



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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Des Moines, Iowa 50319-0006
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NEWS RELEASE

Contact: Brian Brustkern
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FOR RELEASE

November 19, 2024

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$10,537,981 for the year ended June 30, 2022, a 5.6% decrease. Disbursements for the year ended June 30, 2022 totaled \$10,086,352, a 39.1% increase. The significant increase in disbursements is due primarily to capital projects for the Downtown Façade project and fire station addition.

AUDIT FINDINGS

Sand reported twelve findings related to the receipt and disbursement of taxpayer funds. They are found on pages 48 through 55 of this report. The findings address issues such as a lack of segregation of duties, financial reporting, the lack of reconciliations of utility billings, collections and delinquent accounts, the lack of timely preparation of bank reconciliations, and incorrect certifications of tax increment financing debt. Sand provided the City with recommendations to address each of the findings.

Ten of the 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](#).

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CITY OF ANAMOSA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2022

City of Anamosa



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

Rob Sand
Auditor of State

September 24, 2024

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

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Anamosa 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", written in a cursive style.

Rob Sand
Auditor of State

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City of Anamosa

Officials

(Before January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rod Smith	Mayor	Jan 2022
Galen Capron	Council Member	Jan 2022
John Machart	Council Member	Jan 2022
Kay Smith	Council Member	Jan 2022
Richard Crump	Council Member	Jan 2024
Jeff Stout	Council Member	Jan 2024
Alan Zumbach	Council Member	Jan 2024
Beth Brincks	City Administrator/City Clerk	Indefinite
Patrick O'Connell	Attorney	Indefinite

(After January 2022)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Rod Smith	Mayor	Jan 2026
Richard Crump	Council Member	Jan 2024
Jeff Stout	Council Member	Jan 2024
Alan Zumbach	Council Member	Jan 2024
Brooke Gombert	Council Member	Jan 2026
Kay Smith	Council Member	Jan 2026
Teresa Tuetken	Council Member	Jan 2026
Beth Brincks	City Administrator/City Clerk	(Resigned Feb 2022)
Jeremiah Hoyt	Interim City Administrator/City Clerk	(Appointed Mar 2022)
Patrick O'Connell	Attorney	Indefinite

City of Anamosa



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
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State Capitol Building
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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Financial Statements

Qualified and Unmodified 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 Anamosa, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Qualified Opinions on Governmental Activities, Business Type Activities, General Fund, Special Revenue Road Use Tax Fund and Local Option Sales Tax Fund, Capital Projects Fund, Enterprise Water Fund and Sewer Fund

In our opinion, except for the effects of the matter as described in the Basis for Qualified and Unmodified Opinions section of our report, the accompanying 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, the General Fund, the Special Revenue, Road Use Tax Fund and Local Option Sales Tax Fund, Capital Projects Fund and the Enterprise, Water Fund and Sewer Fund of the City of Anamosa as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Unmodified Opinion on Employee Benefits Fund and Aggregate Remaining Fund Information

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the Employee Benefits Fund and the aggregate remaining fund information of the City of Anamosa as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Qualified Opinions and Unmodified Opinions

The City did not perform bank to book reconciliations, nor did they perform a fund level reconciliation for the year ended June 30, 2022. The ending balances distributed by fund were not initially supported. Adjustments were subsequently made to the balances. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balances as of June 30, 2022.

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 Anamosa, 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 Anamosa'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 judgment 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 judgment 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 Anamosa'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Anamosa'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 Anamosa's basic financial statements. The financial statements for the seven years ended June 30, 2019 (which are not presented herein) were audited by other auditors who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. 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 two years ended June 30, 2021 (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 and 2 are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedules 1 and 2 are 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 (Asset) and the Schedule of City Contributions on pages 32 through 40 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 September 24, 2024 on our consideration of the City of Anamosa'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 Anamosa's internal control over financial reporting and compliance.



Brian R. Brustkern, CPA
Deputy Auditor of State

September 24, 2024

City of Anamosa

Basic Financial Statements

City of Anamosa

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2022

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 1,052,208	5,871	144,877	-
Public works	1,075,602	53,926	755,461	-
Culture and recreation	1,105,327	168,516	104,902	-
Community and economic development	34,931	4,240	579	-
General government	701,002	162,735	-	-
Debt service	524,217	-	147	-
Capital projects	1,491,805	-	-	665,894
Total governmental activities	5,985,092	395,288	1,005,966	665,894
Business type activities:				
Water	2,865,747	1,063,773	17,006	-
Sewer	1,235,513	1,795,993	5,506	-
Total business type activities	4,101,260	2,859,766	22,512	-
Total	\$ 10,086,352	3,255,054	1,028,478	665,894

General Receipts and Transfers:

Property and other city tax levied for:
 General purposes
 Debt service
 Tax increment financing
 Local option sales tax
 Hotel/motel tax
 American Rescue Plan Act
 Unrestricted interest on investments
 Bond proceeds net of an initiation fee of \$15,945
 Miscellaneous
 Sale of capital assets
 Total general receipts and transfers
 Change in cash basis net position
 Cash basis net position beginning of year
 Cash basis net position end of year

