



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

Rob Sand  
Auditor of State

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

**NEWS RELEASE**

Contact: Brian Brustkern  
515/281-5834

FOR RELEASE

December 19, 2024

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

**FINANCIAL HIGHLIGHTS:**

The City's receipts and disbursements totaled \$3,287,321 and \$3,253,101 for the year ended June 30, 2023.

**AUDIT FINDINGS:**

Sand reported twelve findings related to the receipt and disbursement of taxpayer funds. They are found on pages 47 through 57 of this report. The findings address issues such as a lack of segregation of duties, bank reconciliations not including investment amounts, lack of journal entry review, no disaster recovery plan, incorrect coding of receipts and deficit balances. Sand provided the City with recommendations to address each of the findings.

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

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

###

**CITY OF VILLISCA**

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

**JUNE 30, 2023**

**City of Villisca**



**OFFICE OF AUDITOR OF STATE**  
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Des Moines, Iowa 50319-0006  
Telephone (515) 281-5834

Rob Sand  
Auditor of State

November 14, 2024

Officials of the City of Villisca  
Villisca, 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 Villisca, Iowa, for the year ended June 30, 2023. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marilyn Halda	Mayor	Jan 2024
Lee Haidsiak	Council Member	Jan 2024
Robert Narup	Council Member	Jan 2024
Marsha Shepherd	Council Member	Jan 2024
Duane Casey	Council Member	Jan 2026
Marcus Taylor	Council Member	Jan 2026
Kadee Myers	City Clerk/Treasurer	Indefinite
Brianna O'Hearn	Attorney	Indefinite



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Rob Sand  
Auditor of State

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Financial Statements

Adverse and Qualified Opinions

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

*Adverse Opinion on the Aggregate Discretely Presented Component Units*

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Qualified Opinion section on our report, the accompanying financial statements referred to above do not present fairly, the financial position of the aggregate discretely presented component units of the City of Villisca as of June 30, 2023, or the changes in its cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2022, as described in the Basis for Adverse and Qualified Opinions section of our report, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Villisca as of June 30, 2023, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Adverse and Qualified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all the prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 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 the Financial Statements section of our report. We are required to be independent of the City of Villisca, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

The financial statements do not include financial data for one of the City's legally separate component units because, as permitted by the Code of Iowa, the Villisca Municipal Power Plant accounting records have not been audited and financial statements have not been issued for the year ended June 30, 2023. Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data for all component units. The City has not issued such reporting entity financial statements. The amounts for which this departure affects the receipts, disbursements and cash balance of the aggregate discretely presented component unit is not determinable.

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.

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Villisca's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Villisca'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 Villisca's basic financial statements. The supplementary information included in Schedules 1 and 2, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. Because of the significance of the matter described in the Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units paragraph on the preceding page, it is inappropriate to, and we do not, express an opinion on the supplementary information.

#### Other Information

Management is responsible for the other information included in this report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 30 through 36 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 November 14, 2024 on our consideration of the City of Villisca'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 Villisca's internal control over financial reporting and compliance.



Brian R. Brustkern, CPA  
Deputy Auditor of State

November 14, 2024

**City of Villisca**

## **Basic Financial Statements**

City of Villisca

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2023

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 541,635	31,655	118,833	223,500
Public works	279,492	8,532	155,776	-
Culture and recreation	139,187	28,669	12,548	-
Community and economic development	56,303	-	-	-
General government	134,887	17,142	2,941	-
Debt service	72,280	-	-	-
Capital projects	788,690	-	-	622,601
Total governmental activities	<u>2,012,474</u>	<u>85,998</u>	<u>290,098</u>	<u>846,101</u>
Business type activities:				
Water	859,972	225,671	168	135,971
Sewer	380,655	331,208	500	-
Total business type activities	<u>1,240,627</u>	<u>556,879</u>	<u>668</u>	<u>135,971</u>
Total	<u>\$ 3,253,101</u>	<u>642,877</u>	<u>290,766</u>	<u>982,072</u>
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Commercial/industrial tax replacement				
American Rescue Plan Act				
Unrestricted interest on investments				
Note proceeds				
Miscellaneous				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Streets				
Debt service				
Local option sales tax				
American Rescue Plan Act				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

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

Governmental Activities	Business Type Activities	Total
----------------------------	-----------------------------	-------

