



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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Des Moines, Iowa 50319-0006
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NEWS RELEASE

Contact: Ernest Ruben
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FOR RELEASE

July 12, 2023

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$2,713,482 for the year ended June 30, 2022, a 1.9% increase over the prior year. Disbursements for the year ended June 30, 2022 totaled \$2,327,035, a 5.6% decrease from the prior year.

AUDIT FINDINGS:

Sand reported forty-one findings related to the receipt and disbursement of taxpayer funds. They are found on pages 46 through 71 of this report. The findings address issues such as a lack of segregation of duties, the lack of reconciliations of utility and rescue billings, collections and delinquent accounts, clarification is needed on the Woodbine Regional Wellness Center (CREW Center) agreements between the CREW Center and the City, disbursements exceeding budgeted amounts, records maintained separate of the City for the Fire Department and the Library and incorrect certifications of TIF debt. Sand provided the City with recommendations to address each of the findings.

Five of the six findings reported in the prior year are repeated. 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](#).

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CITY OF WOODBINE

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

JUNE 30, 2022

City of Woodbine



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Rob Sand
Auditor of State

June 7, 2023

Officials of the City of Woodbine
Woodbine, 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 Woodbine for the year ended June 30, 2022. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Officials

(Before January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Gau	Mayor	Jan 2022
Robert Cogdill	Mayor Pro tem	Jan 2024
Clark Smith	Council Member	Jan 2022
Randy Vandemark	Council Member	Jan 2022
Greg Wallis	Council Member	Jan 2022
Darryl Cleaver	Council Member	Jan 2024
Vacant	City Administrator	
Kristina Kelley	City Clerk	Indefinite
Todd Argotsinger	Attorney	Indefinite

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Cogdill	Mayor	Jan 2024
Randy Vandemark	Mayor Pro tem	Jan 2026
Darryl Cleaver	Council Member	Jan 2024
Clark Smith (Appointed Jan 2022)	Council Member	Nov 2023
Chris Lenning	Council Member	Jan 2026
Richard Gau	Council Member	Jan 2026
Lisa Koch	City Administrator	Indefinite
Kristina Kelley (Appointed Feb 2022)	City Clerk	Indefinite
Todd Argotsinger	Attorney	Indefinite



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Financial Statements

Adverse and Unmodified Opinions

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

Adverse Opinion on the Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statements referred to above do not present fairly the cash basis financial position of the aggregate discretely presented component units of the City of Woodbine as of June 30, 2022, or the changes in cash basis financial position thereof for the year ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions on Governmental Activities, Business Type Activities, Each Major Fund and the Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Woodbine as of June 30, 2022, 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 for Adverse and Unmodified Opinions

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

Matter Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include the financial data for the one of the City's legally separate component units because the Woodbine Municipal Light and Power reports in accordance with U.S. generally accepted accounting principles, a different financial framework than the City's cash basis of accounting. Accounting principles applicable to the cash basis of accounting require the financial data for the component unit be reported with the financial data of the City's primary government unless the City also issues financial statements for the reporting entity which include the financial data for its component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and cash balances of the aggregate discretely presented component units has not been determined.

Basis of Accounting

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

Emphasis of Matter

As discussed in Note 15 to the financial statements, the City of Woodbine restated the July 1, 2021 cash basis net position to correctly report the Woodbine Fire and Rescue Fund. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Woodbine's basic financial statements. The financial statements for the seven years ended June 30, 2015 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information. An adverse opinion was expressed on the financial statements of the discretely presented component unit, because Woodbine Municipal Light and Power reports in accordance with the U.S. generally accepted accounting principles, a different framework than the City's cash basis of accounting. The financial statements for the year ended June 30, 2014 (which are not presented herein) was audited by other auditors who expressed qualified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information, since they were unable to satisfy themselves as to the distribution by fund of the total cash basis fund balances at July 1, 2013. An adverse opinion was expressed on the financial statements of the discretely presented component unit, because Woodbine Municipal Light and Power reports in accordance with the U.S. generally accepted accounting principles, a different framework than the City's cash basis of accounting. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. Because of the significance of the matter described in the Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units paragraph on page 5, it is inappropriate to, and we do not, express an opinion on the supplementary information.

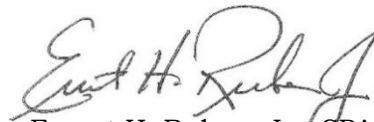
Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) and the Schedule of City Contributions on pages 30 through 38 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 7, 2023 on our consideration of the City of Woodbine'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 Woodbine's internal control over financial reporting and compliance.


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

June 7, 2023

City of Woodbine

Basic Financial Statements

City of Woodbine

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2022

	Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Primary Government:			
Governmental activities:			
Public safety	\$ 618,879	70,387	93,781
Public works	247,890	45,398	235,610
Culture and recreation	208,885	443	17,051
Community and economic development	71,795	-	-
General government	137,359	16,478	77,607
Debt service	235,850	-	-
Capital projects	8,117	-	-
Total governmental activities	1,528,775	132,706	424,049
Business type activities:			
Sewer	124,804	171,605	-
Gas	673,456	764,956	-
Total business type activities	798,260	936,561	-
Total Primary Government	\$ 2,327,035	1,069,267	424,049
Component Unit:			
Woodbine Fire and Rescue Association	\$ 39,390	-	108,294
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			
American Rescue Plan Act			
Unrestricted interest on investments			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year, as restated			
Cash basis net position end of year			
Cash Basis Net Position			
Restricted:			
Streets			
Debt service			
American Rescue Plan Act projects			
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			
Primary Government			Component
Governmental	Business Type		Unit
Activities	Activities	Total	Woodbine Fire and Rescue Association
(454,711)	-	(454,711)	
33,118	-	33,118	
(191,391)	-	(191,391)	
(71,795)	-	(71,795)	
(43,274)	-	(43,274)	
(235,850)	-	(235,850)	
(8,117)	-	(8,117)	
(972,020)	-	(972,020)	
-	46,801	46,801	
-	91,500	91,500	
-	138,301	138,301	
(972,020)	138,301	(833,719)	
			68,904
609,202	-	609,202	-
234,283	-	234,283	-
58,710	-	58,710	-
167,191	-	167,191	-
28,524	-	28,524	-
103,545	-	103,545	-
3,174	5,086	8,260	-
10,413	38	10,451	-
200,000	(200,000)	-	-
1,415,042	(194,876)	1,220,166	-
443,022	(56,575)	386,447	68,904
447,677	1,203,235	1,650,912	79,064
\$ 890,699	1,146,660	2,037,359	147,968
\$ 191,575	-	191,575	-
181,551	-	181,551	-
95,533	-	95,533	-
29,023	-	29,023	-
154,842	-	154,842	-
238,175	1,146,660	1,384,835	147,968
\$ 890,699	1,146,660	2,037,359	147,968

City of Woodbine

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

As of and for the year ended June 30, 2022

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 485,184	-	-
Local option sales tax	-	-	-
Tax increment financing	-	-	58,710
Licenses and permits	12,956	-	-
Use of money and property	8,806	-	-
Intergovernmental	73,114	220,491	-
Charges for service	118,955	-	-
Miscellaneous	138,732	13,619	-
Total receipts	<u>837,747</u>	<u>234,110</u>	<u>58,710</u>
Disbursements:			
Operating:			
Public safety	537,468	-	-
Public works	87,102	145,228	-
Culture and recreation	206,923	-	-
Community and economic development	13,820	-	57,975
General government	121,528	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>966,841</u>	<u>145,228</u>	<u>57,975</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(129,094)</u>	<u>88,882</u>	<u>735</u>
Other financing sources (uses):			
Transfers in	360,000	-	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>360,000</u>	<u>-</u>	<u>-</u>
Change in cash balances	230,906	88,882	735
Cash balances beginning of year, as restated	140,333	102,693	140,159
Cash balances end of year	<u>\$ 371,239</u>	<u>191,575</u>	<u>140,894</u>
Cash Basis Fund Balances			
Restricted for:			
Streets	\$ -	191,575	-
Debt service	-	-	140,894
America Rescue Plan Act projects	-	-	-
Capital projects	-	-	-
Other purposes	133,064	-	-
Assigned for library	16,048	-	-
Unassigned	222,127	-	-
Total cash basis fund balances	<u>\$ 371,239</u>	<u>191,575</u>	<u>140,894</u>