Cash Basis Net Position

Restricted:
 Nonexpendable:
 Cemetery perpetual care
 Expendable:
 Streets
 Capital projects
 Debt service
 Local option sales tax purposes
 Library purposes
 Other purposes
 Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Primary Government		
Governmental Activities	Business Type Activities	Total
(901,460)	-	(901,460)
(266,215)	-	(266,215)
(831,909)	-	(831,909)
(30,112)	-	(30,112)
(538,267)	-	(538,267)
(524,070)	-	(524,070)
(825,911)	-	(825,911)
(3,917,944)	-	(3,917,944)
-	(1,784,968)	(1,784,968)
-	565,986	565,986
-	(1,218,982)	(1,218,982)
(3,917,944)	(1,218,982)	(5,136,926)
2,008,950	-	2,008,950
207,487	-	207,487
482,641	-	482,641
651,822	-	651,822
82,539	-	82,539
-	413,954	413,954
8,258	-	8,258
-	1,555,970	1,555,970
175,152	-	175,152
1,782	-	1,782
3,618,631	1,969,924	5,588,555
(299,313)	750,942	451,629
9,385,747	5,723,080	15,108,827
\$ 9,086,434	6,474,022	15,560,456
\$ 108,753	-	108,753
1,474,469	-	1,474,469
641,636	904,060	1,545,696
590,955	947,082	1,538,037
1,162,489	-	1,162,489
608,864	-	608,864
341,294	196,224	537,518
4,157,974	4,426,656	8,584,630
\$ 9,086,434	6,474,022	15,560,456

City of Anamosa

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

As of and for the year ended June 30, 2022

	Special		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 1,401,190	-	-
Tax increment financing	-	-	-
Local option sales tax	-	-	651,822
Other city tax	116,905	-	-
Licenses and permits	195,276	-	-
Use of money and property	23,311	-	18
Intergovernmental	114,122	755,443	-
Charges for service	167,356	-	-
Miscellaneous	265,310	-	-
Total receipts	<u>2,283,470</u>	<u>755,443</u>	<u>651,840</u>
Disbursements:			
Operating:			
Public safety	966,624	-	34,721
Public works	451,085	423,117	201,400
Culture and recreation	1,010,202	-	95,125
Community and economic development	8,341	-	-
General government	642,534	-	58,468
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>3,078,786</u>	<u>423,117</u>	<u>389,714</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(795,316)</u>	<u>332,326</u>	<u>262,126</u>
Other financing sources (uses):			
Sale of capital assets	1,782	-	-
Transfers in	837,488	-	-
Transfers out	(27,466)	(256,000)	(25,877)
Total other financing sources (uses)	<u>811,804</u>	<u>(256,000)</u>	<u>(25,877)</u>
Change in cash balances	16,488	76,326	236,249
Cash balances beginning of year	<u>4,141,486</u>	<u>1,398,143</u>	<u>926,240</u>
Cash balances end of year	<u>\$ 4,157,974</u>	<u>1,474,469</u>	<u>1,162,489</u>
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Streets	-	1,474,469	-
Capital projects	-	-	-
Debt service	-	-	-
Local option sales tax purposes	-	-	1,162,489
Library purposes	-	-	-
Other purposes	-	-	-
Unassigned	<u>4,157,974</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 4,157,974</u>	<u>1,474,469</u>	<u>1,162,489</u>

See notes to financial statements.

<u>Revenue</u>			
Employee Benefits	Capital Projects	Nonmajor	Total
560,562	-	202,676	2,164,428
-	-	482,641	482,641
-	-	-	651,822
12,832	-	4,811	134,548
-	-	-	195,276
15	-	728	24,072
-	452,403	-	1,321,968
-	-	-	167,356
-	213,491	63,085	541,886
<u>573,409</u>	<u>665,894</u>	<u>753,941</u>	<u>5,683,997</u>
-	-	50,863	1,052,208
-	-	-	1,075,602
-	-	-	1,105,327
-	-	26,590	34,931
-	-	-	701,002
-	-	524,217	524,217
-	1,491,805	-	1,491,805
<u>-</u>	<u>1,491,805</u>	<u>601,670</u>	<u>5,985,092</u>
<u>573,409</u>	<u>(825,911)</u>	<u>152,271</u>	<u>(301,095)</u>
-	-	-	1,782
-	-	265,227	1,102,715
<u>(555,611)</u>	<u>-</u>	<u>(237,761)</u>	<u>(1,102,715)</u>
<u>(555,611)</u>	<u>-</u>	<u>27,466</u>	<u>1,782</u>
17,798	(825,911)	179,737	(299,313)
<u>170,689</u>	<u>1,467,547</u>	<u>1,281,642</u>	<u>9,385,747</u>
<u>188,487</u>	<u>641,636</u>	<u>1,461,379</u>	<u>9,086,434</u>
-	-	108,753	108,753
-	-	-	1,474,469
-	641,636	-	641,636
-	-	590,955	590,955
-	-	-	1,162,489
-	-	608,864	608,864
188,487	-	152,807	341,294
-	-	-	4,157,974
<u>188,487</u>	<u>641,636</u>	<u>1,461,379</u>	<u>9,086,434</u>

City of Anamosa

City of Anamosa

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

As of and for the year ended June 30, 2022

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 1,063,773	1,795,993	2,859,766
Miscellaneous	14,892	-	14,892
Total operating receipts	1,078,665	1,795,993	2,874,658
Operating disbursements:			
Business type activities	844,377	811,659	1,656,036
Excess of operating receipts over operating disbursements	234,288	984,334	1,218,622
Non-operating receipts (disbursements):			
Intergovernmental	413,954	-	413,954
Interest on investments	2,114	5,506	7,620
Water revenue bond proceeds	1,555,970	-	1,555,970
Debt service	(233,693)	(125,480)	(359,173)
Capital projects	(1,787,677)	(298,374)	(2,086,051)
Net non-operating receipts (disbursements)	(49,332)	(418,348)	(467,680)
Change in cash balances	184,956	565,986	750,942
Cash balances beginning of year	1,028,055	4,695,025	5,723,080
Cash balances end of year	\$ 1,213,011	5,261,011	6,474,022
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ 590,231	356,851	947,082
Capital projects	300,238	603,822	904,060
Meter deposits	196,224	-	196,224
Unrestricted	126,318	4,300,338	4,426,656
Total cash basis fund balances	\$ 1,213,011	5,261,011	6,474,022

See notes to financial statements.