(167,647)	-	(167,647)
(115,184)	-	(115,184)
(97,970)	-	(97,970)
(56,303)	-	(56,303)
(114,804)	-	(114,804)
(72,280)	-	(72,280)
(166,089)	-	(166,089)
(790,277)	-	(790,277)

-	(498,162)	(498,162)
-	(48,947)	(48,947)
-	(547,109)	(547,109)
(790,277)	(547,109)	(1,337,386)

405,188	-	405,188
72,688	-	72,688
154,895	-	154,895
9,758	-	9,758
85,378	-	85,378
6,814	-	6,814
-	632,823	632,823
4,062	-	4,062
738,783	632,823	1,371,606

(51,494)	85,714	34,220
1,758,532	193,827	1,952,359
1,707,038	279,541	1,986,579

\$ 70,981	-	70,981
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242,119	-	242,119
181,306	63,778	245,084
613,320	-	613,320
170,755	-	170,755
217,463	-	217,463
211,094	215,763	426,857
\$ 1,707,038	279,541	1,986,579

City of Villisca

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

As of and for the year ended June 30, 2023

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment
Receipts:				
Property tax	\$ 275,566	-	-	-
Local option sales tax	-	-	154,895	-
Other city tax	4,804	-	-	-
Licenses and permits	3,412	-	-	-
Use of money and property	747	-	6,067	-
Intergovernmental	397,447	155,776	-	-
Charges for service	57,526	-	-	-
Miscellaneous	28,049	-	-	-
Total receipts	767,551	155,776	160,962	-
Disbursements:				
Operating:				
Public safety	488,381	-	-	-
Public works	75,984	137,574	-	-
Culture and recreation	131,341	-	-	-
Community and economic development	56,303	-	-	-
General government	93,575	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	845,584	137,574	-	-
Excess (deficiency) of receipts over (under) disbursements	(78,033)	18,202	160,962	-
Other financing sources (uses):				
Transfers in	41,000	-	-	-
Transfers out	-	-	(194,319)	-
Total other financing sources (uses)	41,000	-	(194,319)	-
Change in cash balances	(37,033)	18,202	(33,357)	-
Cash balances beginning of year	544,701	223,917	646,677	153,068
Cash balances end of year	\$ 507,668	242,119	613,320	153,068
<b>Cash Basis Fund Balances</b>				
Nonspendable - Cemetery perpetual care	\$ -	-	-	-
Restricted for:				
Streets	-	242,119	-	-
Debt service	-	-	-	153,068
Local option sales tax	-	-	613,320	-
American Rescue Plan Act projects	170,755	-	-	-
Other purposes	-	-	-	-
Unassigned	336,913	-	-	-
Total cash basis fund balances	\$ 507,668	242,119	613,320	153,068

See notes to financial statements.

Debt Service	Capital Projects	Permanent Cemetery Perpetual Care	Nonmajor	Total
71,414	-	-	122,623	469,603
-	-	-	-	154,895
1,274	-	-	2,195	8,273
-	-	-	-	3,412
-	-	-	783	7,597
1,476	622,601	-	2,543	1,179,843
-	-	-	-	57,526
-	-	423	51,359	79,831
74,164	622,601	423	179,503	1,960,980
-	-	-	53,254	541,635
-	-	-	65,934	279,492
-	-	-	7,846	139,187
-	-	-	-	56,303
-	-	-	41,312	134,887
72,280	-	-	-	72,280
-	788,690	-	-	788,690
72,280	788,690	-	168,346	2,012,474
1,884	(166,089)	423	11,157	(51,494)
-	153,319	-	-	194,319
-	-	-	-	(194,319)
-	153,319	-	-	-
1,884	(12,770)	423	11,157	(51,494)
26,354	(113,049)	70,558	206,306	1,758,532
28,238	(125,819)	70,981	217,463	1,707,038
-	-	70,981	-	70,981
-	-	-	-	242,119
28,238	-	-	-	181,306
-	-	-	-	613,320
-	-	-	-	170,755
-	-	-	217,463	217,463
-	(125,819)	-	-	211,094
28,238	(125,819)	70,981	217,463	1,707,038



