projects	-	-	-	(1,103)
Net non-operating receipts (disbursements)	(22,584)	(61,932)	2,406	(870)
Excess (deficiency) of receipts over (under) operating disbursements	(4,466)	15,344	(27,434)	(6,552)
Transfers out	-	-	(68,000)	-
Change in cash balances	(4,466)	15,344	(95,434)	(6,552)
Cash balances beginning of year	113,415	(79,417)	663,303	5,008
Cash balances end of year	\$ 108,949	(64,073)	567,869	(1,544)
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	\$ 1,813	5,659	-	-
Unrestricted	107,136	(69,732)	567,869	(1,544)
Total cash basis fund balances	\$ 108,949	(64,073)	567,869	(1,544)

See notes to financial statements.

Nonmajor		
Recycling	Storm Water	Total
13,138	12,820	557,188
9,880	5,467	486,705
3,258	7,353	70,483
-	-	5,678
-	-	465
-	-	(88,020)
(10,550)	-	(11,653)
(10,550)	-	(93,530)
(7,292)	7,353	(23,047)
-	-	(68,000)
(7,292)	7,353	(91,047)
10,886	32,031	745,226
3,594	39,384	654,179
-	-	7,472
3,594	39,384	646,707
3,594	39,384	654,179

City of Rolfe

Notes to Financial Statements

June 30, 2021

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

The City of Rolfe is a political subdivision of the State of Iowa located in Pocahontas County. It was first incorporated in 1863 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, gas, garbage, recycling and storm water utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Rolfe 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 Rolfe (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 Enemies of Fire was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa. This non-profit corporation is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. The purpose of the organization is to solicit contributions and manage those funds. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Enemies of Fire meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

The Rolfe Area 76ers was established as a non-profit corporation in accordance with Chapter 504A of the Code of Iowa. This non-profit corporation is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. The purpose of the organization is to raise funds for the purchase of ambulance service equipment. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Rolfe Area 76ers meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended 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: Pocahontas County Assessor's Conference Board, Pocahontas County Emergency Management Commission, Pocahontas County Solid Waste Commission and Pocahontas County Joint 911 Service Board.

### B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The Library Trust Fund is used to account for grants and contributions to be used for library technology purposes.

The Economic Development Fund is used to account for grants and contributions to be used for general economic development purposes of the City.

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

The City reports the following major proprietary funds:

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

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

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

The Enterprise, Garbage Fund accounts for the operation and maintenance of the City's garbage 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:

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the debt service function. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public safety, public works 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 notes	\$ 620,000	-	98,400	521,600	98,400
Business-type activities:					
Sewer revenue bonds - direct borrowing	\$ 195,000	-	37,000	158,000	38,000
Water and sewer capital loan notes - direct borrowing	656,000	-	34,000	622,000	34,000
Business-type activities total	\$ 851,000	-	71,000	780,000	72,000

General Obligation Capital Loan Notes

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

Year Ending June 30,	GO Capital Loan Notes, Series 2013 Issued Sep 9, 2013			GO Capital Loan Notes, Series 2015 Issued Nov 1, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
	2022	2.75%	\$ 28,000	1,733	5.00%	\$ 37,200
2023	2.75	28,000	962	5.00	37,200	7,073
2024	2.75	14,000	192	5.00	37,200	5,200
2025		-	-	5.00	37,200	3,302
2026		-	-	5.00	37,200	1,416
2027-2029		-	-		-	-
Total		\$ 70,000	2,887		\$ 186,000	25,950

Year Ending June 30,	GO Capital Loan Notes, Series 2019 Issued Sep 30, 2019			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
	2022	3.25%	\$ 33,200	8,632	\$ 98,400	19,324
2023	3.25	33,200	7,553	98,400	15,588	113,988
2024	3.25	33,200	6,474	84,400	11,866	96,266
2025	3.25	33,200	5,395	70,400	8,697	79,097
2026	3.25	33,200	4,316	70,400	5,732	76,132
2027-2029	3.25	99,600	6,474	99,600	6,474	106,074
Total		\$ 265,600	38,844	\$ 521,600	67,681	589,281

On September 9, 2013, the City issued \$266,000 of general obligation capital loan notes with an interest rate of 2.75% per annum. The bonds were issued to pay costs of improvements and extensions to the City water utility system, including the drilling of a new drinking water well and the construction, reconstruction, and repair of street improvements. During the year ended June 30, 2021, the City paid \$28,000 of principal and \$3,864 of interest on the notes.