City of Anamosa

Notes to Financial Statements

June 30, 2022

(1) Summary of Significant Accounting Policies

The City of Anamosa is a political subdivision of the State of Iowa located in Jones County. It was first incorporated in 1877 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Anamosa 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 Anamosa (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

Anamosa Fire Fighters Association has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa. The Anamosa Fire Fighters Association receives donations for the benefit of the Anamosa Fire Department. These donations are to be used to purchase items which are not included in the City's budget. The Anamosa Fire Fighters Association is legally separate from the City but is so entwined with the City it is, in substance, the same as the City. In accordance with criteria set forth by the Governmental Accounting Standards Board, Anamosa Fire Fighters Association meets the definition of a component unit which should be blended. It is reported as part of the City and blended into the Special Revenue 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: Jones County Emergency Management Commission, Jones County Joint 911 Service Board and the Jones County Assessor's Conference 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, Cemetery Perpetual Fund.

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 receipts from the tax authorized by referendum and used for any lawful purpose of the City.

The Employee Benefits Fund is used to account for property tax levied to finance the payment of employee benefits.

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

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

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

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

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, 2022, disbursements exceeded the amounts budgeted in the community and economic development function.

(2) Cash and Pooled Investments

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

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

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

(3) Bonds and Notes Payable

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

	Beginning Balances Restated	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 2,025,000	-	395,000	1,630,000	135,000
General obligation notes	147,200	-	95,000	52,200	25,700
Equipment purchase agreements - direct borrowing	-	156,214	33,887	122,327	26,453
Governmental activities total	<u>\$ 2,172,200</u>	<u>156,214</u>	<u>523,887</u>	<u>1,804,527</u>	<u>187,153</u>
Business type activities:					
Water revenue bonds - direct borrowing	\$ 2,779,000	1,571,915	173,000	4,177,915	176,000
Sewer revenue bonds - direct borrowing	724,000	-	111,000	613,000	115,000
Business-type activities total	<u>\$ 3,503,000</u>	<u>1,571,915</u>	<u>284,000</u>	<u>4,790,915</u>	<u>291,000</u>

General Obligation Bonds

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

Year	GO Bond Series 2021		
	Issued Mar 9, 2021		
	Ending June 30,	Interest Rates	Principal Interest
2023	1.00%	\$ 135,000	16,790
2024	1.00	135,000	15,440
2025	1.00	140,000	14,090
2026	1.00	140,000	12,690
2027	1.00	145,000	11,290
2028-2032	1.00-1.20	770,000	34,050
2033	1.00-1.20	165,000	1,980
Totals		<u>\$ 1,630,000</u>	<u>106,330</u>

On May 15, 2012, the City issued \$2,625,000 of general obligation bonds with interest rates ranging from 2.00-2.25% per annum. The bonds were issued for refunding of the City's general obligation Series 2009 notes and the road use tax revenue notes, Series 2002. During the year ended June 30, 2022, the City paid \$275,000 of principal and \$6,188 of interest on the bonds. These bonds were retired as of June 30, 2022.

On March 9, 2021, the City issued \$1,750,000 of general obligation bonds with interest rates ranging from 1.00-1.20% per annum. The bonds were issued for the police station, fire station, property improvement projects and street and highway improvements. During the year ended June 30, 2022, the City paid \$120,000 of principal and \$22,088 of interest on the bonds.

General Obligation Notes

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

Year	Fire Truck Acquisition		
	Issued Oct 5, 2017		
Ending	Interest		
June 30,	Rates	Principal	Interest
2023	3.15%	\$ 25,700	1,667
2024	3.15	26,500	846
Total		\$ 52,200	2,513

On October 18, 2011, the City issued \$700,000 of general obligation notes with interest rates ranging from 1.40% to 3.80% per annum. The notes were issued for street construction, curb, gutter, and sidewalk improvements. During the year ended June 30, 2022, the City paid \$70,000 of principal and \$2,660 of interest on the notes. These bonds were retired as of June 30, 2022.

On October 5, 2017, the City issued \$171,400 of general obligation notes with an interest rate of 3.15% per annum. The notes were issued to purchase a fire truck. During the year ended June 30, 2022, the City paid \$25,000 of principal and \$2,431 of interest on the notes.

Revenue Bonds – Direct Borrowing

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

Year	Sewer		
	Issued Feb 12, 2008		
Ending	Interest		
June 30,	Rates	Principal	Interest
2023	1.75%	\$ 115,000	10,728
2024	1.75	119,000	8,715
2025	1.75	122,000	6,633
2026	1.75	126,000	4,498
2027	1.75	131,000	2,293
Total		\$ 613,000	32,867

Year Ending June 30,	Water Issued Sep 13, 2013			Water Issued Dec 8, 2017		
	Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest
2023	1.75%	\$ 100,000	21,350	1.75%	\$ 76,000	24,255
2024	1.75	102,000	19,600	1.75	77,000	22,925
2025	1.75	104,000	17,815	1.75	78,000	21,578
2026	1.75	106,000	15,995	1.75	80,000	20,213
2027	1.75	109,000	14,140	1.75	81,000	18,813
2028-2032	1.75	577,000	41,371	1.75	429,000	72,224
2033-2037		122,000	2,135	1.75	467,000	33,392
2038		-	-	1.75	98,000	1,715
Total		<u>\$ 1,220,000</u>	<u>132,406</u>		<u>\$ 1,386,000</u>	<u>215,115</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2023	\$ 176,000	45,605	221,605
2024	179,000	42,525	221,525
2025	182,000	39,393	221,393
2026	186,000	36,208	222,208
2027	190,000	32,953	222,953
2028-2032	1,006,000	113,595	1,119,595
2033-2037	589,000	35,527	624,527
2038	98,000	1,715	99,715
Total	<u>\$ 2,606,000</u>	<u>347,521</u>	<u>2,953,521</u>

Sewer Revenue Loan Bonds – Direct Borrowing

On February 12, 2008, the City entered into an agreement with the Iowa Finance Authority for the issuance of sewer revenue bonds of \$2,320,000 with interest at 1.75% per annum. The agreement requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the municipal wastewater treatment system. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue bond or the agreement and to take whatever action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. During the year ended June 30, 2022, the City paid principal of \$111,000 and interest of \$12,670, leaving a principal balance of \$613,000 at June 30, 2022.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,320,000 of sewer revenue notes issued in February 2008. The notes are payable solely from sewer customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require 12.6% of net receipts. The total principal and interest remaining to be paid on the notes is \$645,867. For the current year, principal and interest paid and total customer net receipts were \$123,670 and \$984,334, respectively.

