



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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

NEWS RELEASE

Contact: Brian Brustkern
515/281-5834

FOR RELEASE

March 29, 2024

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$4,803,911 for the year ended June 30, 2023, a 50% decrease from the prior year. Disbursements for the year ended June 30, 2023 totaled \$5,453,607, a 25.9% decrease in the prior year. The significant decrease in receipts is primarily due to proceeds drawn in the prior year for a general obligation capital loan note and existing sewer and water notes. The significant decrease in disbursements is primarily due to more disbursements for work done on sewer projects in the prior year.

AUDIT FINDINGS:

Sand reported six findings related to the receipt and disbursement of taxpayer funds. They are found on pages 52 through 55 of this report. The findings address issues such as a lack of segregation of duties, a lack of review of utility reconciliations, compliance on SRF note covenants, and business transactions that may represent a conflict of interest. Sand provided the City with recommendations to address each of the findings.

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

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

###

CITY OF SIGOURNEY

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

JUNE 30, 2023

City of Sigourney



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

Rob Sand
Auditor of State

March 25, 2024

Officials of the City of Sigourney
Sigourney, 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 Sigourney, Iowa, for the year ended June 30, 2023. 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 Sigourney throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

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

Rob Sand
Auditor of State

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor’s Report	5-7
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A 10-11
Governmental Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 12-13
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	C 14
Proprietary Fund Financial Statements:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D 15
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	E 17
Notes to Financial Statements	18-32
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual – All Governmental Funds and Proprietary Funds	34-35
Notes to Other Information – Budgetary Reporting	37
Schedule of the City’s Proportionate Share of the Net Pension Liability (Asset)	38-39
Schedule of City Contributions	40-41
Notes to Other Information – Pension Liability	42
Supplementary Information:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1 44-45
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Internal Service Funds	2 47
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	3 48-49
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	50-51
Schedule of Findings	52-55
Staff	56

City of Sigourney

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jimmy Morlan	Mayor	Jan 2026
Edward Conrad	Council Member	Jan 2024
Connie McLaughlin	Council Member	Jan 2024
Alley Tish	Council Member	Nov 2023
Stephani Lentz	Council Member	Jan 2026
Adam Clark	Council Member	Jan 2026
Gary Iosbaker	Council Member	Jan 2026
Angela Alderson	City Clerk	Indefinite
John Wehr	Attorney	Indefinite

City of Sigourney



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

Rob Sand
Auditor of State

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

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney, Iowa, as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sigourney as of June 30, 2023, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 the City of Sigourney, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sigourney'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 GAAS 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 Sigourney'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 Sigourney'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 Sigourney's basic financial statements. We previously audited, in accordance with the standards referred to in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report, the financial statements for the nine years ended June 30, 2022 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The supplementary information included in Schedules 1 through 3, 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 GAAS. In our opinion, the supplementary information in Schedules 1 through 3 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in this report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 34 through 42 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 25, 2024 on our consideration of the City of Sigourney'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 Sigourney's internal control over financial reporting and compliance.



Brian R. Brustkern, CPA
Deputy Auditor of State

March 25, 2024

City of Sigourney

Basic Financial Statements

City of Sigourney

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2023

	Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 118,890	4,174	725
Public works	470,956	-	276,063
Culture and recreation	326,050	27,919	101,143
Community and economic development	735,791	40,239	413,950
General government	280,022	58,688	5,575
Debt service	326,421	-	-
Capital projects	1,233,046	-	-
Total governmental activities	3,491,176	131,020	797,456
Business type activities:			
Water	556,071	579,456	8,865
Sewer	1,200,752	619,230	2,870
Sanitation	205,608	223,413	2,467
Total business type activities	1,962,431	1,422,099	14,202
Total	\$ 5,453,607	1,553,119	811,658
General Receipts:			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Commercial/industrial tax replacement			
Unrestricted interest on investments			
Note proceeds			
Miscellaneous			
Total general receipts			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			
Cash Basis Net Position			
Restricted:			
Nonexpendable:			
Lewis Memorial Trust			
Library Memorial Trust			
Expendable:			
Streets			
Debt service			
Capital projects			
Local option sales tax			
Employee benefits			
Other purposes			
Unrestricted			
Total cash basis net position			
See notes to financial statements.			

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

<u>Governmental</u> <u>Type</u> <u>Activities</u>	<u>Business</u> <u>Type</u> <u>Activities</u>	<u>Total</u>
(113,991)	-	(113,991)
(194,893)	-	(194,893)
(196,988)	-	(196,988)
(281,602)	-	(281,602)
(215,759)	-	(215,759)
(326,421)	-	(326,421)
<u>(1,233,046)</u>	<u>-</u>	<u>(1,233,046)</u>
<u>(2,562,700)</u>	<u>-</u>	<u>(2,562,700)</u>
-	32,250	32,250
-	(578,652)	(578,652)
-	20,272	20,272
-	<u>(526,130)</u>	<u>(526,130)</u>
<u>(2,562,700)</u>	<u>(526,130)</u>	<u>(3,088,830)</u>

629,305	-	629,305
264,015	-	264,015
103,302	-	103,302
196,943	-	196,943
91,531	-	91,531
54,548	26,271	80,819
-	1,052,469	1,052,469
<u>18,750</u>	<u>2,000</u>	<u>20,750</u>
<u>1,358,394</u>	<u>1,080,740</u>	<u>2,439,134</u>
(1,204,306)	554,610	(649,696)
<u>4,838,813</u>	<u>3,186,710</u>	<u>8,025,523</u>
<u>\$ 3,634,507</u>	<u>3,741,320</u>	<u>7,375,827</u>