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
234,283	-	124,018	843,485
-	-	167,191	167,191
-	-	-	58,710
-	-	-	12,956
-	1	-	8,807
8,009	103,545	4,183	409,342
-	-	-	118,955
-	-	-	152,351
242,292	103,546	295,392	1,771,797
-	-	81,411	618,879
-	-	15,560	247,890
-	-	1,962	208,885
-	-	-	71,795
-	-	15,831	137,359
235,850	-	-	235,850
-	8,117	-	8,117
235,850	8,117	114,764	1,528,775
6,442	95,429	180,628	243,022
-	-	-	360,000
-	-	(160,000)	(160,000)
-	-	(160,000)	200,000
6,442	95,429	20,628	443,022
34,215	29,127	1,150	447,677
40,657	124,556	21,778	890,699
-	-	-	191,575
40,657	-	-	181,551
-	95,533	-	95,533
-	29,023	-	29,023
-	-	21,778	154,842
-	-	-	16,048
-	-	-	222,127
40,657	124,556	21,778	890,699

City of Woodbine

City of Woodbine

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

As of and for the year ended June 30, 2022

	Enterprise		
	Sewer	Gas	Total
Operating receipts:			
Charges for service	\$ 171,605	746,207	917,812
Miscellaneous	38	-	38
Total operating receipts	171,643	746,207	917,850
Operating disbursements:			
Business type activities	124,804	665,715	790,519
Excess of operating receipts over operating disbursements	46,839	80,492	127,331
Non-operating receipts (disbursements):			
Interest on investments	13	5,073	5,086
Customer loan repayments	-	18,749	18,749
Capital projects	-	(7,741)	(7,741)
Net non-operating receipts (disbursements)	13	16,081	16,094
Excess of receipts over disbursements	46,852	96,573	143,425
Transfers out	-	(200,000)	(200,000)
Change in cash balances	46,852	(103,427)	(56,575)
Cash balances beginning of year	239,061	964,174	1,203,235
Cash balances end of year	\$ 285,913	860,747	1,146,660
Cash Basis Fund Balances			
Unrestricted	285,913	860,747	1,146,660
Total cash basis fund balances	\$ 285,913	860,747	1,146,660

See notes to financial statements.

City of Woodbine

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies

The City of Woodbine is a political subdivision of the State of Iowa located in Harrison County. It was first incorporated in 1867 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides sewer and gas utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Woodbine 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.

Except as noted, these financial statements present the City of Woodbine (the primary government) and its component units. The financial statements do not include financial data for the Woodbine Municipal Light and Power, a legally separate entity which should be reported as a discretely present component unit. The component unit discussed below is included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Unit

The Woodbine Fire and Rescue Association has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable purposes to support the Woodbine Fire Department. The Association raises funds and collects donations to purchase items not included in the City's budget for the Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Association are substantially for the direct benefit of the City of Woodbine Fire Department.

Excluded Component Unit

The Woodbine Municipal Light and Power was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens on the City. The Municipal Utility is governed by a three-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Municipal Utility meets the definition of a component unit which should be discretely presented. Financial statements for the Municipal Utility were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles but are not included in the City's financial statements since the City prepares its financial statements on the cash basis. Complete financial statements can be obtained from Woodbine Municipal Light and Power, Woodbine, Iowa.

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: Harrison County Assessor's Conference Board, Harrison County Emergency Management Commission, Harrison County Landfill Commission and the Harrison 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 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 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, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the public safety, culture and recreation and general government functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendments in the community and economic development function.

(2) Cash and Pooled Investments

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

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

At June 30, 2022, the City had the following investments:

Investment	Carrying Amount	Fair Value	Maturity
Mutual Funds	\$ 92,087	83,234	
U.S. Treasury Notes	34,868	34,854	Sept 2022
U.S. Treasury Notes	50,524	49,902	Dec 2022
U.S. Treasury Notes	49,878	49,526	March 2023
U.S. Treasury Bills	49,828	49,890	August 2022
	<u>\$ 277,185</u>	<u>267,406</u>	

The City's investment in mutual funds does not appear to be an allowable investment in accordance with Chapter 12B.10 of the Code of Iowa.

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The recurring fair value of the U.S. Treasury Notes and Bills and Mutual Funds were determined using the last reported sales price at current exchange rates. (Level 1 inputs)

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Notes Receivable

The City of Woodbine approved consumer financing for gas efficient furnaces, water heaters, gas log fireplaces and gas dryers for 90% of cost, up to \$2,000. Consumers repay the loans over a five year period at zero interest rates through a monthly charge included in their utility billings. Financing transactions during the current fiscal year are as follows:

	Amount
Beginning balance	\$ 42,787
Amounts financed	15,120
Payments received	<u>(18,749)</u>
Ending balance	<u>\$ 39,158</u>

(4) Bonds and Notes Payable

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

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,680,000	-	155,000	2,525,000	160,000
Notes payable	241,629	-	74,514	167,115	49,132
Governmental activities total	<u>\$ 2,921,629</u>	<u>-</u>	<u>229,514</u>	<u>2,692,115</u>	<u>209,132</u>

General Obligation Bonds

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

Year Ending June 30,	Corporate Purpose and Refunding Series 2020		
	Issued Apr 21, 2020		
	Interest Rates	Principal	Interest
2023	3.00%	\$ 160,000	75,750
2024	3.00	165,000	70,950
2025	3.00	120,000	66,000
2026	3.00	120,000	62,400
2027	3.00	125,000	58,800
2028-2032	3.00	680,000	235,650
2033-2037	3.00	800,000	126,750
2038-2039	3.00	355,000	16,050
Total		<u>\$ 2,525,000</u>	<u>712,350</u>

On April 21, 2020, the City issued \$2,830,000 of general obligation bonds with an interest rate of 3.00% per annum. The bonds were issued to refund \$640,000 general obligation bonds dated June 8, 2012 and the balance was used to fund a grant to the Woodbine Regional Wellness Center for construction of a recreation/athletic complex. During the year ended June 30, 2021, the City paid \$155,000 of principal and \$80,400 of interest on the bonds.

Equipment Notes Payable

On May 10, 2021, the City issued a \$250,000 note payable requiring monthly payments with an interest rate of 2.95%. The note was used for a fire truck. During the year ended June 30, 2022, the City paid \$74,514 of principal and \$5,454 of interest on the note.

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2023	2.95%	\$ 49,132	4,713	53,845
2024	2.95	51,050	2,796	53,846
2025	2.95	52,579	1,266	53,845
2026	2.95	14,354	75	14,429
Total		<u>\$ 167,115</u>	<u>8,850</u>	<u>175,965</u>

(5) Pension Plan

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

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

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

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

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 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City’s contributions to IPERS for the year ended June 30, 2022 totaled \$43,613.

Net Pension Asset, Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City had an asset of \$133,334 for its proportionate share of the overall plan net pension asset. The overall plan net pension asset was measured as of June 30, 2021. The total plan pension liability used in its calculation of the overall plan net pension asset was determined by an actuarial valuation as of that date. The City’s proportion of the overall plan net pension asset was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City’s proportion of the overall plan net pension asset was (0.038622)%, which was an decrease of 0.042516% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City’s pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled \$(31,490), \$62,341 and \$351,199, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension asset in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	100.0%	

Discount Rate – The discount rate used to measure the total pension asset 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 asset.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 143,240	(133,334)	(364,983)

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.

(6) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2022, the City contributed \$110,129 and plan members eligible for benefits contributed \$11,475 to the plan. At June 30, 2022, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

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

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>8</u>
Total	<u>8</u>

(7) Compensated Absences

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

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 26,000
Holiday time	2,000
Comp time	<u>6,000</u>
Total	<u>\$ 34,000</u>

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

(8) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 160,000
	Enterprise:	
	Gas	<u>200,000</u>
		<u>\$ 360,000</u>

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

(9) Related Party Transactions

The City had business transactions between the City and City officials totaling \$18,905 during the year ended June 30, 2022.

(10) 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.