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

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

Water Revenue Loan Bonds – Direct Borrowing

On September 13, 2013, the City entered into an agreement with the Iowa Finance Authority for the issuance of water revenue bonds of \$2,020,000 with interest at 1.75% per annum. The agreement requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the water utility. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue bond or the agreement and to take whatever action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. During the year ended June 30, 2022, the City paid principal of \$98,000 and interest of \$23,065, leaving a principal balance of \$1,220,000 at June 30, 2022.

On December 8, 2017, the City entered into an agreement with the Iowa Finance Authority (IFA) for the issuance of water revenue bonds of \$1,683,682 with interest at 1.75% per annum. The agreement requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of planning, designing and constructing improvements and extensions to the water utility. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue bond or the agreement and to take whatever action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. During the year ended June 30, 2022, the City paid principal of 75,000 and interest of \$25,568, leaving a principal balance of \$1,386,000 at June 20, 2022.

On January 14, 2022, the City entered into an agreement with the Iowa Finance Authority (IFA) for the issuance of up to \$3,189,000 water revenue bonds with interest at 1.75% per annum. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of planning, designing and constructing improvements and extensions to the water utility. The City will draw down funds from the IFA upon request to reimburse the City for costs as they are incurred. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue bond or the agreement and to take whatever action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreement or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreement. During the year ended June 30, 2022, the City drew down \$1,571,915 of the authorized amount, leaving a balance of \$1,617,085 to draw. An initiation fee of \$15,945, 0.5% of the authorized borrowing for the water revenue bonds, was charged by IFA. The agreement also requires the City to pay 0.25% servicing fee on the outstanding principal balance. A final repayment schedule has not yet been adopted for the bonds. \$5,113 in interest payments were made during the year ended June 30, 2022.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$2,020,000, \$1,683,682 and \$3,189,000 of water revenue bonds issued in September 2013, December 2017 and January 2022. Proceeds from the bonds provided financing for the construction of water main extensions. The bonds are payable solely from water customer net receipts and are payable through 2038. Annual principal and interest payments on the notes are expected to require 96.8% of net receipts. The total principal and interest remaining to be paid on the notes is \$4,525,436. For the current year, principal and interest paid and total customer net receipts were \$226,746 and \$234,288, respectively.

The resolutions providing for the issuance of water revenue bonds include the following provisions:

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

The City's net receipts for the year ended June 30, 2022 were less than the required 110% of bond principal and interest falling due during the year.

Equipment Purchase Agreements – Direct Borrowing

On July 17, 2020, the City entered into an equipment purchase agreement for a police vehicle with an initial liability of \$90,909. The agreement requires an initial payment of \$21,393 and annual payments of \$14,220, with an implicit interest rate of 1.2% and a final payment of \$15,179 in July 2025. During the year ended June 30, 2022, the City paid principal of \$13,387 and interest of \$833.

On July 9, 2021, the City entered into an equipment purchase agreement for a police vehicle with an initial liability of \$86,698. The agreement requires an initial payment of \$20,500 and annual payments of \$13,700, with an implicit interest rate of 1.2% and a final payment of \$13,801 in July 2026. During the year ended June 30, 2022, the City paid principal of \$20,500. Future principal and interest payments are as follows:

Year Ending June 30,	2020 Dodge Durango			2021 Dodge Charger		
	Principal	Interest	Total	Principal	Interest	Total
2023	\$ 13,547	673	14,220	\$ 12,906	794	13,700
2024	13,709	511	14,220	13,061	639	13,700
2025	13,874	346	14,220	13,217	483	13,700
2026	14,999	180	15,179	13,376	324	13,700
2027	-	-	-	13,638	163	13,801
Totals	\$ 56,129	1,710	57,839	\$ 66,198	2,403	68,601

Year Ending June 30,	Total		
	Principal	Interest	Total
2023	\$ 26,453	1,467	27,920
2024	26,770	1,150	27,920
2025	27,091	829	27,920
2026	28,375	504	28,879
2027	13,638	163	13,801
Totals	\$ 122,327	4,113	126,440

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

The City’s contributions to IPERS for the year ended June 30, 2022 totaled \$148,381.

Net Pension Liability (Asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City reported an asset of \$(387,017) for its proportionate share of the overall plan net pension asset. The overall plan net pension asset was measured as of June 30, 2021 and the total plan pension liability used to calculate the overall plan net pension asset was determined by an actuarial valuation as of that date. The City’s proportion of the overall plan net pension asset was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City’s proportion was 0.112105%, which was an increase of 0.098823% over its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City’s pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled \$(100,768), \$198,730 and \$1,132,376, respectively.

There were no non-employer contributing entities to IPERS.