\$ 4,675	-	4,675
1,000	-	1,000
341,420	-	341,420
252,066	236,296	488,362
570,174	-	570,174
808,691	-	808,691
65,082	-	65,082
81,606	-	81,606
<u>1,509,793</u>	<u>3,505,024</u>	<u>5,014,817</u>
<u>\$ 3,634,507</u>	<u>3,741,320</u>	<u>7,375,827</u>

City of Sigourney

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

As of and for the year ended June 30, 2023

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Employee Benefits
Receipts:				
Property tax	\$ 555,954	-	-	54,696
Tax increment financing	-	-	-	-
Local option sales tax	-	-	196,943	-
Other city tax	16,983	-	-	1,672
Licenses and permits	98,092	-	-	-
Use of money and property	20,409	-	4,502	-
Intergovernmental	479,472	275,774	-	4,912
Charges for service	18,310	-	-	-
Miscellaneous	44,097	-	7,014	-
Total receipts	1,233,317	275,774	208,459	61,280
Disbursements:				
Operating:				
Public safety	135,170	-	-	5,463
Public works	3,708	265,042	232,091	25,132
Culture and recreation	227,997	-	14,537	23,131
Community and economic development	688,983	-	18,341	-
General government	237,331	-	-	35,716
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	1,293,189	265,042	264,969	89,442
Excess (deficiency) of receipts over (under) disbursements	(59,872)	10,732	(56,510)	(28,162)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Change in cash balances	(59,872)	10,732	(56,510)	(28,162)
Cash balances beginning of year	1,302,191	330,688	865,201	93,244
Cash balances end of year	\$ 1,242,319	341,420	808,691	65,082
Cash Basis Fund Balances				
Nonspendable:				
Lewis Memorial Trust	\$ -	-	-	-
Library Memorial Trust	-	-	-	-
Restricted for:				
Streets	-	341,420	-	-
Debt service	-	-	-	-
Capital projects	109,772	-	-	-
Other purposes	-	-	-	-
Local option sales tax	-	-	808,691	-
Employee benefits	-	-	-	65,082
Unassigned	1,132,547	-	-	-
Total cash basis fund balances	\$ 1,242,319	341,420	808,691	65,082

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
256,614	-	-	867,264
-	-	103,302	103,302
-	-	-	196,943
7,401	-	-	26,056
-	-	2,566	100,658
-	26,988	321	52,220
23,943	-	12,766	796,867
-	-	1,950	20,260
-	-	61,147	112,258
<u>287,958</u>	<u>26,988</u>	<u>182,052</u>	<u>2,275,828</u>
-	-	15,606	156,239
-	-	-	525,973
-	-	60,385	326,050
-	-	28,467	735,791
-	-	-	273,047
326,421	-	-	326,421
-	1,233,046	-	1,233,046
<u>326,421</u>	<u>1,233,046</u>	<u>104,458</u>	<u>3,576,567</u>
<u>(38,463)</u>	<u>(1,206,058)</u>	<u>77,594</u>	<u>(1,300,739)</u>
46,703	-	-	46,703
-	-	(46,703)	(46,703)
46,703	-	(46,703)	-
8,240	(1,206,058)	30,891	(1,300,739)
165,830	1,666,460	121,532	4,545,146
<u>174,070</u>	<u>460,402</u>	<u>152,423</u>	<u>3,244,407</u>
-	-	4,675	4,675
-	-	1,000	1,000
-	-	-	341,420
174,070	-	77,996	252,066
-	460,402	-	570,174
-	-	81,606	81,606
-	-	-	808,691
-	-	-	65,082
-	-	(12,854)	1,119,693
<u>174,070</u>	<u>460,402</u>	<u>152,423</u>	<u>3,244,407</u>

City of Sigourney

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position -
Governmental Funds

As of and for the year ended June 30, 2023

Total governmental funds cash balances (page 13) \$ 3,244,407

***Amounts reported for governmental activities in the Cash Basis
Statement of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of vehicle replacement and partial self-funding of the City's health benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

390,100

Cash basis net position of governmental activities (page 11) \$ 3,634,507

Change in cash balances (page 13) \$ (1,300,739)

***Amounts reported for governmental activities in the Cash Basis
Statement of Activities and Net Position are different because:***

The Internal Service Fund is used by management to charge the costs of vehicle replacement and partial self funding of the City's health benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

96,433

Change in cash basis net position of governmental activities (page 11) \$ (1,204,306)

See notes to financial statements.