**City of Villisca**

City of Villisca

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

As of and for the year ended June 30, 2023

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 219,814	331,208	551,022
Miscellaneous	5,857	-	5,857
Total operating receipts	225,671	331,208	556,879
Operating disbursements:			
Business type activities	212,799	286,875	499,674
Total operating disbursements	212,799	286,875	499,674
Excess of operating receipts over operating disbursements	12,872	44,333	57,205
Non-operating receipts (disbursements):			
Community Development Block Grant	135,971	-	135,971
Interest on investments	168	500	668
Note proceeds	632,823	-	632,823
Debt service	(347,997)	(93,780)	(441,777)
Capital projects	(289,897)	-	(289,897)
Lease agreement	(9,279)	-	(9,279)
Net non-operating receipts (disbursements)	121,789	(93,280)	28,509
Change in cash balances	134,661	(48,947)	85,714
Cash balances beginning of year	(346,573)	540,400	193,827
Cash balances end of year	\$ (211,912)	491,453	279,541
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Debt service	\$ -	63,778	63,778
Unrestricted	(211,912)	427,675	215,763
Total cash basis fund balances	\$ (211,912)	491,453	279,541

See notes to financial statements.

City of Villisca

Notes to Financial Statements

June 30, 2023

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

The City of Villisca is a political subdivision of the State of Iowa located in Montgomery County. It was first incorporated in 1874 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, except as noted, the City of Villisca has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

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

Excluded Component Unit

The Villisca Municipal Power Plant was established under Chapter 388 of the Code of Iowa to operate the City's power plant. The Municipal Power Plant is governed by a three-member board appointed by the Mayor and approved by the City Council. The Municipal Power Plant's operating budget is subject to the approval of the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Municipal Power Plant meets the definition of a component unit which should be discretely presented.

Blended Component Units

The Villisca Volunteer Fire Fighter's Association (Association) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, to operate to study and advance the science of fire prevention, protection and suppression. The Association is governed by a five-member board elected each year. The candidates are selected by a nominating committee. In accordance with the criteria set forth by the Governmental Accounting Standards Board, the Association meets the definition of a component unit which should be blended. The financial activity of the component unit has been blended as a Special Revenue Fund of the City.

Friends of the Villisca Public Library was organized under Chapter 504A of the Code of Iowa as a nonprofit organization. The purpose of the organization is to raise funds for various needs of the public library. The Friends of the Villisca Public Library is legally separate from the City, but its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The financial transactions of the Friends of the Villisca Public Library are blended as a Special Revenue Fund of the City.

The Villisca EMS Association, Inc. was organized under Chapter 504A of the Code of Iowa as a nonprofit corporation. The purpose of the organization is to assist the Villisca Ambulance Service in the execution and performance of responsibility to citizens of Villisca and the vicinity for fire prevention, protection and suppression and general emergency response. The Villisca EMS Association is legally separate from the City, but its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The financial transactions of the Villisca EMS Association are blended as a Special Revenue Fund of the City.

#### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Montgomery County Assessor's Conference Board, Montgomery County Emergency Management Commission, Montgomery County Landfill Commission and Montgomery County Joint 911 Service Board.

#### B. Basis of Presentation

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

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

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent 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 local option sales and services tax. The receipts are to be used for civic betterment and infrastructure.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

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

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

The Permanent, Cemetery Perpetual Care Fund is used to account for receipts from cemetery lot sales to be used for the upkeep and maintenance of the Villisca Cemetery.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects tax asking contained in the budget certified to the City Council in March 2022.

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2023, disbursements did not exceed the amounts budgeted.

**(2) Cash and Pooled Investments**

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

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

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

**(3) Bonds, Notes, and Leases Payable**

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

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
Direct borrowing:					
General obligation bonds	\$ 414,000	-	64,000	350,000	66,000
Business type activities:					
Direct borrowing:					
Sewer revenue bonds	\$ 539,000	-	83,000	456,000	86,000
Water revenue notes	-	632,823	19,559	613,264	19,612
Water revenue loan agreement anticipation project notes	314,862	-	314,862	-	-
Lease Agreement	-	46,970	9,279	37,691	8,946
Business-type activities total	\$ 853,862	679,793	426,700	1,106,955	114,558