(11) Development Agreements

The City has entered into development agreements to assist with urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developers in exchange for construction or improvement of buildings. Certain agreements include provisions for the payment of interest.

The total to be paid by the City under the agreements is not to exceed \$4,500,473. During the year ended June 30, 2022, the City rebated \$57,975 of incremental property tax to the developers. At June 30, 2022, the remaining balance to be paid on the agreements was \$4,013,052.

These agreements are not general obligations of the City. The agreements include an annual appropriation clause and, accordingly, only the amount payable in the succeeding year is subject to the constitutional debt limitation of the City.

(12) 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, 2022, \$22,837 of property tax was diverted from the City under the urban renewal and economic development agreements.

(13) Subsequent Events

In November 2022, the City Council approved a resolution for an internal advance of \$120,000 from the Enterprise, Gas Fund to the Special Revenue, Urban Renewal Tax Increment Fund.

(14) Prospective Accounting Change

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

(15) Restatement

The cash basis net position for governmental activities has been restated to reclassify the Woodbine Fire and Rescue activity from a Special Revenue Fund to the General Fund.

	General	Special Revenue, Woodbine Fire and Rescue
Balances June 30, 2021, as previously reported	\$ 52,182	65,236
Change in fund type classification according to GASB Statement No. 54	65,236	(65,236)
Recognition of investments not previously reported	22,915	-
Balances July 1, 2021, as restated	<u>\$ 140,333</u>	<u>-</u>

City of Woodbine

Other Information

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

Other Information

Year ended June 30, 2022

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 843,485	-	843,485
Tax increment financing	58,710	-	58,710
Other city tax	167,191	-	167,191
Licenses and permits	12,956	-	12,956
Use of money and property	8,807	5,086	13,893
Intergovernmental	409,342	-	409,342
Charges for service	118,955	917,812	1,036,767
Miscellaneous	152,351	18,787	171,138
Total receipts	1,771,797	941,685	2,713,482
Disbursements:			
Public safety	618,879	-	618,879
Public works	247,890	-	247,890
Culture and recreation	208,885	-	208,885
Community and economic development	71,795	-	71,795
General government	137,359	-	137,359
Debt service	235,850	-	235,850
Capital projects	8,117	-	8,117
Business type activities	-	798,260	798,260
Total disbursements	1,528,775	798,260	2,327,035
Excess of receipts over disbursements	243,022	143,425	386,447
Other financing sources, net	200,000	(200,000)	-
Change in balances	443,022	(56,575)	386,447
Balances beginning of year, as restated	447,677	1,203,235	1,650,912
Balances end of year	\$ 890,699	1,146,660	2,037,359

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
847,471	847,471	(3,986)
57,573	57,573	1,137
102,500	102,500	64,691
2,000	2,000	10,956
5,000	5,000	8,893
174,794	5,286,545	(4,877,203)
673,500	733,500	303,267
8,000	56,782	114,356
<u>1,870,838</u>	<u>7,091,371</u>	<u>(4,377,889)</u>
370,675	561,259	(57,620)
286,250	294,600	46,710
185,200	185,200	(23,685)
68,973	71,873	78
136,300	136,300	(1,059)
235,400	235,850	-
-	5,103,544	5,095,427
<u>861,200</u>	<u>861,200</u>	<u>62,940</u>
<u>2,143,998</u>	<u>7,449,826</u>	<u>5,122,791</u>
(273,160)	(358,455)	744,902
-	-	-
<u>(273,160)</u>	<u>(358,455)</u>	<u>744,902</u>
<u>1,109,163</u>	<u>1,109,163</u>	<u>541,749</u>
<u>836,003</u>	<u>750,708</u>	<u>1,286,651</u>

City of Woodbine

City of Woodbine

Notes to Other Information – Budgetary Reporting

June 30, 2022

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$5,305,828. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, and general government functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendments in the community and economic development function.

City of Woodbine

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

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

Other Information

	2022	2021	2020	2019
City's proportion of the net pension liability/asset	(0.038622)% **	0.003894%	0.003545%	0.003589%
City's proportionate share of the net pension liability (asset)	\$ (133)	273	205	227
City's covered payroll	\$ 458	452	433	410
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-29.04%	60.40%	47.34%	55.37%
IPERS' net position as a percentage of the total pension liability (asset)	100.81%	82.90%	85.45%	83.62%

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

** Overall plan net pension asset

See accompanying independent auditor's report.

2018	2017	2016	2015
0.003938%	0.004267%	0.003711%	0.003968%
262	269	183	157
423	426	400	432
61.94%	63.15%	45.75%	36.34%
82.21%	81.82%	85.19%	87.61%

City of Woodbine

Schedule of City Contributions

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

Other Information

	2022	2021	2020	2019
Statutorily required contribution	\$ 44	44	43	42
Contributions in relation to the statutorily required contribution	(44)	(44)	(43)	(42)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 464	458	452	433
Contributions as a percentage of covered payroll	9.39%	9.50%	9.60%	9.70%

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
38	39	39	37	40	36
(38)	(39)	(39)	(37)	(40)	(36)
-	-	-	-	-	-
410	423	426	400	432	393
9.24%	9.22%	9.21%	9.30%	9.39%	9.14%

City of Woodbine

Notes to Other Information – Pension Liability (Asset)

Year ended June 30, 2022

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

Supplementary Information

City of Woodbine

City of Woodbine

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

As of and for the year ended June 30, 2022

	Special Revenue		
	Employee Benefits	Local Option Sales Tax	Total
Receipts:			
Property tax	\$ 124,018	-	124,018
Local option sales tax	-	167,191	167,191
Intergovernmental	4,183	-	4,183
Total receipts	<u>128,201</u>	<u>167,191</u>	<u>295,392</u>
Disbursements:			
Operating:			
Public safety	81,411	-	81,411
Public works	15,560	-	15,560
Culture and recreation	1,962	-	1,962
General government	15,831	-	15,831
Total disbursements	<u>114,764</u>	<u>-</u>	<u>114,764</u>
Excess of receipts over disbursements	13,437	167,191	180,628
Other financing uses:			
Transfers out	-	(160,000)	(160,000)
Change in cash balances	13,437	7,191	20,628
Cash balances beginning of year, as restated	426	724	1,150
Cash balances end of year	<u>\$ 13,863</u>	<u>7,915</u>	<u>21,778</u>
Cash Basis Fund Balances			
Restricted for:			
Other purposes	13,863	7,915	21,778
Total cash basis fund balances	<u>\$ 13,863</u>	<u>7,915</u>	<u>21,778</u>

See accompanying independent auditor's report.

City of Woodbine

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Nine Years

	2022	2021	2020	2019
Receipts:				
Property tax	\$ 843,485	825,438	763,447	749,340
Local option sales tax	167,191	144,799	106,110	100,166
Tax increment financing	58,710	56,896	83,335	86,707
Other city tax	-	7,266	6,969	7,964
Licenses and permits	12,956	2,828	1,355	1,592
Use of money and property	8,807	6,321	7,521	6,551
Intergovernmental	409,342	356,190	300,996	491,817
Charges for service	118,955	116,078	165,822	57,884
Miscellaneous	152,351	120,836	80,284	317,678
Total	\$ 1,771,797	1,636,652	1,515,839	1,819,699
Disbursements:				
Operating:				
Public safety	\$ 618,879	485,738	438,320	685,066
Public works	247,890	256,737	329,687	181,111
Culture and recreation	208,885	154,428	187,335	222,471
Community and economic development	71,795	71,144	109,627	241,931
General government	137,359	163,473	234,936	230,014
Debt service	235,850	263,893	165,185	168,605
Capital projects	8,117	22,443	2,611,153	801,385
Total	\$ 1,528,775	1,417,856	4,076,243	2,530,583

See accompanying independent auditor's report.