City of Sigourney

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

As of and for the year ended June 30, 2023

	Enterprise				Internal Service
	Water	Sewer	Sanitation	Total	Total
Operating receipts:					
Charges for service	\$ 570,206	619,250	223,413	1,412,869	239,140
Miscellaneous	20,115	2,850	2,467	25,432	-
Total operating receipts	590,321	622,100	225,880	1,438,301	239,140
Operating disbursements:					
Governmental activities:					
Public safety	-	-	-	-	2,682
Public works	-	-	-	-	5,533
General government	-	-	-	-	5,274
Business type activities	462,277	263,809	203,132	929,218	21,149
Total operating disbursements	462,277	263,809	203,132	929,218	34,638
Excess of operating receipts over operating disbursements	128,044	358,291	22,748	509,083	204,502
Non-operating receipts (disbursements):					
Interest on investments	3,533	6,778	676	10,987	26,326
Note proceeds	-	1,052,469	-	1,052,469	-
Debt service	(79,901)	(339,456)	-	(419,357)	-
Capital projects	(84,005)	(622,350)	(26,612)	(732,967)	-
Net non-operating receipts (disbursements)	(160,373)	97,441	(25,936)	(88,868)	26,326
Change in cash balances	(32,329)	455,732	(3,188)	420,215	230,828
Cash balances beginning of year	810,499	1,531,930	396,835	2,739,264	741,113
Cash balances end of year	\$ 778,170	1,987,662	393,647	3,159,479	971,941
Cash Basis Fund Balances					
Restricted for debt service	\$ 59,355	176,941	-	236,296	-
Unrestricted	718,815	1,810,721	393,647	2,923,183	971,941
Total cash basis fund balances	\$ 778,170	1,987,662	393,647	3,159,479	971,941

See notes to financial statements.

City of Sigourney

City of Sigourney

Reconciliation of the Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position –
Proprietary Funds

As of and for the year ended June 30, 2023

Total enterprise funds cash balances (page 15) \$ 3,159,479

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of vehicle replacement and partial self funding of the City's health benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in business type activities in the Cash Basis Statement of Activities and Net Position.

581,841

Cash basis net position of business type activities (page 11) \$ 3,741,320

Change in cash balances (page 15) \$ 420,215

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of vehicle replacement and partial self funding of the City's health benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

134,395

Change in cash basis net position of business type activities (page 11) \$ 554,610

See notes to financial statements.

City of Sigourney

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies

The City of Sigourney is a political subdivision of the State of Iowa located in Keokuk County. It was first incorporated in 1858 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer and sanitation utilities for its citizens.

A. Reporting Entity

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

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

Blended Component Unit – The Friends of the Sigourney Public Library is an entity which is legally separate from the City but is so intertwined with the City that it is, in substance, the same as the City. They are reported as part of the City and blended into the nonmajor governmental funds.

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: Keokuk County Assessor's Conference Board, City Assessor's Conference Board, Keokuk County Emergency Management Commission, Keokuk County Landfill Commission and Keokuk 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:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Funds.

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for local option sales tax authorized by referendum and used in accordance with the referendum.

The Employee Benefits Fund is used to account for employee benefits tax levy collections and the payment of employee benefits.

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

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

The City reports the following major proprietary funds:

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

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

The Enterprise, Sanitation Fund accounts for the operation and maintenance of the City's sanitary disposal system.

The City also reports the following proprietary funds:

Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

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, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects tax asking contained in the budget certified to the City Council in March 2022.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2023, disbursements exceeded the amounts budgeted in the debt service function.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2023 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

(3) Bonds, Notes, and Leases Payable

A summary of changes in bonds, notes, and leases payable for the year ended June 30, 2023 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,605,000	-	210,000	3,395,000	200,000
Lease agreement	41,806	10,531	22,921	29,416	22,410
Governmental activities total	<u>\$ 3,646,806</u>	<u>10,531</u>	<u>232,921</u>	<u>3,424,416</u>	<u>222,410</u>
Business type activities:					
Water revenue notes - direct borrowing	\$ 745,000	-	65,000	680,000	66,000
Sewer revenue notes - direct borrowing	4,048,290	1,052,469	252,000	4,848,759	257,000
Business-type activities total	<u>\$ 4,793,290</u>	<u>1,052,469</u>	<u>317,000</u>	<u>5,528,759</u>	<u>323,000</u>

General Obligation Notes

A summary of the City's June 30, 2023 general obligation notes payable is as follows:

Year Ending June 30,	Street Improvement Issued Aug 22, 2013			Capital Loan Notes Issued Aug 17, 2016		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	3.50%	\$ 40,000	19,300	2.00%	\$ 115,000	19,444
2025	4.00	40,000	17,900	2.00	130,000	17,144
2026	4.00	40,000	16,300	2.00	125,000	14,544
2027	4.00	40,000	14,700	2.13	135,000	12,044
2028	4.38	45,000	13,100	2.25	230,000	9,175
2029-2033	4.38-4.50	250,000	34,469	2.25-2.50	160,000	6,000
2034-2037		-	-		-	-
Total		\$ 455,000	115,769		\$ 895,000	78,351

Year Ending June 30,	Street Improvement Issued Apr 20, 2022			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2024	3.00%	\$ 45,000	62,162	\$ 200,000	100,906	300,906
2025	3.00	50,000	60,813	220,000	95,857	315,857
2026	3.00	55,000	59,313	220,000	90,157	310,157
2027	3.00	65,000	57,662	240,000	84,406	324,406
2028	3.00	60,000	55,713	335,000	77,988	412,988
2029-2033	3.00-3.13	920,000	216,313	1,330,000	256,782	1,586,782
2034-2037	3.00-3.13	850,000	67,405	850,000	67,405	917,405
Total		\$ 2,045,000	579,381	\$ 3,395,000	773,501	4,168,501

On August 22, 2013, the City issued \$750,000 of general obligation capital loan notes for the opening, widening, extending, grading and draining of the right-of-way of streets; the construction, reconstruction and repairing of any street improvements; the acquisition, installation, and repair of traffic control devices and the acquisition of real estate needed for any of the foregoing purposes. The notes bear interest at rates ranging from 2.00% to 4.50% per annum and mature June 1, 2033. During the year ended, June 30, 2023, the City paid principal of \$35,000 and interest of \$20,525 on the notes. As of June 30, 2023, the total principal remaining on the notes is \$455,000.