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

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

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

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

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

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

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

Sensitivity of City's Proportionate Share of the Net Pension Liability (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)	\$ 507,744	(387,017)	(1,136,479)

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

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2022, the City contributed \$225,103 and plan members eligible for benefits contributed \$29,883 to the plan. At June 30, 2022, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

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

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>34</u>
Total	<u>34</u>

(6) Compensated Absences

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

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$ 66,000</u>

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

(7) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 256,000
	Local Option Sales Tax	25,877
	Employee Benefits	<u>555,611</u>
		<u>837,488</u>
Debt Service	General	27,466
	Special Revenue:	
	Tax Increment Financing	<u>237,761</u>
		<u>265,227</u>
Total		<u>\$ 1,102,715</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 exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Development Agreement

In March 2016, the City entered into a development agreement with Fareway (developer) for the construction of a commercial grocery store. The City agreed to pay the developer an amount not to exceed \$250,000 subject to annual appropriation by the City Council. The agreement requires semi-annual payments for fifteen years, provided the developer is in compliance with the terms of the agreement. During the year ended June 30, 2022, the City rebated \$19,210 of incremental property tax to the developer. At June 30, 2022, the remaining balance to be paid on the development agreement was \$195,213. The amount appropriated for payment in the next fiscal year is \$12,810.

In December 2018 and September 2019, the City entered into four development agreements with Eagle View Land Development (developer) to reimburse developers for a portion of the cost of improvements constructed. The City agreed to pay the developer an amount not to exceed \$1,725,000 subject to annual appropriation by the City Council. The agreement requires either semi-annual or annual payments ranging between ten to twelve years, provided the developer is in compliance with the terms of the agreement. At June 30, 2022, the remaining balance to be paid on the development agreement was \$1,725,000. The amount appropriated for payment in the next fiscal year is \$22,260.

In September 2018, the City entered into a development agreement with Blue Max (developer) to reimburse developers for a portion of the cost of improvements constructed. The City agreed to pay the developer an amount not to exceed \$25,000 subject to annual appropriation by the City Council. The agreement requires annual payments for ten years, provided the developer is in compliance with the terms of the agreement. At June 30, 2022, the remaining balance to be paid on the development agreement was \$25,000.

In December 2021, the City entered into a development agreement with Design LLC (developer) to reimburse developers for renovation and expansion of business operations. The City agreed to pay the developer an amount not to exceed \$1,780,000 subject to annual appropriation by the City Council. The agreement requires annual payments for thirteen years, provided the developer is in compliance with the terms of the agreement. At June 30, 2022, the remaining balance to be paid on the development agreement was \$1,780,000.

(10) Tax Abatements

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

City Tax Abatements

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

For the year ended June 30, 2022, \$5,285 of property tax was diverted from the City under the urban renewal and economic development agreements.

(11) Subsequent Events

In October 2022, the City issued \$2,200,000 of general obligation bonds for paying the costs of constructing street, water system, sanitary sewer system, storm water drainage and sidewalk improvements, acquiring and installing street lighting, signage and signalization improvements.

In March 2023, the City issued \$119,000 of sewer revenue loan and disbursement agreement anticipation project notes for paying the costs of planning, designing and constructing improvements and extensions to the utility.

(12) Prospective Accounting Change

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

Other Information

City of Anamosa

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

Other Information

Year ended June 30, 2022

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted
Receipts:			
Property tax	\$ 2,164,428	-	-
Tax increment financing	482,641	-	-
Other city tax	786,370	-	-
Licenses and permits	195,276	-	-
Use of money and property	24,072	7,620	-
Intergovernmental	1,321,968	413,954	-
Charges for service	167,356	2,859,766	-
Miscellaneous	541,886	14,892	61,728
Total receipts	<u>5,683,997</u>	<u>3,296,232</u>	<u>61,728</u>
Disbursements:			
Public safety	1,052,208	-	50,863
Public works	1,075,602	-	-
Culture and recreation	1,105,327	-	-
Community and economic development	34,931	-	-
General government	701,002	-	-
Debt service	524,217	-	-
Capital projects	1,491,805	-	-
Business type activities	-	4,101,260	-
Total disbursements	<u>5,985,092</u>	<u>4,101,260</u>	<u>50,863</u>
Cash balances beginning of year			
over (under) disbursements	(301,095)	(805,028)	10,865
Other financing sources, net	1,782	1,555,970	-
Change in balances	(299,313)	750,942	10,865
Balances beginning of year	9,385,747	5,723,080	90,557
Balances end of year	<u>\$ 9,086,434</u>	<u>6,474,022</u>	<u>101,422</u>

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
2,164,428	2,091,526	2,091,526	72,902
482,641	418,420	418,420	64,221
786,370	682,819	682,819	103,551
195,276	164,100	164,100	31,176
31,692	25,900	25,900	5,792
1,735,922	849,968	1,302,540	433,382
3,027,122	3,019,300	3,019,300	7,822
495,050	266,331	353,331	141,719
8,918,501	7,518,364	8,057,936	860,565
1,001,345	1,223,715	1,238,715	237,370
1,075,602	1,355,078	1,455,778	380,176
1,105,327	1,089,300	1,744,300	638,973
34,931	12,807	32,807	(2,124)
701,002	671,303	827,303	126,301
524,217	548,008	548,008	23,791
1,491,805	10,738,000	4,945,572	3,453,767
4,101,260	3,170,749	9,689,149	5,587,889
10,035,489	18,808,960	20,481,632	10,446,143
(1,116,988)	(11,290,596)	(12,423,696)	11,306,708
1,557,752	9,378,000	9,378,000	(7,820,248)
440,764	(1,912,596)	(3,045,696)	3,486,460
15,018,270	11,103,140	11,103,140	3,915,130
15,459,034	9,190,544	8,057,444	7,401,590

City of Anamosa

City of Anamosa

Notes to Other Information – Budgetary Reporting

June 30, 2022

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the 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 Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,672,672. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the community and economic development function.