2018	2017	2016	2015	2014
737,419	684,293	646,524	618,247	652,255
93,003	104,200	94,700	90,478	87,647
169,248	264,995	111,807	186,087	180,654
6,568	5,543	5,714	5,603	5,951
2,800	1,186	2,415	3,300	5,397
3,095	7,471	8,114	4,377	4,723
437,032	494,221	501,706	189,126	188,351
159,172	163,257	181,320	183,815	124,376
142,509	153,001	89,625	70,293	65,336
<u>1,750,846</u>	<u>1,878,167</u>	<u>1,641,925</u>	<u>1,351,326</u>	<u>1,314,690</u>
516,428	423,807	644,118	464,268	343,303
342,458	280,547	356,172	370,505	414,903
242,905	273,085	202,623	160,991	175,463
218,093	160,121	99,841	80,706	111,548
173,559	158,931	188,639	188,910	207,474
170,480	171,980	168,530	169,372	165,383
188,422	367,756	626,245	-	-
<u>1,852,345</u>	<u>1,836,227</u>	<u>2,286,168</u>	<u>1,434,752</u>	<u>1,418,074</u>



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

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Woodbine, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 7, 2023. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Woodbine Municipal Light and Power.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Woodbine's internal control over financial reporting (internal control) 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 Woodbine's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Woodbine'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 were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-001 through 2022-005 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-006 through 2022-024 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Woodbine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance 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, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

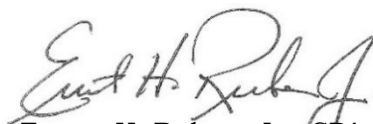
City of Woodbine's Responses to Findings

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

Purpose of this Report

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

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

June 7, 2023

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2022-001 Segregation of Duties

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

Condition – One individual in the City has control over the following areas for which no compensating controls exist:

- (1) Accounting system – performance of all accounting functions, including journal entries and having custody of assets.
- (2) Cash – handling, recording and reconciling.
- (3) Investments – recording, custody and record-keeping.
- (4) Gas customer utility loans – collecting, depositing, and maintaining detailed accounts receivable.
- (5) Long-term debt – recording and reconciling, including compensated absences.
- (6) Receipts – opening mail, collecting, depositing, recording and reconciling.
- (7) Disbursements – purchasing, invoice processing, check writing, recording and reconciling.
- (8) Payroll – preparing and recording payroll, entering rates into the computer system, control of undistributed checks and maintaining personnel files.
- (9) Journal entries – preparing and recording.

For the Woodbine Library account, one individual has control over each of the following areas:

- (1) Accounting system – performance of all accounting functions and having custody of assets.
- (2) Cash – handling, recording and reconciling.
- (3) Receipts – opening mail, collecting, depositing, recording and reconciling.
- (4) Disbursements – purchasing, invoice processing, check writing, recording and reconciling.
- (5) Payroll – preparing and recording payroll, control of undistributed checks and maintaining personnel files.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

For the Woodbine Fire and Rescue Department and Association accounts, one individual controls both accounts and has control over each of the following areas:

- (1) Cash – handling, recording and reconciling.
- (2) Receipts – opening mail, collecting, depositing, recording and reconciling.
- (3) Disbursements – purchasing, invoice processing, check writing, recording and reconciling.

Cause – The City, Library and Fire and Rescue Department and Association have 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 and the Association’s ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees and volunteers in the normal course of performing their assigned functions.

Recommendation – The City and the Fire and Rescue Association should review their control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional controls through review of financial transactions, reconciliations and financial reports. The reviews should be documented by the signature or initials of the reviewer and the date of the review.

Responses and Corrective Actions Planned –

City – We have implemented some process changes and will continue to separate duties as much as possible with limited staff. Previously the City Council was given limited information to review financial transactions. We are now providing City Council with several reports for their review. We will work with elected officials to have them complete some reviews. We will also have the reviewer initial and date the review.

Library – The City will work with the Library on a process to have a reviewer initial and date documents.

Fire and Rescue Department and Association – The City will work with the Fire and Rescue and the Association on a process to have a reviewer initial and date documents.

Conclusion – Response acknowledged. The City, Library and Fire and Rescue Department and Association should utilize available staff, including elected officials to provide additional controls through review of financial transactions, reconciliations and financial reports.

2022-002 Bank Reconciliations

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

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

Condition – Although monthly bank reconciliations are prepared for the City checking account, the reconciliations do not include evidence of an independent review. In addition, financial reports did not include all City activity and a complete reconciliation, including accounts from the Library and Fire Departments, was not prepared.

Cause – Policies have not been established and procedures have not been implemented to require preparation of a complete reconciliation of all accounts and investments to the total general ledger balance or to require the bank reconciliations to be reviewed by an independent person.

Effect – Lack of performing and maintaining complete bank reconciliations and lack of review by an independent person could result in unrecorded transactions, undetected errors and opportunity for misappropriation.

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

Response – Previously the City Clerk did the bank reconciliations. The City Administrator is now completing the bank reconciliations. We will work with elected officials on procedures to have monthly bank reconciliations reviewed by an independent person.

Conclusion – Response accepted.

2022-003 Service Organizations

Criteria – An effective internal control system provides for internal controls related to reconciling the service organizations billing, collections and delinquent accounts to ensure the accuracy of sewer, gas, landfill and rescue collections and receivables.

Condition – The Woodbine Municipal Light and Power provides billing and collection services for the City's sewer, gas and landfill receipts. The sewer, gas and landfill receipts are remitted to the City. The Woodbine Municipal Light and Power provides collections and delinquent accounts balances to the City, but the City does not review the information to ensure amounts are billed appropriately and receipts remitted to the City are complete. In addition, the Woodbine Municipal Light and Power does not perform a reconciliation of the monthly billings.

Also, the City contracts with an outside company to bill and collect fire and rescue services receipts. The rescue services receipts are deposited into the Fire Department's bank account and the outside company withdraws a monthly administrative fee from that account. Periodically, the Fire Department writes a check to the City for deposit to the City account; however, the City does not record the collections intact and does not record the expense for the administrative fee in the City's general ledger. Further, the amount of the administrative fee is not verified for accuracy. The City has not established an approved rate schedule for the various types of ambulance services. In addition, a reconciliation of billings, collections and delinquent accounts is not prepared. The City does not perform procedures to ensure the accuracy and completeness of the rescue receipts.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

Cause – Policies have not been established and procedures have not been implemented to reconcile or verify the reconciliations of sewer, gas, landfill and rescue billings, collections and delinquent accounts or to ensure ambulance rates have been approved.

Effect – This condition could result in unrecorded or misstated sewer, gas, landfill and rescue receipts and receivables. The lack of established ambulance rates could result in unauthorized amounts charged and the opportunity for error or misappropriation.

Recommendation – The City should request or prepare reconciliations of billings, collections and delinquent accounts for fees received from Woodbine Municipal Light and Power for sewer, gas, and landfill fees and the outside company contracted to bill for rescue service fees. The reconciliations should be reviewed by an independent person and the review should be evidenced by the signature or initials of the reviewer and the date of the review. In addition, for ambulance services, the City should deposit and record the collections intact and separately record the expense for the administrative fee in the City's general ledger. In addition, the City Council should formally establish and approve ambulance service rates.

Response – The City will work with Woodbine Municipal Light and Power on a process for reviewing monthly reconciliations of billings, collections and delinquent accounts.

The City Council didn't approve the contract with the outside service for ambulance billing and was not able to locate a copy of the contract. The receipts are deposited into the separately maintained Fire Department's bank account, and the volunteers then write checks to the City for expenses they want paid through the City's general checking account. The City will work on establishing ambulance service rates.

Conclusion – Response acknowledged. The City should contact the City Attorney to determine whether the City has a valid contract with the fire and rescue billing service provider and retain a copy of the contract. The City should work with Woodbine Municipal Light and Power in order to prepare reconciliations of billings and document an independent review of the reconciliations. The City should request or prepare reconciliations of billings, collections and delinquent accounts for the fire and rescue billing service provider. In addition, the City should deposit and record the monthly collections intact and separately record the administrative fee expense imposed by the outside entity.

2022-004 Financial Accounting Records of Fire and Rescue

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, misstatement of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

Condition –

For the Fire and Rescue Department and Fire and Rescue Association we noted the following conditions:

- (1) Receipts and disbursements were not consistently posted to the Department or the Association ledgers.
- (2) Pre-numbered receipts were not issued for donations and fundraising activity collections.
- (3) Detailed disbursements were not approved or documented in the minutes of the Department or Association meetings.
- (4) Disbursements for the Fire Department are not approved or documented in the minutes of the City Council meetings.