On August 17, 2016, the City issued \$2,385,000 of general obligation refunding notes for the current refunding of \$1,935,000 of general obligation notes, street construction projects and the construction of and renovation to city buildings and facilities. The notes bear interest at rates ranging from 2.00% to 2.50% per annum and mature June 1, 2030. During the year ended, June 30, 2023, the City paid principal of \$175,000 and interest of \$22,944 on the notes. As of June 30, 2023, the total principal remaining on the notes is \$895,000.

On April 20, 2022, the City issued \$2,045,000 of general obligation capital loan notes for the purpose of opening, widening, extending, grading, and draining of the right-of-way of streets, highways, avenues, alleys and public grounds; the construction, reconstruction, and repairing of any street or bridge improvements; the acquisition, installation, and repair of sidewalks, pedestrian overpasses and underpasses, trails, storm sewers, sanitary sewers, water service lines, street lighting, and traffic control devices. In addition, \$300,000 of these notes were for the City's local match requirement for the CDBG Façade grant project. The notes bear interest at rates ranging from 3.00% to 3.13% per annum and mature June 1, 2037. During the year ended June 30, 2023, the City paid principal of \$0 and interest of \$69,242 on the notes. As of June 30, 2023, the total principal remaining on the notes is \$2,045,000.

Revenue Capital Loan Notes

A summary of the City's June 30, 2023 revenue notes payable is as follows:

Year Ending June 30,	Water Capital Loan 2007			Water Capital Loan 2020		
	Issued Dec 20, 2007			Issued Jun 6, 2020		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	1.75%	\$ 43,000	4,043	1.75%	\$ 23,000	7,858
2025	1.75	45,000	3,290	1.75	23,000	7,455
2026	1.75	46,000	2,503	1.75	24,000	7,053
2027	1.75	48,000	1,698	1.75	24,000	6,633
2028	1.75	49,000	1,158	1.75	25,000	6,213
2029-2033		-	-	1.75	129,000	21,779
2034-2038		-	-	1.75	141,000	12,741
2039-2043		-	-	1.75	60,000	1,575
Total		\$ 231,000	12,692		\$ 449,000	71,307

Year Ending June 30,	Totals	
	Principal	Interest
2024	\$ 66,000	11,901
2025	68,000	10,745
2026	70,000	9,556
2027	72,000	8,331
2028	74,000	7,371
2029-2033	129,000	21,779
2034-2038	141,000	12,741
2039-2043	60,000	1,575
Total	\$ 680,000	83,999

Water Revenue Capital Loan Note – Direct Borrowing

On December 20, 2007, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of \$737,000 of water revenue capital loan notes with an interest of 1.75% per annum. The notes were issued pursuant to the provisions of Chapters 76.13 and 384.24A of the Code of Iowa for the purpose of providing financing for the construction of water main extensions. An initiation fee of \$7,500 (1.00% of authorized borrowing for the water revenue notes) was charged by the Iowa Finance Authority and was withheld from the first proceeds of the water revenue notes drawn. The agreement also requires the City to pay a 0.25% servicing fee on the outstanding principal balance. The notes are payable solely from water customer net receipts and are payable through 2028. During the year ended, June 30, 2023, the City paid principal of \$42,000 and interest of \$4,778 on the notes. The total principal and interest remaining to be paid on the notes is \$243,692.

Water Revenue Notes – Direct Borrowing

On June 5, 2020, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of water revenue notes of up to \$650,000 with an interest of 1.75% per annum. The notes were issued pursuant to the provisions of Chapters 76.13 and 384.24A of the Code of Iowa for the purpose of paying the cost of planning, designing and constructing improvements and extensions to the utility. An initiation fee of \$3,250 (0.50% of authorized borrowing for the water revenue notes) was charged by the Iowa Finance Authority and was withheld from the first proceeds of the water revenue notes drawn. The agreement also requires the City to pay a 0.25% servicing fee on the outstanding principal balance. Also, during the year ended June 30, 2023, the City paid \$23,000 in principal and \$8,260 in interest on the notes. The total principal and interest remaining to be paid on the notes is \$520,307.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$737,000 of water revenue capital loan notes issued in December 2007 and to repay \$650,000 of water revenue notes issued in June 2020. Annual principal and interest payments on the notes are expected to require 61% of net receipts. For the current year, principal and interest paid and total customer net receipts were \$78,038 and \$128,044, respectively.

Sewer Revenue Notes – Direct Borrowing

On November 6, 2020, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of sewer revenue notes of up to \$5,729,000 with an interest of 1.75% per annum. The notes were issued pursuant to the provisions of Chapters 76.13 and 384.24A of the Code of Iowa for the purpose of paying the cost of planning, designing and construction improvements and extensions to the utility. An initiation fee of \$28,645 (0.50% of authorized borrowing for the sewer revenue notes) was charged by the Iowa Finance Authority and was withheld from the first proceeds of the sewer revenue notes drawn. The agreement also requires the City to pay a 0.25% servicing fee on the outstanding principal balance. During the year ended June 30, 2023, the City had drawn down an additional \$1,052,469 for a total amount of \$5,202,759 drawn. Also, during the year ended June 30, 2023, the City paid \$252,000 in principal and \$76,524 in interest on the notes. A final repayment schedule will not be available until the City has finished making draws on the notes.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Water and sewer user rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the annual installments of principal and interest on the notes falling due in the same year.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$5,729,000 of sewer revenue notes issued in November 2020. Annual principal and interest payments on the notes are expected to require 92% of net receipts. For the current year, principal and interest paid and total customer net receipts were \$328,524 and \$358,291, respectively.