General Obligation Bonds – Direct Borrowing

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

Year	Sewer Improvement Bond			
	Issued Sep 3, 2008			
Ending June 30,	Interest Rates	Principal	Interest	Total
2024	1.75%	\$ 66,000	6,125	72,125
2025	1.75	68,000	4,970	72,970
2026	1.75	70,000	3,780	73,780
2027	1.75	72,000	2,555	74,555
2028	1.75	74,000	1,295	75,295
Total		\$ 350,000	18,725	368,725

On September 3, 2008, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority for the issuance of \$1,136,000 of general obligation sewer improvement bonds with an initial interest rate of 3% per annum. The agreement was amended to change the interest rate to 1.75% per annum effective June 1, 2019. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued to pay a portion of the cost of constructing improvements and extensions to the Municipal Sanitary Sewer System. During the year ended June 30, 2023, the City paid principal and interest of \$64,000 and \$7,245, respectively, on the bond. The outstanding principal balance on the bond at June 30, 2023 is \$350,000.

Revenue Bonds – Direct Borrowing

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

Year	Sewer			
	Issued Sep 3, 2008			
Ending June 30,	Interest Rates	Principal	Interest	Total
2024	1.75%	\$ 86,000	7,980	93,980
2025	1.75	88,000	6,475	94,475
2026	1.75	91,000	4,935	95,935
2027	1.75	94,000	3,342	97,342
2028	1.75	97,000	1,698	98,698
Total		\$ 456,000	24,430	480,430

On September 3, 2008, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority for the issuance of \$1,705,000 of sewer revenue bonds with interest at 3.00% per annum. The agreement was amended to change the interest rate to 1.75% per annum effective June 1, 2019. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued to pay a portion of the cost of constructing improvements and extensions to the Municipal Sanitary Sewer System. During the year ended June 30, 2023, the City paid principal of \$83,000 and interest of \$9,433 on the bonds.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,705,000 of sewer revenue bonds issued in September 2008. The bonds are payable solely from sewer customer net receipts. Annual principal and interest payments on the notes are expected to require 208% of net receipts. The total principal and interest remaining to be paid on the notes is \$480,430. For the current year, principal and interest paid and total customer net receipts were \$92,433 and \$44,333, respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a sewer revenue sinking account for the purpose of making the bond principal and interest payments when due.
- (c) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

The City’s net receipts were less than the required 110% of the principal and interest coming due in each year.



### Water Revenue Notes – Direct Borrowing

On August 28, 2022, the City entered into a loan agreement with the United States Department of Agriculture – Rural Development for the issuance of water revenue notes of up to \$920,000 with interest at 1.375% per annum. The notes were issued to pay the cost, to the extent of planning, designing and constructing improvements and extensions to the Municipal Waterworks Utility System of the City, including refunding the City's outstanding Water Revenue Loan Anticipation Project Note. During the year ended June 30, 2023, the City received proceeds of \$632,823 for a total of \$632,823 drawn on the notes. A final repayment schedule has not yet been adopted for the outstanding principal balance. During the year ended June 30, 2023 the City paid principal of \$19,559 and interest of \$7,875 on the notes. The outstanding principal balance on the bond at June 30, 2023 is \$613,264.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$920,000 of water revenue notes issued in August 2022. The notes are payable solely from water customer net receipts. Annual principal and interest payments on the notes are expected to require 213% of net receipts. The total principal and interest remaining to be paid on the notes will be available after the final drawn down amount on the notes. For the current year, principal and interest paid and total customer net receipts were \$27,434 and \$12,872, respectively.

The resolutions providing for the issuance of the water revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a water revenue note sinking account for the purpose of making principal and interest payments when due.
- (c) Additionally annual transfer of \$37,013 shall be made to a water revenue reserve account within the Enterprise Funds until specific minimum balances have been accumulated in the account. This account is restricted for the purpose of paying principal of and interest on the notes when there shall be insufficient money in the sinking fund and to pay the cost of extraordinary maintenance expenses or repairs.

### Water Revenue Loan Agreement Anticipation Project Notes – Direct Borrowing

On September 2, 2021, the City entered into a loan anticipation project note agreement with Bank Iowa, Villisca, Iowa for improvements to the water utility to borrow up to \$920,000. The note bears interest at 2.46% per annum. For the year ended June 30, 2022, the City had a total of \$314,862 drawn on the anticipation project note. The anticipation project note shall be payable in full, from proceeds of a U.S. Department of Agriculture Loan agreement. During the year ended June 30, 2023, the City paid principal of \$314,862 and interest of \$5,701, paying off the loan in full.