Cause – Policies have not been established and procedures have not been implemented to maintain adequate financial records and properly approve disbursements for the Fire and Rescue Department and Fire and Rescue Association.

Effect – Lack of written policies and procedures to track the financial activity could result in unauthorized and unsupported transactions and the opportunity for misappropriation.

Recommendation – City officials should ensure all Fire and Rescue Department financial transactions are processed in the same manner as all City transactions, which includes the establishment of formal accounting records to account for all receipts and disbursements. In addition, disbursements should be properly approved for payment by the City Council. The Fire and Rescue Association should review internal processes to ensure accurate financial transactions and reports are prepared and maintained.

Response – The City will work with the Fire and Rescue Department and the Fire and Rescue Association on establishing formal accounting records to ensure they are processed in the same manner as City transactions.

Conclusion – Response acknowledged. In addition, disbursements for the Fire Department should be properly approved for payment by the City Council.

2022-005 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 – Receipts of the City are recorded to the general ledger monthly rather than at the time of receipt. In addition, the receipts are recorded through the use of a journal entry rather than the cash receipt function. Also, certain intergovernmental receipts were incorrectly recorded as tax receipts. Adjustments were subsequently made by the City to properly report these amounts in the City's financial statements.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

Cause – City policies do not require, and procedures have not been established to require receipts to be posted timely through the cash receipt function and to the proper coding according to the recommended Uniform Chart of Accounts for Iowa City Governments.

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

Recommendation – The City should implement procedures to ensure receipts are properly recorded in the City’s financial statements using the receipt function rather than as a journal entry and should do so as receipts are received. Further, receipts should be coded according to the recommended Uniform Chart of Accounts for the Iowa City Governments.

Response – Beginning with FY22-23, the City began recording each deposit separately at the time of deposit rather than all at the end of the month in one lump sum transaction in a general ledger posting. We will also review receipts for proper coding in the future.

Conclusion – Response accepted.

2022-006 Purchase of Insurance

Criteria – City officials have a fiduciary responsibility to provide oversight of the City’s operations and financial transactions.

Condition – Effective July 1, 2019, the City Council assigned the Woodbine Municipal Light and Power Board of Trustees oversight responsibility for the Woodbine Municipal Water Fund. The City and Woodbine Municipal Light and Power purchase commercial insurance. The City and Board of Trustees allow the insurance provider to make decisions regarding whether the City or the Woodbine Municipal Light and Power Board of Trustees will pay for insurance coverage over their operations. Due to the lack of the City’s oversight on the allocation of insurance costs, the City has continued to pay the commercial insurance purchased to cover the equipment, buildings and operation of the water utility, while all water system receipts are recorded by the Municipal Light and Power.

Cause – Lack of City Council oversight allowed the commercial insurance provider to make management decisions and determine allocation of insurance costs to each government.

Effect – The City has continued to fund the cost of commercial insurance coverage for the Water utility while having no responsibility for its operations, nor receiving water system receipts.

Recommendation – The City should work with the Woodbine Municipal Light and Power Board of Trustees and the commercial insurance provider to ensure the cost of insurance coverage is appropriately allocated between the two entities. The City should seek reimbursement from the Woodbine Municipal Light and Power.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

Response – The City already sought and received reimbursement from Woodbine Municipal Light and Power on 2-28-2023 for the insurance coverage back to July 1, 2019 in the amount of \$28,770. The City began reviewing the amounts the insurance provider bills to each entity prior to the invoices being sent by the insurance provider. The City will continue to review the insurance coverages and billing annually.

Conclusion – Response accepted.

2022-007 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 included establishing policies addressing proper asset use and proper supporting documentation.

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

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

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

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

Response – The City adopted a formal written credit card policy on October 2, 2022.

Conclusion – Response accepted.

2022-008 Disbursements

Criteria – Internal Controls over safeguarding assets constitute 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 proper supporting documentation.

Condition – For three of twenty-six disbursements tested, supporting documentation was not maintained. Also, we noted two disbursements for payment of late charges and interest for the City credit card.

In addition, the Fire and Rescue Department and Fire and Rescue Association did not always retain supporting documentation for disbursements paid through debit card or by check.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

Cause – Supporting documentation was not always maintained for disbursements and payments were not always made timely to avoid late fees and interest charges.

Effect – Lack of supporting documentation for all disbursements could result in unauthorized transactions and the opportunity for misappropriation. Payment of late charges and interest are not a proper use of public funds.

Recommendation – All disbursements should be supported by invoices or other supporting documentation. Payments should be made timely to avoid incurring late fees and interest.

Response – Beginning on July 1, 2022, the City began only paying the amounts actually invoiced and will continue to make sure all disbursements have acceptable supporting documentation.

Conclusion – Response acknowledged. Payments should be made timely to avoid late fees and interest charges.

2022-009 Vehicle Records

Criteria – Internal Controls over safeguarding assets constitute 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 proper supporting documentation.

Condition – The fire and emergency medical service members utilize city owned vehicles. Fuel cards are not monitored and there are no logs tracking mileage or fueling for any of the vehicles.

Cause – The City does not safeguard fuel cards and does not require logs to be maintained for vehicles.

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

Recommendation – The City should establish policies and procedures addressing the use of vehicles and fuel cards. Fuel cards should be monitored and tracked. In addition, mileage usage logs should be maintained to verify the reasonableness of the fuel purchases. An independent person should review usage and logs and the review should include the initials and date of the reviewer.

Response – The City will establish policies and procedures addressing the use of vehicles and fuel cards.

Conclusion – Response accepted.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

2022-010 Fire and Rescue Association – Debit Card

Criteria – Internal Controls over safeguarding assets constitute 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 proper supporting documentation.

Condition – The Fire and Rescue Association has debit cards available for use by volunteers. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions. Significant risks exist with the mishandling or theft of debit cards as they provide no additional safeguards or audit trail for purchases. Supporting documentation for purchases made by debit card was generally not maintained.

Cause – The Fire and Rescue Association has been unaware of the repercussions of allowing the use of debit cards.

Effect – Allowing the use of debit cards could result in unauthorized transactions and the opportunity for misappropriations or theft.

Recommendation – The Fire and Rescue Association should prohibit the use of debit cards.

Response – The City will work with the Fire and Rescue Association to prohibit the use of debit cards. The City will encourage them to follow the City’s credit card policy.

Conclusion – Response accepted.

2022-011 Monthly City Clerk’s Report

Criteria – A deficiency in internal control over financial reporting exist when the design or operation of a control does not allow management to effectively perform their fiduciary responsibilities related to City financial management.

Condition – The monthly City Clerk’s report did not include balances for each fund or a comparison of total disbursements to the certified budget by function.

Cause – Policies have not been established and procedures have not been implemented to require the City Clerk’s report to the City Council include balances for each fund and a comparison of total disbursements to the certified budget by function.

Effect – The City Council may not have effective control over budgeted disbursements and the ability to amend the budget on a timely basis. In addition, City Council is not provided the information, including fund balances, needed to make informed financial decisions.

Recommendation – The City Clerk’s monthly report should include receipts, disbursements, transfers and balances for each fund and comparisons of total disbursement by function to the certified budget.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

Response – Effective July 1, 2022 the City Administrator began preparing monthly reports for the City Council which includes receipts, disbursements, transfers, fund balances and a budget report by function.

Conclusion – Response accepted.

2022-012 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 the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Condition – The City does not have written policies for:

- Password history to be maintained
- Password lock out functions

Also, the City does not have a written disaster recovery plan.

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

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

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over its computer system. A written disaster recovery plan should also be developed and tested periodically.

Response – The City purchased new computers and now each employee not only has their own password but are also using ubikeys which are specific to each computer. To access any computer the individual must know the password and have the ubikey specific to that computer. Even IT cannot remote in or login without the ubikey in place.

Conclusion – Response acknowledged. The City should also develop a written disaster recovery plan.

2022-013 Pay Rate Approval

Criteria – An effective internal control system provides for internal controls related to the processing and approval of payroll for all City employees. City Council approval of wages and salaries can help ensure proper payment of payroll expense.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

Condition – For the part time employees tested, there was no documentation of pay rates approved by the City Council.

In addition, one employee received a monthly stipend in lieu of health insurance. However, the stipend amount was not approved by City Council.