Lease Agreements

On April 19, 2019, the City entered into a noncancelable lease agreement for a library printer. An initial lease liability was recorded in the amount of \$10,192. The agreement requires monthly payments of \$183 over 60 months, with an implicit interest rate of 3.0% and a final payment on April 1, 2024. During the year ended June 30, 2023, the City paid principal of \$2,098 and interest of \$98. Future principal and interest payments are as follows:

Year Ending June 30,	Printer		
	Principal	Interest	Total
2024	\$ 2,162	34	2,196

On March 25, 2019, the City entered into a noncancelable lease agreement for a tower computer server and accessories. An initial lease liability was recorded in the amount of \$93,597. The agreement requires monthly payments of \$1,682 over 60 months, with an implicit interest rate of 3.0% and a final payment on March 1, 2024. During the year ended June 30, 2023, the City paid principal of \$19,320 and interest of \$864. Future principal and interest payments are as follows:

Year Ending June 30,	Server		
	Principal	Interest	Total
2024	\$ 18,226	275	18,501

On September 22, 2022, the City entered into a noncancelable lease agreement for a city hall printer. An initial lease liability was recorded in the amount of \$10,531. The agreement requires monthly payments of \$189 over 60 months, with an implicit interest rate of 3.0% and a final payment on September 22, 2027. During the year ended June 30, 2023, the City paid principal of \$1,503 and interest of \$195. Future principal and interest payments are as follows:

Year Ending June 30,	Printer		
	Principal	Interest	Total
2024	\$ 2,022	246	2,268
2025	2,083	185	2,268
2026	2,147	121	2,268
2027	2,212	56	2,268
2028	564	3	567
Total	\$ 9,028	611	9,639

(4) Pension Plan

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

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

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

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

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 2023, 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, 2023 totaled \$49,254.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the City reported a liability of \$196,110 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the City's proportion was 0.005191%, which was a decrease of 0.005389% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City's pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled (\$3,910), \$247,129 and \$264,547, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

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, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
Total	<u>100.0%</u>	

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

Sensitivity of City’s Proportionate Share of the Net Pension Liability (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)	\$ 401,032	196,110	15,622

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

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, personal leave and compensatory time 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, personal leave and compensatory time payable to employees at June 30, 2023, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 24,900
Compensatory time	2,800
Personal leave	4,600
Total	\$ 32,300

This liability has been computed based on rates of pay in effect at June 30, 2023.

(6) Contractual Commitments

On October 9, 2020, the City entered a architectural design contract to provide architectural services for the Downtown Sigourney CDBG Façade Improvement Project totaling \$92,000. The unpaid contract balance as of June 30, 2023 totaled approximately \$11,830, which will be paid as the work on the project progresses.

On October 14, 2020, the City entered a construction contract totaling \$5,666,666 to construct wastewater treatment plant improvements. In May of 2022, the contract for wastewater treatment plant improvements was amended to \$5,721,265. The unpaid contract balance as of June 30, 2023 totaled approximately \$373,240, which will be paid as the work on the project progresses.

On October 20, 2021, the City entered a construction contract totaling \$710,207 for improvements to the facades along East Marion Street. In June of 2022, the contract for improvement for the facades was amended to be \$720,844. The unpaid contract balance as of June 30, 2023 totaled approximately \$66,557, which will be paid as the work on the project progresses.

On May 9, 2022, the City entered a construction contract totaling \$1,570,552 for street improvement projects. In March of 2023 that contract was amended to be \$1,580,177.50. The unpaid contract balance as of June 30, 2023 totaled approximately \$392,163, which will be paid as the work on the project progresses.

On August 26, 2022 the City entered a construction contract with RG Construction, Inc. totaling \$289,500 for improvements to upper-level apartments as 103 S Jefferson Street. The unpaid contract balance as of June 30, 2023 totaled approximately \$41,539, which will be paid as the work on the project progresses.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2023 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue: TIF Program	<u>\$ 46,703</u>

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

(8) Risk Management

The City is a member of the Iowa Community Assurance Pool, as followed by Chapter 670.7 of the Code of Iowa. The Iowa Community Assurance Pool (Pool) is a local government risk-sharing pool whose 800 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, employment practices liability, public officials liability, cyber liability, law enforcement liability, and property. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2023 were \$46,480.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2023, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

(9) Developer Agreement

In May 2006, the City and CB&D Development, Inc. (Developer) entered into a development agreement to construct a subdivision. The total to be paid by the City under this agreement shall be equal to the lesser of the sum of the total applicable percentage of all tax increments collected with respect to the assessments imposed on the development property and minimum improvements as of January 1, 2006 and January 1 of each of the following fourteen years, the actual cost of the public improvements (including reasonable interest cost) for which bills and proof of payment have been submitted to the City and construction is completed on or before December 31, 2016 or \$1,000,000. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property. The obligation is not a general obligation of the City, but the debt is subject to the constitutional debt limitation of the City. During the year ended June 30, 2023, the City paid \$22,502 to the developer, for a cumulative amount paid of \$349,217.