On November 1, 2015, the City issued \$372,000 of general obligation capital loan notes with interest rates ranging from 3.00% to 5.00% per annum. The bonds were issued to pay costs of the acquisition, repair, and equipping of waterworks, water mains, and extensions, and real and personal property, useful for providing potable water to residents of the City, including acquisition and installation of a new water tank aerator and construction of a new roof on the water plant. During the year ended June 30, 2021, the City paid \$37,200 of principal and \$6,411 of interest on the notes.

On September 30, 2019, the City issued \$332,000 of general obligation capital loan notes with interest rates of 3.25% per annum. The notes were issued for construction, reconstruction, and repair of street improvements. During the year ended June 30, 2021, the City paid \$33,200 of principal and \$9,711 of interest on the bonds.

Sewer Revenue Bonds and Water and Sewer Capital Loan Notes – Direct Borrowings

Year Ending June 30,	Sewer Revenue Bonds			Water Capital Loan Notes		
	Issued Sep 21, 2005			Issued Oct 19, 2012		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	1.75%	\$ 38,000	2,765	1.75%	\$ 15,000	6,755
2023	1.75	39,000	2,100	1.75	15,000	6,492
2024	1.75	40,000	1,418	1.75	16,000	6,230
2025	1.75	41,000	717	1.75	16,000	5,950
2026		-	-	1.75	16,000	5,670
2027-2031		-	-	1.75	86,000	24,028
2032-2036		-	-	1.75	95,000	16,170
2037-2041		-	-	1.75	105,000	7,507
2042		-	-	1.75	22,000	385
Total		<u>\$ 158,000</u>	<u>7,000</u>		<u>\$ 386,000</u>	<u>79,187</u>

Year Ending June 30,	Sewer Capital Loan Notes			Total		
	Issued Dec 28, 2012					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	1.75%	\$ 19,000	4,130	\$ 72,000	13,650	85,650
2023	1.75	20,000	3,797	74,000	12,389	86,389
2024	1.75	20,000	3,448	76,000	11,096	87,096
2025	1.75	21,000	3,098	78,000	9,765	87,765
2026	1.75	21,000	2,730	37,000	8,400	45,400
2027-2031	1.75	111,000	8,015	197,000	32,043	229,043
2032-2036	1.75	24,000	420	119,000	16,590	135,590
2037-2041	1.75	-	-	105,000	7,507	112,507
2042	1.75	-	-	22,000	385	22,385
Total		<u>\$ 236,000</u>	<u>25,638</u>	<u>\$ 780,000</u>	<u>111,825</u>	<u>891,825</u>

On September 21, 2005, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds of up to \$635,000 in sewer revenue bonds with an interest rate of 1.75% per annum. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa for the purpose of paying a portion of the cost of constructing improvements and extensions to the utility. The agreement also requires the City to pay a 0.25% servicing fee on the outstanding principal balance. During the year ended June 30, 2021, the City paid principal of \$37,000 and interest of \$3,900 on the bonds.



On October 19, 2012, the City issued \$1,122,000 of water revenue capital loan notes to provide financing for the purpose of paying costs of acquisition, construction, and equipping of the water utility and refunding the outstanding anticipation project note. The notes bear interest at a rate of 1.75% per annum and is payable through 2042. The bonds were issued pursuant to the provisions of Chapters 384.24A, 384.82 and 384.83 of the Code of Iowa. The agreement also requires the City to pay a 0.25% servicing fee on the outstanding principal balance. During the year ended June 30, 2021, the City paid principal of \$15,000 and interest of \$8,020 on the notes.

On December 28, 2012, the City issued \$393,000 of sewer revenue capital loan notes to provide financing to pay a portion of the cost of construction and equipping the utility including the construction of sanitary sewer force main, construction of a lift station, system controls and standby generator, and demolition of the existing lift station. The notes bear interest at a rate of 1.75%, per annum, and are payable through 2032. During the year ended June 30, 2021, the City paid principal of \$19,000 and interest of \$5,100 on the notes.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the \$1,122,000 of water revenue capital loan notes issued in October 2012. The notes are payable solely from water customer net receipts. Annual principal and interest payments on the notes are expected to require in excess of 100% of net receipts. The total principal and interest remaining to be paid on the notes is \$422,488. For the current year, principal and interest paid and total customer net receipts were \$23,020 and \$18,118, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$635,000 of sewer revenue bonds issued in September 2005 and the \$393,000 of sewer revenue capital loan notes issued in December 2012. The bonds and notes are payable solely from sewer customer net receipts. Annual principal and interest payments on the bonds/notes are expected to require 84% of net receipts. The total principal and interest remaining to be paid on the bonds and notes is \$426,638. For the current year, principal and interest paid and total customer net receipts were \$65,000 and \$77,276, respectively.