Cause – The City has not implemented procedures to ensure pay rates and stipends are approved and approval is documented in the minutes.

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

Recommendation – The City should approve pay rates and applicable stipends for all employees. The approvals should be documented in the City Council meeting minutes.

Response – The City Council will approve all pay rates and applicable stipends.

Conclusion – Response accepted.

2022-014 Clothing Reimbursement

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 included establishing policies addressing allowable maximums for clothing purchase and reimbursements.

Condition – The City purchases directly and/or reimburses various employees for uniforms and clothing worn while on City business. The City has not adopted a formal policy to regulate the types or amounts of uniforms and clothing which will be purchased or reimbursed. In addition, certain City expenditures for clothing considered adaptable to general usage as ordinary clothing were not included in wages of employees in accordance with Internal Revenue Service (IRS) guidelines.

Cause – Adoption of a formal policy to regulate clothing and uniform purchases has not been prioritized by the City Council and the City has not included clothing considered to be adaptable to general usage as a taxable benefit to employees.

Effect – Lack of written policies and procedures to regulate clothing and uniform purchases could result in unauthorized and unsupported transactions and the opportunity for misappropriation. Further, clothing adaptable to general usage as ordinary clothing are not included in wages of employees as a taxable fringe benefit, as required.

Recommendation – The City should adopt a formal written policy regulating the types and amounts of allowable clothing and uniforms purchases and reimbursements. The City should properly include taxable fringe benefits in reported employee wages in accordance with IRS guidelines.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

Response – The City will work on adopting a formal written uniform policy.

Conclusion – Response acknowledged. In addition, the City should properly include taxable fringe benefits in reported employee wages in accordance with IRS guidelines.

2022-015 Bank Reconciliation – Library and Fire Departments and Fire and Rescue Association

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

Condition – Monthly bank statements are not always reconciled to the Woodbine Library's monthly financial reports. For bank reconciliations which are performed, the reconciliations are not reviewed and approved by an independent person.

In addition, the Fire Department and Fire and Rescue Association have not been preparing monthly bank to book reconciliations.

Cause – Policies have not been established and procedures have not been implemented to require preparation of a complete reconciliation of all accounts to the monthly financial reports for the Library and Fire Department and Fire and Rescue Association or to require the bank reconciliations to be reviewed by an independent person.

Effect – Lack of performing and maintaining bank reconciliations and lack of review by an independent person could result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The Library, Fire Department and Fire and Rescue Association should establish procedures to ensure bank balances for all activity are reconciled to book balances monthly. Variances, if any, should be reviewed and resolved timely. An independent person should review the bank reconciliations and document the review by signing or initialing and dating the monthly bank reconciliations.

Response – The City will work with the Library, Fire Department and Fire and Rescue Association to establish procedures to ensure reconciliation of bank balances monthly and variances are resolved timely. We will also include an independent review of bank reconciliations.

Conclusion – Response accepted.

2022-016 Uniform Chart of Accounts

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 has not fully implemented the recommended Uniform Chart of Accounts (COA) for Iowa City Governments approved by the City Finance Committee.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

Cause – The City did not have procedures in place to ensure the proper utilization of the Uniform Chart of Accounts.

Effect – Since the utilization of the Uniform Chart of Accounts was not in place, financial statement misstatements may not have been prevented or detected and corrected on a timely basis in the normal course of operations.

Recommendation – To provide better financial information and control, the City should fully implement the Uniform Chart of Accounts for Iowa City Governments.

Response – Effective June 1, 2022, the City changed accounting systems and has fully implemented the Uniform Chart of Accounts for Iowa City Governments.

Conclusion – Response accepted.

2022-017 Untimely Deposits

Criteria – An effective internal control system provides for internal controls related to ensuring the timely deposit of all incoming checks and cash at the City.

Condition – Receipts are not always deposited timely. For example, a receipt for \$16,181 for Road Use Tax and one for \$1,226 to the Fire Department were not deposited within 30 days of receipt.

Cause – Policies and procedures have not been designed and implemented to ensure all incoming cash and checks are deposited timely.

Effect – Lack of established procedures could result in increased opportunity for misappropriation.

Recommendation – The City should develop procedures to ensure all cash and checks are deposited timely.

Response – The City has developed procedures to ensure all cash and checks are deposited timely.

Conclusion – Response accepted.

2022-018 Accounting Policies and Procedures Manual

Criteria – Accounting policies and procedures manuals provide the following benefits:

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

Condition – The City Library and Fire Departments and the Fire and Rescue Association do not have accounting policies and procedures manuals.

Cause – Officials have been unaware of the need for an accounting policies and procedures manual.

Effect – Lack of an accounting policies and procedures manual could negatively result in the City and the Fire and Rescue Association’s ability to continue operating effectively and efficiently in the event of staff turnover.

Recommendation – An accounting policies and procedures manual should be developed for the City and Fire and Rescue Association.

Response – The City Council will work on developing an accounting policies and procedures manual.

Conclusion – Response acknowledged. The Fire and Rescue Association should also develop an accounting policies and procedures manual.

2022-019 Utility Service for the City

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 safeguarding assets from error or misappropriation. Such processes included establishing policies addressing utility service to the City free of charge.

Condition – The Woodbine Municipal Light and Power provides billing services to the City for their sewer, gas and landfill services. The Woodbine Municipal Light and Power also provides water and electrical services to customers for which they bill. Each month the City receives a bill from the Municipal Light and Power for utility services on properties owned by the City. A portion of these services are provided free to the City. While Chapter 388.6 of the Code of Iowa permits this practice if certain conditions exist, neither the City nor the Municipal Light and Power could provide an explanation or a policy documenting how or why the service is provided free of charge.

Cause – Adoption of a formal policy to determine amounts and types of utilities to be provided at no charge to the City has not been prioritized by the City Council or the Municipal Light and Power.

Effect – Lack of written policies and procedures to establish the amounts and type of free service to the City could result in unauthorized and unsupported services.

Recommendation – The City and Municipal Light and Power should adopt a formal written policy regarding the amounts and types of utilities provided at no charge to the City by the Municipal Light and Power.

Response – The City will work with Municipal Light and Power on a formal written policy regarding the amounts and types of utilities provided at no charge to Municipal Light and Power for the City.

Conclusion – Response accepted.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

2022-020 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 identify 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. An independent person should review the journal entries and document the review by signing or initialing as evidence of the review.

Response – The City will make sure that all journal entries have supporting documentation and will be double checked by someone who has not made the entries.

Conclusion – Response acknowledged. In addition, an independent person should review the journal entries and document the review by signing or initialing as evidence of the review.

2022-021 Timesheets and Leave Requests

Criteria – An effective internal control system provides for internal controls related to preparation of timesheets by all employees. Timesheets support all hours worked and taken as vacation, sick leave, compensatory time, holiday hours and personal days and provide an accurate record of hours. Independent comparison of timesheets to payroll journals can help ensure the accuracy of hours paid.

Condition – For two of seven timesheets tested, the hours reported on the timesheet did not match the hours recorded on the City’s records and paid to the employees.

In addition, one of seven employees tested did not submit a request for leave as required for all employees by policy.

Cause – Policies have not been established and procedures have not been implemented to require timesheets be compared to hours paid per the payroll journal by an independent person before payroll is finalized and paid to employees. Procedures have not been established to ensure leave requests are submitted by all employees.

Effect – The lack of an independent comparison process increases the probability of staff errors in recording of hours or leave will go undetected.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

Recommendation – The City should implement a process for independent comparison of hours worked per approved timesheets to hours paid per the payroll journal before payroll is finalized and paid to employees. The City should implement a process to ensure leave requests are submitted by all employees.

Response – Timesheets are now reviewed and approved by the City Administrator prior to the City Clerk entering the hours into the accounting system. After payroll has been entered by the City Clerk, the City Administrator also double checks the entries before payroll is finalized. Leave requests will be submitted by all employees.

Conclusion – Response accepted.

2022-022 Approved Compensation

Criteria – An effective internal control system provides for internal controls related to processing and approval of payroll for all City employees. City Council approval of salaries and review of payroll journals can help ensure proper payment of payroll expense.