(10) Tax Abatements

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

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. Additionally, the City offered an urban revitalization tax abatement program pursuant to Chapter 404 of the Code of Iowa. With prior approval by the governing body, this program provides for an exemption of taxes based on a percentage of the actual value added by improvements. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2023, \$8,462 of property tax was diverted from the City under the urban renewal and economic development agreements and \$47,880 of property tax was diverted from the City under the revitalization projects.

(11) Deficit Balance

The Special Revenue, CDBG Housing Fund had a deficit balance of \$12,854 at June 30, 2023. The City is investigating alternatives to eliminate this deficit.

Other Information

City of Sigourney
 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, 2023

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 867,264	-	-
Tax increment financing	103,302	-	-
Other city tax	222,999	-	-
Licenses and permits	100,658	-	-
Use of money and property	52,220	10,987	10
Intergovernmental	796,867	-	-
Charges for service	20,260	1,412,869	-
Special assessments	-	-	-
Miscellaneous	112,258	25,432	12,936
Total receipts	<u>2,275,828</u>	<u>1,449,288</u>	<u>12,946</u>
Disbursements:			
Public safety	156,239	-	-
Public works	525,973	-	-
Culture and recreation	326,050	-	9,754
Community and economic development	735,791	-	-
General government	273,047	-	-
Debt service	326,421	-	-
Capital projects	1,233,046	-	-
Business type activities	-	2,081,542	-
Total disbursements	<u>3,576,567</u>	<u>2,081,542</u>	<u>9,754</u>
Excess (deficiency) of receipts over (under) disbursements	(1,300,739)	(632,254)	3,192
Other financing sources, net	-	1,052,469	-
Change in balances	(1,300,739)	420,215	3,192
Balances beginning of year	<u>4,545,146</u>	<u>2,739,264</u>	<u>13,272</u>
Balances end of year	<u>\$ 3,244,407</u>	<u>3,159,479</u>	<u>16,464</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total
			Variance
867,264	943,263	943,263	(75,999)
103,302	118,671	118,671	(15,369)
222,999	284,830	284,830	(61,831)
100,658	12,400	12,400	88,258
63,197	39,575	39,575	23,622
796,867	1,171,500	1,171,500	(374,633)
1,433,129	1,311,400	1,311,400	121,729
-	99,310	99,310	(99,310)
124,754	104,502	104,502	20,252
3,712,170	4,085,451	4,085,451	(373,281)
156,239	443,250	487,700	331,461
525,973	666,225	770,375	244,402
316,296	474,402	495,902	179,606
735,791	1,371,200	1,475,200	739,409
273,047	383,682	465,682	192,635
326,421	306,000	307,000	(19,421)
1,233,046	2,005,000	2,015,100	782,054
2,081,542	4,778,835	4,492,185	2,410,643
5,648,355	10,428,594	10,509,144	4,860,789
(1,936,185)	(6,343,143)	(6,423,693)	4,487,508
1,052,469	2,800,000	2,800,000	(1,747,531)
(883,716)	(3,543,143)	(3,623,693)	2,739,977
7,271,138	4,508,412	4,508,412	2,762,726
6,387,422	965,269	884,719	5,502,703

City of Sigourney

City of Sigourney

Notes to Other Information – Budgetary Reporting

June 30, 2023

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Funds 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, a budget amendment increased budgeted disbursements by \$80,550. The budget amendment is reflected in the final budgeted amounts. During the year ended June 30, 2023, disbursements exceeded budget in the debt service function.

City of Sigourney

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

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

Other Information

	2023	2022	2021	2020
City's proportion of the net pension liability (asset)	0.005191%	0.010580%	0.005768%	0.005409%
City's proportionate share of the net pension liability (asset)	\$ 196	(36)	405	313
City's covered payroll	\$ 504	498	589	595
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	38.89%	(7.23)	68.76%	52.61%
IPERS' net position as a percentage of the total pension liability (asset)	91.40%	100.81%	82.90%	85.45%

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

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

See accompanying independent auditor's report.

2019	2018	2017	2016	2015
0.005400%	0.005491%	0.005589%	0.004973%	0.004451%
342	366	352	246	176
594	564	544	486	486
57.58%	64.89%	64.71%	50.62%	36.21%
83.62%	82.21%	81.82%	85.19%	87.61%

City of Sigourney

Schedule of City Contributions

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

Other Information

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 49	47	47	56
Contributions in relation to the statutorily required contribution	<u>(49)</u>	<u>(47)</u>	<u>(47)</u>	<u>(56)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 523	504	498	589
Contributions as a percentage of covered payroll	9.37%	9.33%	9.44%	9.51%

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
57	55	52	55	45	45
(57)	(55)	(52)	(55)	(45)	(45)
-	-	-	-	-	-
595	594	564	544	486	486
9.58%	9.26%	9.22%	10.11%	9.26%	9.26%

City of Sigourney

Notes to Other Information – Pension Liability

Year ended June 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2022 valuation incorporated the following refinements after a quadrennial experience study:

- Changed mortality assumptions to the PubG-2010 mortality tables with mortality improvements modeled using Scale MP-2021.
- Adjusted retirement rates for Regular members.
- Lowered disability rates for Regular members.
- Adjusted termination rates for all membership groups.