The resolutions providing for the issuance of the sewer revenue bonds and the water and sewer capital loan notes include the following provisions:

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate sewer revenue bonds and water and sewer revenue capital loan notes sinking accounts for the purpose of making principal and interest payments when due. The City has not established the required sinking accounts.
- (c) User rates shall be established and charged to customers of the utility, including the City, to produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the bonds/notes falling due in the same year. For the Enterprise, Water Fund the City has not established rates sufficient to maintain a level of not less than 110% of the amount of principal and interest falling due on the notes.

#### **(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 \$14,380.

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 \$138,021 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 0.001965%, which was a decrease of 0.000084% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$21,460, \$26,781 and \$14,808, 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	100.0%	

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	\$ 231,515	138,021	59,630

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:

Type of Benefit	Amount
Vacation	\$ 13,000
Compensatory time	<u>1,000</u>
Total	<u>\$ 14,000</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:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 30,000
	Enterprise:	
	Gas	<u>46,000</u>
		<u>76,000</u>
Special Revenue:	Special Revenue:	
Economic Development	Local Option Sales Tax	<u>5,000</u>
Debt Service	Special Revenue:	
	Local Option Sales Tax	22,000
	Enterprise:	
	Gas	<u>22,000</u>
		<u>44,000</u>
Total		<u>\$ 125,000</u>

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

**(7) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) 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 Rolfe, remains uncertain.

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

**(9) Prospective Accounting Change**

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

**City of Rolfe**

## **Other Information**



City of Rolfe  
 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
Receipts:			
Property tax	\$ 257,301	-	-
Other city tax	78,888	-	-
Licenses and permits	595	-	-
Use of money and property	5,945	5,678	3
Intergovernmental	183,133	465	-
Charges for service	14,818	557,188	-
Special assessments	1,795	-	-
Miscellaneous	44,557	-	24,914
Total receipts	587,032	563,331	24,917
Disbursements:			
Public safety	175,468	-	22,569
Public works	63,217	-	-
Culture and recreation	100,626	-	-
Community and economic development	4,950	-	-
General government	80,721	-	-
Debt service	118,386	-	-
Business type activities	-	586,378	-
Total disbursements	543,368	586,378	22,569
Excess (deficiency) of receipts over (under) disbursements	43,664	(23,047)	2,348
Other financing sources, net	69,500	(68,000)	-
Change in balances	113,164	(91,047)	2,348
Balances beginning of year	452,314	745,226	59,854
Balances end of year	\$ 565,478	654,179	62,202

See accompanying independent auditor's report.

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Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
257,301	248,959	248,959	8,342
78,888	51,872	51,872	27,016
595	1,450	1,450	(855)
11,620	4,950	4,950	6,670
183,598	169,928	169,928	13,670
572,006	679,900	679,900	(107,894)
1,795	-	-	1,795
19,643	8,000	8,000	11,643
1,125,446	1,165,059	1,165,059	(39,613)
152,899	66,950	201,950	49,051
63,217	54,500	83,380	20,163
100,626	111,032	111,032	10,406
4,950	4,950	4,950	-
80,721	84,800	84,800	4,079
118,386	-	-	(118,386)
586,378	655,545	655,545	69,167
1,107,177	977,777	1,141,657	34,480
18,269	187,282	23,402	(5,133)
1,500	-	-	1,500
19,769	187,282	23,402	(3,633)
1,137,686	1,005,213	1,005,213	132,473
1,157,455	1,192,495	1,028,615	128,840

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City of Rolfe

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 blended 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 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 \$163,880. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amount budgeted in the debt service function. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public safety, public works and debt service functions.