Condition – From March 2021 to February 2022, the City Administrator’s position was vacant and the City Clerk, in addition to duties as Clerk, fulfilled the duties of City Administrator. The City Council approved \$4,000 additional compensation on June 29, 2021 for these duties. On August 23, 2021, the City Council also approved additional compensation to the City Clerk of \$1,500 per month while acting as the interim City Administrator. In addition, the City Clerk was compensated for overtime worked during this period. It is unclear whether the City intended to compensate the Clerk for overtime in addition to the additional pay. Timesheets during this period were not approved by supervisory personnel such as the Mayor or City Council.

Cause – The City Council did not have a clear understanding of the total amount of compensation which was approved for the City Clerk and did not periodically monitor total compensation paid during the period the Clerk was performing additional duties.

Effect – Approving additional compensation in addition to the overtime hours paid and not monitoring overtime pay could result in excessive compensation and the opportunity for misappropriation.

Recommendation – In the future, the City should clearly define the duties of the City Clerk and City Administrator, including compensation. Further, the City Administrator, Mayor or City Council should approve all City Clerk timesheets.

Response – Detailed job descriptions for the City Clerk and City Administrator are now in place. The City’s Code of Ordinances were amended on May 25, 2022 to reflect that the City Administrator is the direct supervisor of the City Clerk. In addition, the employee handbook was updated on May 25, 2022 to include that all overtime has to be preapproved.

Conclusion – Response acknowledged. Timesheets should also be signed as approved by supervisory personnel.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

2022-023 CREW Center Agreements

Criteria – The City officials have a fiduciary responsibility to provide oversight of the City’s operations and financial transactions.

Background – On December 21, 2020, the City entered into a ten-year 28E operating agreement with the Woodbine Community School District and the Woodbine Regional Wellness Center (CREW Center), a nonprofit, organized under Iowa Code Chapter 504. The operating agreement provides the terms and conditions for the operation of the CREW Center facility. The facility also includes a STEM portion, and the STEM programs will be operated by the District. Per the operating agreement, the City is responsible for ten annual payments of \$60,000 and the District is responsible for ten annual payments of \$80,000 towards the annual operating costs of the CREW Center.

On November 30, 2021, the City and the CREW Center entered into a five-year development agreement to pay a portion of the costs of operating and maintaining the CREW Center. The development agreement requires the City to make ten semi-annual tax increment payments to the CREW Center. The semi-annual payments amount to \$120,000 each year and the total amount of the payments made by the City shall not exceed \$600,000. For each annual payment received from the City, the CREW Center is to credit 50% to the fiscal contribution requirements of the District and 50% to the fiscal contribution of the City under the December 31, 2020 operating agreement.

Condition –

Per discussion with City staff, it was the City’s intent to terminate the ten-year operating agreement and replace it with the five-year development agreement. However, the five-year development agreement references the requirements established in the earlier ten-year operating agreement. Therefore, terminating the ten-year operating agreement voids the responsibilities of the entities involved. Per discussions and review of City Council meeting minutes, both agreements were still in effect at June 30, 2022; however, on December 14, 2022 the City Council voted to terminate the operating agreement. According to the ten-year operating agreement, the other parties are required to agree to termination and have not formally approved the termination of the operating agreement. The intention of the City, the District and the CREW Center is not clear. Further, when the five-year development agreement ends, the City is still responsible for \$60,000 in annual payments to the CREW Center until the end of the ten-year operating agreement.

Additionally, the City is contributing public funds to the CREW Center, but oversight and audit of the receipts and disbursements of the CREW Center is not defined in the operating agreement.

Cause – The City Council did not clearly determine the appropriate agreements to ensure total City payments to the CREW Center are clearly stated and proper oversight of the CREW Center finances is occurring.

Effect – Without clearly defined or understood agreements, the City could be responsible for the financial support outlined in both the operating agreement and the development agreement, which may be more than the City anticipated. The oversight of the public funds provided to the CREW Center have not been subject to independent audit.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

Recommendation – The City Council should consult legal counsel to ensure agreements in effect for the CREW Center are appropriate and clearly define the parties’ roles in the operation and oversight of the CREW Center and to ensure the City amends or terminates any agreements that duplicate effort.

The City along with the District and the CREW Center could amend the 28E agreement creating a new entity known as the CREW Center. This would provide a safeguard of public funds by incorporating ongoing public oversight and accountability.

Lacking a 28E agreement created entity, the parties should ensure the agreement(s) include a requirement for annual audit of the CREW Center finances to safeguard the public monies and determine they are being used properly.

Response – The City Council will consult legal counsel to ensure agreements in effect for the CREW Center are appropriate. The City will review the agreements, and amend, if necessary, to make sure each parties’ responsibilities are clearly defined and that there is appropriate oversight of public funds.

Conclusion – Response acknowledged. The parties should ensure the agreements(s) include a requirement for annual audit of the CREW Center finances to safeguard the public monies and determine they are being used properly.

2022-024 Pre-Numbered Receipts for City

Criteria – Proper records include a description of the receipt and the date it was collected. Independent review of these records should include comparing receipt information to amounts deposited in the bank.

Condition – A pre-numbered receipt book was not maintained by the City for all collections.

Cause – Procedures have not been designed and implemented to ensure pre-numbered receipts are issued and maintained and to require independent review of those records.

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

Recommendation – All receipts should be supported by a pre-numbered receipt. Independent review of financial records, including a reconciliation of pre-numbered receipts to the deposit, should be documented by the signature or initials of the reviewer and the date of the review.

Response – The City will begin using pre-numbered receipts and make sure the receipts are balanced with deposits.

Conclusion – Response acknowledged. In addition, the reconciliation of pre-numbered receipts to the deposit should be documented by the signature or initials of the reviewer and the date of the review.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

Other Findings Related to Required Statutory Reporting

2022-A Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the public safety, culture and recreation, and general government functions at year end. In addition, disbursements during the year ended June 30, 2022 exceeded the amounts budgeted prior to approval of an amendment by the City Council in the community and economic development function. 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 City Administrator is now reviewing all expenses to ensure that disbursements do not exceed the budget prior to a budget amendment being completed.

Conclusion – Response accepted.

2022-B Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Woodbine Main Street, Inc.	Woodbine dollars (gift certificates) for employees	\$ 1,800
Good Fellows	Lunch for interviews	270
JoJo's	Pastries and drinks for interviews	170
Bank of the West/Sam's Club	Plates/cups/forks	23
Bank of the West/Casey's	Donuts for meeting	9

According to the opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The City Council should determine and document the public purpose served by these types of disbursements prior to authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper public purpose documentation.

Response – The City will make sure to document the public purpose served by these types of disbursements.

Conclusion – Response accepted.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

2022-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2022-D Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kristina Kelley, City Clerk, Owner of Kelley's Kleaning	Cleaning services, per contract	\$ 6,000
Michael Jensen, City Police Officer, Owner of J & J Parts & Service	Auto parts and service	3,696
Randy Vandemark, City Council Member, Owner of Vandemark Heating and Cooling	Services for utility customers receiving financing through the City	9,209

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the City Clerk and Police Officer do not appear to represent conflicts of interest since total transactions with each individual did not exceed \$6,000 during the fiscal year.

The transaction with the City Council Member may represent a conflict of interest since the transactions exceeded \$6,000 and it was not entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response –The city offers zero percent financing on gas furnaces and appliances, up to a certain dollar amount, for property owners. The City files a UCC against the property for the amount of the finance contract. The City does not hire the contractor who sells the furnaces and appliances. The property owner chooses the contractor and then submits an invoice to the City for the City to pay the contractor. The property owner repays the City through monthly payments added to their utility bill.

Conclusion – Response accepted.

2022-E Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

2022-F Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

2022-G City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of City Council proceedings were published, they were not always published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should publish minutes, as required.

Response – The City will make sure to publish minutes as required.

Conclusion – Response accepted.

2022-H Deposits and Investments – The City has adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. However, the City has investments in mutual funds which do not appear to be investments permitted by Chapter 12B.10(5) of the Code of Iowa. In addition, the City improperly reported investments at fair market value at year end, rather than cost basis, as required for cash basis reporting.

In addition, a resolution naming official depositories and the maximum deposit amount for each approved bank as required by Chapter 12C.2 of the Code of Iowa could not be located.