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 Sigourney

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

As of and for the year ended June 30, 2023

	Restricted Gifts	Tax Increment	CDBG Housing	TIF Program	CLG History Presentation	Special
Receipts:						
Tax increment financing	\$ -	-	-	103,302	-	-
Licenses and permits	-	-	2,566	-	-	-
Use of money and property	28	-	-	-	3	-
Intergovernmental	-	-	-	12,766	-	-
Charges for services	-	-	1,950	-	-	-
Miscellaneous	39,240	-	-	-	-	-
Total receipts	39,268	-	4,516	116,068	3	-
Disbursements:						
Operating:						
Public safety	1,321	-	14,285	-	-	-
Culture and recreation	30,050	-	-	-	-	-
Community and economic development	5,965	-	-	22,502	-	-
Total disbursements	37,336	-	14,285	22,502	-	-
Excess (deficiency) of receipts over (under) disbursements	1,932	-	(9,769)	93,566	3	-
Other financing sources (uses):						
Transfers out	-	-	-	(46,703)	-	-
Change in cash balances	1,932	-	(9,769)	46,863	3	-
Cash balances (deficit) beginning of year	13,633	3,112	(3,085)	28,021	2,318	-
Cash balances (deficit) end of year	\$ 15,565	3,112	(12,854)	74,884	2,321	-
Cash Basis Fund Balances						
Nonspendable:						
Lewis Memorial Trust	\$ -	-	-	-	-	-
Library Memorial Trust	-	-	-	-	-	-
Restricted for:						
Debt service	-	3,112	-	74,884	-	-
Other purposes	15,565	-	-	-	2,321	-
Unassigned	-	-	(12,854)	-	-	-
Total cash basis fund balances (deficits)	\$ 15,565	3,112	(12,854)	74,884	2,321	-

See accompanying independent auditor's report.

Revenue			Permanent		
Lewis Memorial Fountain	Year 2044	Friends of the Sigourney Public Library	Lewis Memorial Trust	Library Memorial Trust	Total
-	-	-	-	-	103,302
-	-	-	-	-	2,566
242	38	10	-	-	321
-	-	-	-	-	12,766
-	-	-	-	-	1,950
8,971	-	12,936	-	-	61,147
9,213	38	12,946	-	-	182,052
-	-	-	-	-	15,606
20,581	-	9,754	-	-	60,385
-	-	-	-	-	28,467
20,581	-	9,754	-	-	104,458
(11,368)	38	3,192	-	-	77,594
-	-	-	-	-	(46,703)
(11,368)	38	3,192	-	-	30,891
46,001	12,585	13,272	4,675	1,000	121,532
34,633	12,623	16,464	4,675	1,000	152,423
-	-	-	4,675	-	4,675
-	-	-	-	1,000	1,000
-	-	-	-	-	77,996
34,633	12,623	16,464	-	-	81,606
-	-	-	-	-	(12,854)
34,633	12,623	16,464	4,675	1,000	152,423

City of Sigourney

City of Sigourney

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Internal Service Funds

As of and for the year ended June 30, 2023

	Internal Service		Total
	Vehicle Replacement	Medical Self Fund	
Operating receipts:			
Charges for service	\$ 219,100	20,040	239,140
Operating disbursements:			
Governmental activities:			
Public safety	2,682	-	2,682
Public works	5,533	-	5,533
General government	183	5,091	5,274
Business type activities	11,622	9,525	21,147
Total operating disbursements	20,020	14,616	34,636
Excess of operating receipts over operating disbursements	199,080	5,424	204,504
Non-operating receipts:			
Interest on investments	26,326	-	26,326
Change in cash balances	225,406	5,424	230,830
Cash balances beginning of year	682,233	58,880	741,113
Cash balances end of year	\$ 907,639	64,304	971,943
Cash Basis Fund Balances			
Unrestricted	\$ 907,639	64,304	971,943

See notes to financial statements.

City of Sigourney

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

For the Last Ten Years

	2023	2022	2021	2020
Receipts:				
Property tax	\$ 867,264	819,492	899,253	863,086
Tax increment financing	103,302	74,389	69,671	56,870
Local option sales tax	196,943	301,255	224,889	149,760
Other city tax	26,056	24,241	29,303	30,173
Licenses and permits	100,658	100,450	84,776	90,221
Use of money and property	52,220	23,844	28,262	31,248
Intergovernmental	796,867	490,545	505,044	341,186
Charges for service	20,260	20,057	14,191	11,626
Miscellaneous	112,258	116,931	153,173	141,360
Total	\$ 2,275,828	1,971,204	2,008,562	1,715,530
Disbursements:				
Operating:				
Public safety	\$ 156,239	174,180	174,991	304,035
Public works	525,973	414,860	401,624	327,549
Culture and recreation	326,050	397,216	227,981	295,454
Community and economic development	735,791	380,306	128,495	77,431
General government	273,047	290,911	283,158	264,214
Debt service	326,421	281,442	330,044	331,843
Capital projects	1,233,046	65,015	60	7,468
Total	\$ 3,576,567	2,003,930	1,546,353	1,607,994