City of Anamosa

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

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

Other Information

	2022	2021	2020	2019
City's proportion of the net pension liability (asset)	0.112105% **	0.013282%	0.011634%	0.018580%
City's proportionate share of the net pension liability (asset)	\$ (387)	933	674	773
City's covered payroll	\$ 1,483	1,472	1,375	1,325
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(26.10)%	63.38%	49.02%	58.34%
IPERS' net position as a percentage of the total pension liability (asset)	100.81%	82.90%	85.45%	83.62%

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

** Overall plan net pension asset.

See accompanying independent auditor's report.

2018	2017	2016	2015
0.018198%	0.018715%	0.017227%	0.016296%
910	868	629	423
1,436	1,370	1,233	1,186
63.37%	63.36%	51.01%	35.67%
82.21%	81.82%	85.19%	87.61%

City of Anamosa

Schedule of City Contributions

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

Other Information

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 148	141	141	133
Contributions in relation to the statutorily required contribution	<u>(148)</u>	<u>(141)</u>	<u>(141)</u>	<u>(133)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 1,578	1,483	1,472	1,375
Contributions as a percentage of covered payroll	9.38%	9.51%	9.58%	9.67%

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
122	132	127	114	108	94
(122)	(132)	(127)	(114)	(108)	(94)
-	-	-	-	-	-
1,325	1,436	1,370	1,233	1,186	1,091
9.21%	9.19%	9.27%	9.25%	9.11%	8.62%

City of Anamosa

Notes to Other Information – Pension Liability

Year ended June 30, 2022

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

Supplementary Information

City of Anamosa

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

As of and for the year ended June 30, 2022

	Special		
	Police	Police	Tax
	Forfeitures	Canine	Increment Financing
Receipts:			
Property tax	\$ -	-	-
Tax increment financing	-	-	482,641
Other city tax	-	-	-
Use of money and property	-	2	-
Miscellaneous	-	-	-
Total receipts	-	2	482,641
Disbursements:			
Operating:			
Public safety	-	-	-
Community and economic development	-	-	26,590
Debt service	-	-	-
Total disbursements	-	-	26,590
Excess (deficiency) of receipts over (under) disbursements	-	2	456,051
Other financing uses:			
Transfers in	-	-	-
Transfers out	-	-	(237,761)
Total other financing sources (uses)	-	-	(237,761)
Change in cash balances	-	2	218,290
Cash balances beginning of year	618	4,391	329,249
Cash balances end of year	\$ 618	4,393	547,539
Cash Basis Fund Balances			
Nonspendable - Cemetery perpetual care	\$ -	-	-
Restricted for:			
Debt service	-	-	547,539
Library purposes	-	-	-
Other purposes	618	4,393	-
Total cash basis fund balances	\$ 618	4,393	547,539

See accompanying independent auditor's report.

Revenue				Permanent		
Special Assessments	Library Special Gift	Anamosa Firefighters Association	Debt Service	Cemetery Operations	Cemetery Perpetual Care	Total
-	-	-	202,676	-	-	202,676
-	-	-	-	-	-	482,641
-	-	-	4,811	-	-	4,811
579	-	-	147	-	-	728
-	7	61,728	-	-	1,350	63,085
579	7	61,728	207,634	-	1,350	753,941
-	-	50,863	-	-	-	50,863
-	-	-	-	-	-	26,590
-	-	-	524,217	-	-	524,217
-	-	50,863	524,217	-	-	601,670
579	7	10,865	(316,583)	-	1,350	152,271
-	-	-	265,227	-	-	265,227
-	-	-	-	-	-	(237,761)
-	-	-	265,227	-	-	27,466
579	7	10,865	(51,356)	-	1,350	179,737
45,795	608,857	90,557	94,772	10,000	97,403	1,281,642
46,374	608,864	101,422	43,416	10,000	98,753	1,461,379
-	-	-	-	10,000	98,753	108,753
-	-	-	43,416	-	-	590,955
-	608,864	-	-	-	-	608,864
46,374	-	101,422	-	-	-	152,807
46,374	608,864	101,422	43,416	10,000	98,753	1,461,379

City of Anamosa

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

For the Last Ten Years

	2022	2021	2020	2019
Receipts:				
Property tax	\$ 2,164,428	2,016,974	1,825,587	1,635,694
Tax increment financing	482,641	326,860	273,409	239,728
Local option sales tax	651,822	577,793	483,109	413,088
Other city tax	134,548	125,343	120,693	538,017
Licenses and permits	195,276	154,700	169,201	43,199
Use of money and property	24,072	31,103	52,241	44,335
Intergovernmental	1,321,968	1,264,358	1,032,785	1,227,567
Charges for service	167,356	106,433	113,910	215,196
Special assessments	-	-	-	-
Miscellaneous	541,886	1,205,453	157,491	134,986
Total	<u>\$ 5,683,997</u>	<u>5,809,017</u>	<u>4,228,426</u>	<u>4,491,810</u>
Disbursements:				
Operating:				
Public safety	\$ 1,052,208	1,134,290	1,157,885	1,133,363
Public works	1,075,602	1,011,998	880,274	1,044,099
Culture and recreation	1,105,327	1,125,747	834,280	789,281
Community and economic development	34,931	12,847	38,580	15,842
General government	701,002	738,737	676,445	563,524
Debt service	524,217	380,127	377,346	323,331
Capital projects	1,491,805	468,221	88,823	679,289
Total	<u>\$ 5,985,092</u>	<u>4,871,967</u>	<u>4,053,633</u>	<u>4,548,729</u>