Lease Agreement

On April 6, 2023, the City entered into a lease agreement with A.C. Gridley, Inc. for the use of 18 acres for city wells. An initial lease liability was recorded in the amount of \$46,970. The agreement requires yearly payments of \$515.49 per acre for 18 acres with a 2% increase, from the previous year, every March 1 for 5 years, with an implicit interest rate of 1.375% and a final payment on March 1, 2027. During the year ended June 30, 2023, the City paid principal of 9,279 and interest of \$0. Future principal and interest payments are as follows:

Year Ending June 30,	Land		
	Principal	Interest	Total
2024	\$ 8,946	518	9,464
2025	9,258	395	9,653
2026	9,579	268	9,847
2027	9,908	136	10,044
Total	\$ 37,691	1,317	39,008

**(4) Pension Plan**

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

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

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

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

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

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

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

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

In fiscal year 2023, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%.

The City's contributions to IPERS for the year ended June 30, 2023 totaled \$28,789.

Net Pension Liability, Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the City reported a liability of \$130,707 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the City's proportion was 0.003460%, which was an increase of 0.004783% over its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City's pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled \$(1,877), \$132,459 and \$142,339, respectively.

There were no non-employer contributing entities to IPERS.

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

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

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

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

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

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

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 243,523	130,707	31,285

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

**(5) 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, 2023, the City contributed \$157,540 and plan members eligible for benefits contributed \$0 to the plan. At June 30, 2023, 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 Villisca 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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>5</u>
Total	<u>5</u>

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation payable to employees at June 30, 2023, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	<u>\$ 11,000</u>

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

**(7) Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	<u>\$ 41,000</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	<u>153,319</u>
Total		<u>\$ 194,319</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**

On September 9, 2014, the City entered into an agreement with United Farmers Mercantile Cooperative (Developer), for the expansion of its agricultural cooperative facilities, including the construction of a new grain bin for use in its business operations within the urban renewal area. The City agreed to pay the developer an amount not to exceed \$150,000 subject to annual appropriation by the City Council. The agreement requires annual payments be made on June 1<sup>st</sup> of each fiscal year, beginning on June 1, 2017 and continuing through June 1, 2021. According to the City, the developer sold the property referenced in the developer agreement and no payments have been made.

**(10) Deficit Balance**

The Capital Project Fund had a deficit balance of \$125,819. The deficit is due to disbursements for the bridge project. As the bridge project is completed transfers from the Special Revenue, Local Option Sales Tax Fund will eliminate the deficit balance. The Enterprise, Water Fund had a deficit of \$211,912. The deficit is due to the timing in draw down requests from the USDA loan and current year disbursements and insufficient water rates to cover operating costs. The City has increased water rates to eliminate the deficit fund balance.

**City of Villisca**

## **Other Information**



City of Villisca

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

Other Information

Year ended June 30, 2023

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 469,603	-	-	469,603
Other city tax	163,168	-	-	163,168
Licenses and permits	3,412	-	-	3,412
Use of money and property	7,597	668	783	7,482
Intergovernmental	1,179,843	135,971	-	1,315,814
Charges for service	57,526	551,022	-	608,548
Miscellaneous	79,831	5,857	51,359	34,329
Total receipts	1,960,980	693,518	52,142	2,602,356
Disbursements:				
Public safety	541,635	-	50,372	491,263
Public works	279,492	-	-	279,492
Culture and recreation	139,187	-	-	139,187
Community and economic development	56,303	-	-	56,303
General government	134,887	-	-	134,887
Debt service	72,280	-	-	72,280
Capital projects	788,690	-	-	788,690
Business type activities	-	1,240,627	-	1,240,627
Total disbursements	2,012,474	1,240,627	50,372	3,202,729
Excess (deficiency) of receipts over (under) disbursements	(51,494)	(547,109)	1,770	(600,373)
Other financing sources, net	-	632,823	-	632,823
Change in balances	(51,494)	85,714	1,770	32,450
Balances beginning of year	1,758,532	193,827	189,330	1,763,029
Balances end of year	\$ 1,707,038	279,541	191,100	1,795,479