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
855,657	945,154	860,385	938,893	981,899	992,155
52,648	52,511	69,288	58,497	70,909	64,142
158,414	155,860	180,365	166,194	258,088	228,537
29,725	35,068	30,406	17,142	-	-
112,381	64,564	36,650	33,664	20,344	19,853
27,894	23,742	21,449	19,065	16,771	19,480
343,150	311,845	458,284	461,201	278,480	245,751
44,751	25,248	28,897	28,646	49,316	78,990
214,636	117,890	97,037	141,325	189,791	154,058
<u>1,839,256</u>	<u>1,731,882</u>	<u>1,782,761</u>	<u>1,864,627</u>	<u>1,865,598</u>	<u>1,802,966</u>
388,808	417,036	464,196	425,087	333,973	388,254
365,701	328,319	364,345	356,362	254,631	206,563
328,203	251,541	288,943	301,388	308,082	233,455
156,003	54,807	73,050	52,393	48,279	129,394
236,415	227,385	198,670	219,489	215,201	218,427
322,344	322,494	2,338,305	366,587	363,987	381,978
4,597	237,820	193,236	139,570	366,996	321,558
<u>1,802,071</u>	<u>1,839,402</u>	<u>3,920,745</u>	<u>1,860,876</u>	<u>1,891,149</u>	<u>1,879,629</u>



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

Rob Sand
Auditor of State

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

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sigourney, Iowa, as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 25, 2024. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2023-001 through 2023-002 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Sigourney'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, 2023 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 Sigourney's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Sigourney's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The City of Sigourney'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 Sigourney 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.



Brian R. Brustkern, CPA
Deputy Auditor of State

March 25, 2024

City of Sigourney

Schedule of Findings

Year ended June 30, 2023

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2023-001 Segregation of Duties – 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 authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

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

- (1) Cash – reconciling bank accounts, cash disbursement functions and recording cash.
- (2) Receipts – opening mail, collecting, recording/accounting for cash receipts and deposit preparation.
- (3) Utilities – utility billing, collecting, depositing, posting to customer accounts and maintaining accounts receivable records.
- (4) Accounting system – performing all general accounting functions and having custody of City assets.

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

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

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

Response – The City will continue to review its control procedures to obtain the maximum internal control possible under the circumstances.

Conclusion – Response accepted.

City of Sigourney

Schedule of Findings

Year ended June 30, 2023

2023-002 Reconciliation of Utility Billings, Collections and Delinquent Accounts

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

Condition – For fiscal year 2023, utility reconciliations were completed but not evidenced as reviewed by an independent person.

Cause – Policies have not been established and procedures have not been implemented to ensure monthly reconciliations are completed and reviewed by an independent person.

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

Recommendation – The City Council should designate a member of the City Council or another independent person to review the reconciliations and monitor delinquent accounts. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

Response – The City Clerk’s office will reconcile the utility billings, collections and delinquent accounts monthly and will have the Mayor or a Council Member sign or initial and date documenting their review.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Sigourney

Schedule of Findings

Year ended June 30, 2023

Other Findings Related to Required Statutory Reporting:

2023-A Certified Budget – Disbursements during the year ended June 30, 2023 exceeded the amount budgeted in the debt service function at June 30, 2023. 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 – Staff will attempt to comply by doing more than one budget amendment per year.

Conclusion – Response accepted.

2023-B Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

2023-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2023-D Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Adam Clark, Council member, son is Brady Clark	Snow removal and salt service for the City	\$ 1,215
Stephanie Lentz, Council member, Brother Owns Atwood Electric Inc.	Electrical work for the City buildings/property	32,836

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, transactions with Brady Clark do not appear to represent a conflict of interest since total transactions were less than \$6,000 for the fiscal year.

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, transactions with Atwood Electric Inc. may represent a conflict of interest since total transactions were more than \$6,000 during the fiscal year and the transactions were not competitively bid. This is the second year the City has done business with Atwood Electric Inc. without a competitive bid.

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

Response – The City Clerk will consult with the City’s Attorney regarding this matter.

Conclusion – Response accepted.

City of Sigourney

Schedule of Findings

Year ended June 30, 2023

- 2023-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
- 2023-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.
- 2023-G City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- 2023-H Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- 2023-I Revenue Notes – The City has not established utility rates to produce net operating receipt equal to at least 110% of the principal and interest coming due each year as required by the note resolution.

Recommendation – The City should ensure the net operating receipt for the Enterprise, Sewer Fund are sufficient to make required debt service payments and comply with the sewer revenue not resolution.

Response – The City will continue to work with Piper-Sandler to ensure the City complies with this requirement.

Conclusion – Response accepted.

- 2023-J Tax Increment Financing – The Special Revenue, Tax Increment Financing (TIF) Program Fund properly disbursed payments for TIF loans and rebates.
- 2023-K Annual Urban Renewal Report – No instances of non-compliance with the Annual Urban Renewal Report requirements for the year ended June 30, 2023 were noted.
- 2023-L Financial Condition – At June 30, 2023, the City had a deficit balance of \$12,854 in the Special Revenue, CDBG Housing Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

Response – The inspections and annual fees have resumed after being cancelled due to COVID-19 and the account is showing a deficit balance of \$3,085 as of December 31, 2023 which shows progress is being made. The City is working on moving this fund to the General Fund.

Conclusion – Response accepted.

City of Sigourney

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Deputy
Suzanne R. Dahlstrom, CPA, Manager
David A. Slocum, CPA, Senior Auditor
William R. Bamber, CPA, Senior Auditor
Dillon J. Hoit, Assistant Auditor