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
1,664,535	1,703,003	1,582,700	1,657,935	1,682,126	1,539,742
189,723	224,143	876,784	389,230	388,890	408,257
390,284	413,956	410,275	426,392	379,049	403,965
518,594	469,426	417,964	332,327	311,884	280,702
44,733	44,071	7,749	8,427	9,895	15,476
43,621	30,376	45,828	30,569	15,864	22,195
1,599,767	757,397	1,059,187	910,655	821,455	2,371,767
238,574	417,898	453,083	391,787	417,423	262,680
-	-	154	18,288	14,560	36,922
109,141	120,730	790,208	116,209	73,329	301,615
4,798,972	4,181,000	5,643,932	4,281,819	4,114,475	5,643,321
1,278,647	1,026,258	913,736	1,137,913	918,592	891,994
985,529	842,393	968,138	809,212	802,874	788,481
761,352	800,836	755,374	745,751	743,149	703,839
73,684	73,654	69,845	73,473	76,838	75,730
377,105	529,471	502,051	452,474	457,783	542,223
288,427	388,292	1,129,204	768,772	802,508	854,216
4,164,953	365,236	229,805	533,824	1,245,750	1,997,768
7,929,697	4,026,140	4,568,153	4,521,419	5,047,494	5,854,251



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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Anamosa, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 24, 2024. The financial statements were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America. Our report expressed unmodified opinions on the Employee Benefits Fund and aggregate remaining fund information and qualified opinions on the Governmental Activities, Business Type Activities, General Fund, Special Revenue Road Use Tax Fund and Local Option Sales Tax Fund, Capital Projects fund, Enterprise Water Fund and Sewer Fund since the City did not perform bank to book reconciliations, nor did they perform a fund level reconciliation for the year ended June 30, 2022. The ending balances distributed by fund were not initially supported. Adjustments were subsequently made to the balances. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at June 30, 2022.

Report on Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Anamosa's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-001 through 2022-004 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-005 and 2022-006 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Anamosa’s financial statements are free of 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 noncompliance or other matters which are described in the accompanying Schedule of Findings.

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

City of Anamosa’s Responses to Findings

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

Purpose of this Report

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

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

September 24, 2024

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2022-001 Segregation of Duties

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

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

- (1) Accounting system – performing all accounting functions, including making journal entries and having custody of assets.
- (2) Cash – initiating cash receipt and disbursement functions, handling and recording cash and reconciling.
- (3) Investments – recordkeeping and custody. An investment register was not maintained.
- (4) Debt – recordkeeping, compliance and debt payment processing.
- (5) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.
- (6) Utilities – billing, collecting (including utility payments made in the City drop box located outside City Hall), depositing, posting and maintaining receivables records.
- (7) Disbursements – invoice processing, check writing, reconciling and recording.
- (8) Journal entries – preparing, recording and approving.

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

Response – We will try to segregate duties as much as possible going forward.

Conclusion – Response accepted.

City of Anamosa

Schedule of Findings

Year ended June 30, 2022

2022-002 Financial Reporting

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

Condition – The City implemented new accounting software during the fiscal year ended June 30, 2022 and experienced balancing issues. The City ceased performing a comprehensive bank to book reconciliation as of June 30, 2021. Monthly clerk reports were not prepared or provided to the Council after June 30, 2021 through June 30, 2023, which identifies fund balances, receipts and disbursements on an individual fund basis. The City hired an individual to assist in reconciling the fiscal year 2022 bank reconciliations during October and November 2022. However, these bank reconciliations were not reconciled to the City’s book balance (the accounting software fund balance reports) and they were not comprehensive (did not include all of the City’s money market accounts and CDs).

Material adjustments were subsequently made to the General Fund receipts and disbursements, Road Use Tax Fund disbursements, Local Option Sales Tax receipts, Capital Projects Fund disbursements, Water Fund disbursements and Sewer Fund disbursements to properly report these amounts in the City’s financial statements.

Cause – Problems with the conversion to the new software caused the City to discontinue performing comprehensive bank to book reconciliations and preparing a monthly clerk report which identifies fund balances, receipts and disbursements on an individual fund basis. The City did not take action to remedy the issues until a year later.

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

Recommendation – The City should ensure comprehensive bank to book reconciliations are performed and monthly City Clerk reports are prepared and provided to the City Council.

Response – A comprehensive bank reconciliation was performed for June 30, 2023 and we accept the correcting entries to back into the June 30, 2022 amounts. The City has taken steps to resume preparing the monthly City Clerk reports.

Conclusion – Response accepted.

City of Anamosa

Schedule of Findings

Year ended June 30, 2022

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

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

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

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

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

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

Response – We implemented a new financial system. We will work to prepare a reconciliation of utility billings using the new financial system and prepare a listing of delinquent accounts on a monthly basis. We will have an independent person review the utility billing reconciliation and document this review.

Conclusion – Response accepted.

2022-004 Bank Reconciliations

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

Condition – Monthly bank reconciliations were not prepared from October 2021 through June 30, 2022. Monthly bank reconciliations were prepared after June 2022, but they did not include a procedure to verify the City's book balance. In addition, a comprehensive bank reconciliation (which included all of the City's money market accounts and CDs) was not performed. An independent review was not performed over the monthly bank reconciliations when they were prepared.

A comprehensive bank reconciliation for June 2022 prepared by the auditors identified a variance of \$38,168 between the bank and book balance. The balance of all bank and investment accounts was more than the total balance per the City's book balance. We were unable to determine the reason for this variance.

City of Anamosa

Schedule of Findings

Year ended June 30, 2022

Cause – Bank reconciliations were not prepared from October 2021 through June 2022.

Effect – A lack of preparation and review of bank to book reconciliations can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The City should prepare monthly comprehensive bank reconciliations and include a procedure to verify the City’s book balance. Monthly bank reconciliations should be prepared and reviewed in a timely manner by an independent individual.

Response – We have taken steps to resume preparing the monthly comprehensive bank reconciliations. We will include a procedure to verify the City’s book balance. We will have an independent person review the monthly bank reconciliation in a timely manner.

Conclusion – Response accepted.

2022-005 Monthly City Clerk’s Reports

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank accounts and book balances. The City Council should receive financial information monthly, at a minimum.