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Total
		Variance
469,944	469,944	(341)
144,859	144,859	18,309
4,000	4,000	(588)
2,100	5,100	2,382
964,756	1,445,156	(129,342)
594,950	594,950	13,598
54,000	54,000	(19,671)
<u>2,234,609</u>	<u>2,718,009</u>	<u>(115,653)</u>
199,142	509,942	18,679
305,350	305,350	25,858
121,900	148,900	9,713
65,000	65,000	8,697
138,355	138,355	3,468
72,280	72,280	-
665,000	935,000	146,310
570,880	1,240,880	253
<u>2,137,907</u>	<u>3,415,707</u>	<u>212,978</u>
96,702	(697,698)	97,325
-	600,000	32,823
96,702	(97,698)	130,148
<u>2,374,799</u>	<u>2,374,799</u>	<u>(611,770)</u>
<u>2,471,501</u>	<u>2,277,101</u>	<u>(481,622)</u>

City of Villisca

Notes to Other Information – Budgetary Reporting

June 30, 2023

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, 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, two budget amendments increased budgeted disbursements by \$1,277,800. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2023, disbursements did not exceed amounts budgeted.

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City of Villisca

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

Iowa Public Employees' Retirement System  
For the Last Two Years\*

Other Information

	<u>2023</u>	<u>2022</u>
City's proportion of the net pension liability (asset)	0.003460%	(0.001323)% **
City's proportionate share of the net pension liability	\$ 130,707	4,567
City's covered payroll	\$ 278,633	264,427
City's proportionate share of the net pension liability as a percentage of its covered payroll	46.91%	1.73%
IPERS' net position as a percentage of the total pension liability (asset)	91.40%	100.81%

\* 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.

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City of Villisca

Schedule of City Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years

Other Information

	2023	2022	2021	2020
Statutorily required contribution	\$ 28,789	26,303	24,962	23,290
Contributions in relation to the statutorily required contribution	(28,789)	(26,303)	(24,962)	(23,290)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 304,972	278,633	264,427	246,720
Contributions as a percentage of covered payroll	9.44%	9.44%	9.44%	9.44%

See accompanying independent auditor's report.

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2019	2018	2017	2016	2015	2014
23,228	21,293	20,126	21,173	21,478	20,121
(23,228)	(21,293)	(20,126)	(21,173)	(21,478)	(20,121)
-	-	-	-	-	-
246,056	238,442	225,370	237,100	240,518	225,322
9.44%	8.93%	8.93%	8.93%	8.93%	8.93%

City of Villisca

Notes to Other Information – Pension Liability

Year ended June 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

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

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

## **Supplementary Information**



**Schedule 1**

## City of Villisca

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

As of and for the year ended June 30, 2023

	Special Revenue				Total
	Employee Benefits	Villisca Volunteer Fire Fighter's Association	Friends of the Villisca Public Library	Villisca EMS Association	
Receipts:					
Property tax	\$ 122,623	-	-	-	122,623
Other city tax	2,195	-	-	-	2,195
Use of money and property	-	709	-	74	783
Intergovernmental	2,543	-	-	-	2,543
Miscellaneous	-	42,042	650	8,667	51,359
Total receipts	127,361	42,751	650	8,741	179,503
Disbursements:					
Operating:					
Public safety	2,882	43,024	-	7,348	53,254
Public works	65,934	-	-	-	65,934
Cultures and recreation	7,846	-	-	-	7,846
General government	41,312	-	-	-	41,312
Total disbursements	117,974	43,024	-	7,348	168,346
Excess (deficiency) of receipts over (under) disbursements	9,387	(273)	650	1,393	11,157
Cash balances beginning of year	16,976	112,142	2,322	74,866	206,306
Cash balances end of year	\$ 26,363	111,869	2,972	76,259	217,463
<b>Cash Basis Fund Balances</b>					
Restricted for:					
Other purposes	\$ 26,363	111,869	2,972	76,259	217,463

See accompanying independent auditor's report.