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City of Rolfe

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

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

Other Information

	<u>2021</u>
City's proportion of the net pension liability	0.001965%
City's proportionate share of the net pension liability	\$ 138
City's covered payroll	\$ 152
City's proportionate share of the net pension liability as a percentage of its covered payroll	90.65%
IPERS' net position as a percentage of the total pension liability	82.90%

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

See accompanying independent auditor's report.

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City of Rolfe

Schedule of City Contributions

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

Other Information

	<u>2021</u>
Statutorily required contribution	\$ 14
Contributions in relation to the statutorily required contribution	<u>(14)</u>
Contribution deficiency (excess)	<u>\$ -</u>
City's covered payroll	\$ 152
Contributions as a percentage of covered payroll	9.44%
See accompanying independent auditor's report.	

City of Rolfe

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.

**City of Rolfe**

**Supplementary Information**



**City of Rolfe**

## City of Rolfe

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
	Employee Benefits	Enemies of Fire	Rolfe Area 76ers	Friends of the Library	
Receipts:					
Property tax	\$ 41,407	-	-	-	41,407
Other city tax	1,364	-	-	-	1,364
Use of money and property	-	-	3	-	3
Intergovernmental	1,697	-	-	-	1,697
Miscellaneous	-	18,790	6,124	-	24,914
Total receipts	44,468	18,790	6,127	-	69,385
Disbursements:					
Operating:					
Public safety	3,447	20,659	1,910	-	26,016
Public works	2,827	-	-	-	2,827
Culture and recreation	4,820	-	-	30	4,850
General government	12,657	-	-	-	12,657
Total disbursements	23,751	20,659	1,910	30	46,350
Change in cash balances	20,717	(1,869)	4,217	(30)	23,035
Cash balances beginning of year	21,971	24,037	35,817	2,544	84,369
Cash balances end of year	\$ 42,688	22,168	40,034	2,514	107,404
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Employee benefits	\$ 42,688	-	-	-	42,688
Other purposes	-	22,168	40,034	2,514	64,716
Total cash basis fund balances	\$ 42,688	22,168	40,034	2,514	107,404

See accompanying independent auditor's report.



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

Rob Sand  
Auditor of State

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Rolfe, 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 27, 2023. The financial statements were prepared on the basis of cash receipts and disbursements, a basis of accounting other than the U.S. generally accepted accounting principles. Our report expressed modified opinions on the governmental activities, business type activities, each major fund and the aggregate remaining fund information since we were unable to satisfy ourselves as to the distribution by fund of the total July 1, 2020 fund balance.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Rolfe'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 Rolfe's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Rolfe's internal control.

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Rolfe'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 Rolfe's Responses to the Findings

The City of Rolfe's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Rolfe'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 Rolfe 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 27, 2023

City of Rolfe

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 may have control over the following areas for which no compensating controls exist:

- (1) Accounting system – performance of all accounting functions and having custody of assets.
- (2) Cash – handling, recording and reconciling.
- (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (4) Long-term debt – recordkeeping and debt payment processing.
- (5) Receipts – opening mail, collecting, depositing, recording and reconciling.
- (6) Utilities – billing, collecting, depositing, entering rates into the system and maintaining detailed accounts receivable and write-off records.
- (7) Disbursements – purchasing, invoice processing, check writing, signing and reconciling.
- (8) Payroll – review of available compensated absences balances and approval of time off, entering rates into the system, preparing, recording 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.

City of Rolfe

Schedule of Findings

Year ended June 30, 2021

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

Response – The City will utilize more people to look over records.

Conclusion – Response accepted.

(B) Financial Reporting

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

Condition – The City incorrectly recorded utility excise tax receipts as property taxes. According to the recommended Uniform Chart of Accounts for Iowa City Governments, these receipts should be recorded as other city taxes. Adjustments were subsequently made to properly record these amounts in the financial statements.

Cause – City policies do not require, and procedures have not been established for an independent person to review the financial records to help ensure accuracy.

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

Recommendation – The City should implement procedures to ensure utility excise taxes are properly recorded in the City's financial statements according to the recommended Uniform Chart of Accounts for Iowa City Governments.

Response – Clerk will make new line item to track utility excise tax.

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 – Although the City prepares a monthly reconciliation of utility billings, collections and delinquent accounts, the reconciliations are not reviewed by an independent person.