Recommendation – The City should consult legal counsel to determine the disposition of the unallowable investments, and review agreements to ensure they meet public funds investment standards. Cash basis entities should report investments at cost basis. Also, the City Council should approve a resolution naming official depositories and the maximum deposit amount for each depository as required by Chapter 12C.2 of the Code of Iowa.

Response – The City passed a resolution naming official depositories on June 29, 2022. The City will review the current investments and make necessary changes to meet public funds investment standards.

Conclusion – Response accepted.

2022-I 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 Fire Department and the City Library maintain bank accounts for activity separate from the City Clerk’s accounting records. While these Departments 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.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

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 Fire and Library Department separate accounts should be integrated with the City's accounting records in the City Clerk's office. The financial activity should be included in the City Clerk's accounting records, monthly financial reports and the Annual Financial Reports. The activity in these accounts should be subject to City Council review and approval and should be included in the City's budget process. Also, a summary of each account's receipts, total disbursements and listings of claims allowed each month should be published, as required.

Response – The City will work with the Fire Department and the Library on integrating the financial transactions for the activity in their accounts that are kept separate from the City into the City's accounting. The City will work with the Fire Department and the Library on getting monthly accounts showing receipts and disbursements approved by City Council and included in the City's publication of claims monthly.

Conclusion – Response accepted.

2022-J

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

We noted the following regarding the City's TIF debt certification:

- The City did not certify any debt to the County in November of 2021. All development agreements have language establishing the agreements as annually appropriated; therefore, debt should be certified annually. In the past the City has certified the entire amount of the development agreement.
- Two of the development agreements include provisions that legal fees related to the agreements be paid by the City and subtracted from the balance owed to the developer. The procedures for tracking legal fees was not consistently applied and therefore amounts were not appropriately certified to the County.

Recommendation – The City should properly certify debt, including annually appropriated TIF debt. The City should consult TIF legal counsel and ensure legal fees are treated consistently when certifying TIF debt.

Response – The City will make sure to certify all future certifications, including internal loans, annually.

Conclusion – Response accepted.

City of Woodbine

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Year ended June 30, 2022

2022-K Employee Benefits Levy – Prior to January 2022, funds were periodically transferred out to the General Fund to cover costs of employee benefits, however there was no formal tracking to ensure all funds were spent appropriately.

Recommendation – The City should only pay FICA, IPERS and other benefits for employees paid from the General Fund and the Special Revenue, Road Use Tax Fund. Also, the City should review current and past payments from the Special Revenue, Employee Benefit Fund to ensure the levy was only used for the City share of employee benefits. Any past payments determined to be paid or transferred incorrectly from the Special Revenue, Employee Benefits Fund should be reimbursed to the Special Revenue, Employee Benefits Fund from the appropriate fund.

Response – The City implemented a new accounting system June 1, 2022 and are now appropriately tracking all FICA and IPERS appropriately. The City will review past FICA and IPERS transferred from the employee benefits funds and correct transactions, if necessary.

Conclusion – Response accepted.

2022-L Local Option Sales Tax – The City’s local option sales tax (LOST) ballot requires LOST receipts be used for street improvements. The City has not tracked the use of LOST receipts and unspent balances in accordance with the LOST ballot provisions.

Recommendation – The City should establish procedures to properly track the use of LOST receipts and unspent balances to ensure LOST receipts are being used in accordance with the LOST ballot provisions.

Response – The City implemented a new accounting system June 1, 2022 and are now properly tracking LOST funds.

Conclusion – Response accepted.

2022-M Annual Financial Report – The Annual Financial Report was not approved by the City Council or certified to the Iowa Department of Management on or before December 1 as required by Chapter 384.22 of the Code of Iowa. The report was filed on January 27, 2022.

In addition, the following exceptions were noted:

The Fire and Rescue and Library Department’s activity and fund balances were not included in the report.

Certificate of deposit held by City was not included in the reported fund balances.

American Rescue Plan Act (ARPA) funds disbursed from the Capital Projects fund were incorrectly reported in the Debt Service function rather than Capital Projects function.

Commercial and industrial replacement tax receipts were incorrectly reported as property tax receipts rather than intergovernmental receipts.

Recommendation – The City Council should approve and file the Annual Financial Report timely and ensure the cash balances and activity reported agree with the City’s records.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

Response – The City had a vacancy in the City Administrator position when this report was due, so it was not timely filed. The City will make sure to approve the Annual Financial Report timely and ensure cash balances and activity agree with the City records.

Conclusion – Response accepted.

2022-N Interfund Transfers – Section 545-2 of the City Finance Committee Rules requires “A fund transfer resolution must be completed for all transfers between funds and must include a clear statement of reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred. For transfers of utility surpluses outlined in subrule 2.5(5), the calculation proving the surplus must also be shown in the resolution.”

The resolutions approving the City’s fund transfers did not include the purpose of each transfer. In addition, during the fiscal year, the City transferred \$200,000 from the Enterprise, Gas Fund to the General 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 Rules.

Response – The City will make sure that all fund transfers include the information required.

Conclusion – Response accepted.

2022-O Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The Library and the Fire Department do not retain electronic images of cancelled checks.

Recommendation – The Library and Fire Department should retain images of both the front and back of each cancelled check as required.

Response – The City will work with the Library and Fire Department to make sure images of the front and back of cancelled checks is being retained on all accounts.

Conclusion – Response accepted.

2022-P Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years to the Office of the Treasurer of State annually. The City did not remit these obligations as required.

Recommendation – Outstanding obligations should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State annually, as required.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

Response – The City has cleared all old outstanding obligations as of June 1, 2022. The City will make sure to review all outstanding obligations annually and correctly remit these obligations to the State Treasurer.

Conclusion – Response accepted.

2022-Q Solid Waste and Recycling Fee – Chapter 384.84 of the Code of Iowa requires utility rates to be established by City ordinance. No ordinance was located establishing a rate for the solid waste and recycling fee.

Recommendation – The City should ensure solid waste and recycling rates are established by City ordinance and sure all ordinances are retained, as required.

Response – The City amended the ordinances on September 14, 2022 to include the rate for solid waste and recycling. The City will make sure that all rates are established by City ordinance.

Conclusion – Response accepted.

2022-R Fire Department Receipts – The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private nonprofit corporation. Article III, Section 31, states, “No public money or property shall be appropriated for local, or private purposes, unless such appropriation, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly.”

The Fire and Rescue Association is a legally separate component unit of the City. Grant funds of \$1,226 from the State of Iowa were deposited in the Fire and Rescue Association’s bank account instead of the City’s account. The Fire Department, through its action to give public funds to the Association, has put these public funds at risk since the Fire Department has given up control of City funds.

Recommendation – The City should seek to recover the funds held by the private nonprofit organization.

Response – The City will check into the grant funds that were deposited in the Fire and Rescue Association’s bank account. If the grant funds have been expended, the City will ask for detail of the revenue and expenses to keep on file. The City will make sure that all future grant funds are appropriately accounted for in the City’s accounting system.

Conclusion – Response accepted.

2022-S Excess Balance – The balance in the Enterprise, Sewer Fund at June 30, 2022 was in excess of the fund’s disbursements during the year.

Recommendation – The City should consider the necessity of maintaining the substantial balance, and where financially feasible, consider reducing balances in an orderly manner through revenue reductions.

Response – The City will review the balance in the Sewer Enterprise Fund.

Conclusion – Response accepted.

City of Woodbine

Schedule of Findings

Year ended June 30, 2022

2022-T Annual Urban Renewal Report – The Annual Urban Renewal Report for fiscal year 2021 was not properly approved and certified to the Iowa Department of Management on or before December 1.

Recommendation – The City should approve and file the Annual Urban Renewal Report timely.

Response – The City had a vacancy in the City Administrator position when this report was due, so it was not timely reported. The City will make sure to approve and file the Annual Urban Renewal Report timely.

Conclusion – Response accepted.

City of Woodbine

Staff

This audit was performed by:

Ernest H. Ruben, Jr, CPA, Deputy
Lesley R. Geary, CPA, Manager
Karen L. Brustkern, CPA, Senior Auditor II
Jon D. Hedgecock, Staff Auditor