Condition – The City Council has not received a monthly City Clerk’s report, showing the receipts, disbursements, transfers and balances for each fund since June 2021. The City Council has not received a monthly comparison of actual disbursements to budget by function.

Cause – Problems with the conversion to the new software caused the City to discontinue performing a monthly City Clerk’s report.

Effect – Lack of a timely review of monthly financial information can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The City should resume preparation of monthly City Clerk reports.

Response – We have taken steps to resume preparing the monthly City Clerk reports.

Conclusion – Response accepted.

2022-006 Credit Card Payments

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

Condition – The City has credit cards for use by various employees while on City business. For one statement tested, the payment made on the City’s credit card statement was less than the month-end balance owed per the statement. In addition, supporting documentation such as store receipts were not attached to the credit card statement to support the payment made.

City of Anamosa

Schedule of Findings

Year ended June 30, 2022

Cause – The City has not established procedures to ensure credit card payments are properly supported prior to payment.

Effect – Lack of supporting documentation attached to the statement can result in unrecorded transactions, undetected errors and an opportunity for misappropriation.

Recommendation – The City should establish procedures to ensure credit card payments are properly supported, including identifying which charges are included in the amount paid. Also, the City should ensure each credit card statement balance is paid in full.

Response – We will ensure credit card payments are properly supported and payments identify which charges are included in the amount paid. The City will ensure the credit card statement balance is paid in full.

Conclusion – Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

City of Anamosa

Schedule of Findings

Year ended June 30, 2022

Findings Related to Required Statutory Reporting:

2022-A Certified Budget – Disbursements during the year ended June 30, 2022 exceed the amounts budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

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

Conclusion – Response accepted.

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

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
IRS	Penalties for failing to make federal tax deposits	\$ 1,438
Elan-Cardmember Service	Late fees and interest	31

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

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

Response – We will comply with this recommendation.

Conclusion – Response accepted.

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

2022-D Business Transactions – No business transactions between the City and City officials or employees were noted.

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

City of Anamosa

Schedule of Findings

Year ended June 30, 2022

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

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

2022-H Deposits and Investments – Deposits and investments were in compliance with the provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy, except for the following:

(a) The LOST fund and Employee Benefits fund earned interest in fiscal year 2022. Chapter 12.C(7) requires interest earned be credited to the General Fund.

(b) The City issued \$1,750,000 general obligation bonds during the previous fiscal year and the proceeds were placed in the Capital Projects Fund. Interest earned on these proceeds during fiscal year 2022 was not used to pay the principal or interest of the indebtedness or credited to the Capital projects Fund for which the indebtedness was issued in accordance with Chapter 12C.9(2) of the Code of Iowa.

Recommendation – The City should comply with Chapter 12C of the Code of Iowa.

Response – The City will discontinue crediting interest to these funds and credit interest to the General Fund in accordance with the Code of Iowa. The City will make a corrective transfer to repay the Capital Projects Fund for the correct interest earned on the proceeds of debt.

Conclusion – Response accepted.

2022-I Revenue Bonds – The water revenue bond resolution requires the City to establish, levy and collect rents, rates and other charges for the products and services provided by its water system, which rents, rates and other charges shall be at least sufficient (A) to meet the operation and maintenance expenses of such water system and (B) to produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the revenue bond and any other obligations secured by a pledge of the net receipts falling due in the same year. The City’s fiscal year 2022 net operating receipts of \$234,288 in the Water Fund are less than 110% of the required debt service payment of \$226,746. To meet this requirement, net receipts needed to be \$249,420.

Recommendation – The City should ensure the net receipts are not less than 110% of the amount of annual principal and interest, as required by the water bond resolution.

Response – The City will work to ensure the operating receipts are not less than 110% of the amount of annual principal and interest.

Conclusion – Response accepted.

City of Anamosa

Schedule of Findings

Year ended June 30, 2022

2022-J Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.

However, the amount reported by the City on the Levy Authority Summary as TIF debt outstanding was overstated by \$508,075.

Recommendation – The City should ensure the debt amounts reported on the Levy Authority Summary agree with the City’s records.

Response – The City will work to ensure the accuracy of future Annual Urban Renewal Report amounts.

Conclusion – Response accepted.

2022-K Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years, without further certification by the City, until the amount of certified indebtedness is paid. Chapter 403.19 of the Code of Iowa does not allow a municipality to set aside property tax divided for tax increment purposes for current or future urban renewal projects.

The City certified \$81,400 of estimated LMI costs related to anticipated future projects. In addition, the City certified \$500,000 of anticipated local grant match costs.

The City paid \$19,210 to Fareway instead of the \$12,807 which was certified as annual appropriation debt for the development agreement, resulting in an overpayment of \$6,403.

The City paid \$7,380 of legal fees from the TIF fund. These costs do not represent TIF obligation and, accordingly, are not an allowable use of TIF receipts.

Recommendation – The City should decertify \$81,400 estimated LMI costs and the \$500,000 anticipated local grant match costs. Future certifications to the County Auditor should only include amounts representing TIF obligations, not based on anticipated costs, as required by Chapter 403.16 of the Code of Iowa.

The City should adjust future rebates paid by \$6,403 for the Fareway development agreements.

The City should reimburse the TIF fund from an allowable fund, such as the General Fund, for these legal costs. If disbursements are for a qualified TIF project, the City may approve an advance (interfund loan) from the General Fund to the TIF Fund and certify the advance to the County Auditor as a TIF obligation.

Response – We will decertify the \$81,400 of estimated LMI costs and \$500,000 anticipated local grant match costs. We will adjust the future rebates paid to Fareway to account for the overpayment made in FY22. We will reimburse the TIF fund for the legal costs paid and certify an advance as a TIF obligation.

Conclusion – Response accepted.

City of Anamosa

Staff

This audit was performed by:

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