City of Rolfe

Schedule of Findings

Year ended June 30, 2021

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

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

Recommendation – To improve financial accountability and control, the monthly utility reconciliations should be reviewed by an independent person. The utility reconciliation review should include evidence the balances and reconciling items were verified by the independent reviewer.

Response – Reconciliations will be reviewed, signed and dated.

Conclusion – Response accepted.

(D) Timesheet Approval

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

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

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

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

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

Response – Mayor is now signing all timesheets and pay stubs.

Conclusion – Response accepted.

(E) Credit Cards

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

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

City of Rolfe

Schedule of Findings

Year ended June 30, 2021

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

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

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

Response – City Clerk will have City Council approve a credit card policy.

Conclusion – Response accepted.

(F) Journal Entries

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

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

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

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

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

Response – City Clerk will sign and date all journal entries reviewed.

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

(G) Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the City's computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable and helps ensure compliance with applicable laws and regulations.

Condition – The City does not have a written disaster recovery plan.



City of Rolfe

Schedule of Findings

Year ended June 30, 2021

Cause – Management has not required a complete written disaster recovery plan addressing financial continuity, storage of plan and copies of user documentation and policy and procedures manuals to be kept off site and documentation of whether the plan has been adequately tested.

Effect – Lack of disaster recovery plan could result in the City’s inability to function in the event of a disaster or continue City business without interruption.

Recommendation – The City should develop a written disaster recovery plan.

Response – City will prepare a written disaster recovery plan.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Rolfe

Schedule of Findings

Year ended June 30, 2021

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

- (1) Certified Budget – Disbursements at year end exceeded the amount budgeted in the debt service function. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public safety, public works 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 – City will try to get budget amendment done more timely.

Conclusion – Response accepted.

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
De Sindergard, City Treasurer, Owner of Sindergard Excavating	Construction	\$ 3,664

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

- (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 – 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 Rolfe

Schedule of Findings

Year ended June 30, 2021

- (9) Revenue Notes – The City’s sewer and water revenue bond resolutions require separate sinking accounts. Neither of these accounts have been established. In addition, for the water revenue bond, the City did not maintain net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

Recommendation – The City should establish sinking accounts for both the water and sewer revenue bonds. The City should also ensure net receipts are maintained at such a level as are required by the bond provisions.

Response – When the departments are more financially solvent, sinking funds will be set up.

Conclusion – Response acknowledged. The City should establish sinking accounts as required by the water and sewer revenue bond resolutions.

- (10) Interfund Transfer – Section 545-2 of the City Finance Committee Rules requires “A fund transfer resolution must be completed for all transfers between funds and must include a clear statement of reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred. For transfers of utility surpluses outline in subrule 2.5(5), the calculation proving the surplus must also be shown in the resolution.”

The City transferred \$68,000 from the Enterprise, Gas Fund to the General Fund and Debt Service Fund. The transfer resolution did not include the calculation proving a surplus existed in the Gas Fund, as required.

Recommendation – The resolutions approving all fund transfers should include the information required by Section 545-2 of the City Finance Committee Administrative Rules.

Response – Calculations will be included in future resolutions.

Conclusion – Response accepted.

- (11) Financial Condition – At June 30, 2021, the Special Revenue, Economic Development Fund, and the Enterprise, Sewer and Garbage Funds had deficit balances of \$62,685, \$64,073 and \$1,544, respectively.

Recommendation – The City should investigate alternatives to eliminate the deficit balances and return the fund to sound financial position.

Response – Now that the General Fund is not in a deficit, will work to eliminate these deficits.

Conclusion – Response accepted.

City of Rolfe

Schedule of Findings

Year ended June 30, 2021

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

The City maintains a Pool bank account and a Sunset bank account for activity separate from the City Clerk’s accounting records. The Friends of the Library also maintains a bank account for activity separate from the City Clerk’s accounting records. While these are part of the City, the transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget, monthly financial reports or Annual Financial Reports.

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

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

Response – These accounts will be closed and accounted for in the main City bank account.

Conclusion – Response accepted.

- (13) Sales Tax – Four disbursements included sales tax paid on purchases, totaling \$537. As a governmental entity, the City maintains a tax-exempt status. As a result, the City should not incur any sales tax.

Recommendation – The City should ensure procedures are implemented which ensure sales tax is not paid for purchases made for City operations.

Response – Clerk has already had this corrected with vendors.

Conclusion – Response accepted.

City of Rolfe

Staff

This audit was performed by:

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