City of Villisca

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Grantor/Program	Assistance Listings Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 317,961
Community Facilities Loans and Grants	10.766		<u>717,600</u>
Total U.S. Department of Agriculture			<u>1,035,561</u>
U.S. Department of Housing and Urban Development:			
Passed through Iowa Economic Development Authority:			
Community Development Block Grant/States Program and Non-Entitlement Grants in Hawaii	14.228	19-HSG-021	125,501
Community Development Block Grant/States Program and Non-Entitlement Grants in Hawaii	14.228	17-WS-021	<u>135,971</u>
Total U.S. Department of Housing and Urban Development			<u>261,472</u>
Total:			<u>\$ 1,297,033</u>

**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Villisca under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Villisca, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Villisca.

**Summary of Significant Accounting Policies** – Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** – The City of Villisca has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor’s report.



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

Rob Sand  
Auditor of State

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

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Villisca, Iowa, as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 14, 2024. The financial statements were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed modified opinions on the governmental activities, the business type activities, each major program and the aggregate remaining fund information since we were unable to satisfy ourselves as to the distribution by fund of the total July 1, 2022 fund balance. Our report expressed an adverse opinion on the financial statements of the aggregate discretely presented component unit due to the omission of the Villisca Municipal Power Plant.

Report on Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2023-001 through 2023-007 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questions Costs as items 2023-008 through 2023-011 to be significant deficiencies.

#### Report on Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2023 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### City of Villisca's Responses to Findings

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

#### Purpose of this Report

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

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

November 14, 2024

**City of Villisca**



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

State Capitol Building  
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Telephone (515) 281-5834

Rob Sand  
Auditor of State

Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Villisca, Iowa's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Villisca's major federal program for the year ended June 30, 2023. The City of Villisca's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Villisca complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Villisca and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Villisca's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Villisca's federal programs.

## Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Villisca's compliance based on our audit. 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, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgment made by a reasonable user of the report on compliance about the City of Villisca's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City of Villisca's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City of Villisca's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Villisca's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Brian R. Brustkern, CPA  
Deputy Auditor of State

November 14, 2024



City of Villisca

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**Part I: Summary of the Independent Auditor's Results:**

- (a) Modified opinions were issued on the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were 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. An adverse opinion was issued on the financial statements of the aggregate discretely presented component unit due to the omission of the Villisca Municipal Power Plant.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Assistance Listing Number 10.766 – Community Facilities Loans and Grants.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Villisca did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

2023-001 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 may have control over the following areas for which no compensating controls exist:

- (1) Accounting system – performance of all accounting functions, controlling all data input and output and having custody of assets.
- (2) Cash – initiating cash receipts and disbursement transactions, handling and recording cash.
- (3) Investments – detailed record keeping, custody and reconciling earnings.
- (4) Long-term debt – recording, compliance and debt payment processing.
- (5) Receipts – opening mail, collecting, recording and depositing.
- (6) Disbursements – purchasing, invoice processing, check writing, mailing and recording.
- (7) Payroll – recordkeeping, preparing and distributing.

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

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

Recommendation – 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 controls through review of financial transactions, reconciliations and financial report. The reviews should be documented by the signature or initials of the reviewer and the date of the review.

Response – We are a small community and cannot afford additional employees. We will do our best to segregate duties with the staff we have.

Conclusion – Response acknowledged. The City should continue to review controls to obtain the maximum internal control possible, utilizing current personnel, including other officials and employees, to provide control for their accounts.

City of Villisca

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-002 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 and book balances. Supervisory review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – Although monthly bank reconciliations are prepared for the City bank accounts, the reconciliations did not include all City activity and a complete reconciliation, including investments was not prepared.

Cause – Policies have not been established and procedures have not been implemented to require preparation of a complete reconciliation of all accounts and investments to the total general ledger balance.

Effect – Lack of performing and maintaining complete bank reconciliations could result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The City should establish procedures to ensure bank and investment account balances are reconciled to the general ledger monthly and variances, if any, are reviewed and resolved timely.

Response – We will add our CD accounts to our monthly bank reconciliations.

Conclusion – Response accepted.

2023-003 Villisca Volunteer Fire Fighter's Association – 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 Association's financial statements.

Condition – Generally, one or two individuals has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

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

Effect – Inadequate segregation of duties could adversely affect the Association'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 Association should review its internal control activities to obtain the maximum internal control possible under the circumstances utilizing current available members, including Association board members, to provide additional control through review of financial transactions, reconciliations, and reports.

City of Villisca

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Response – We will implement a control factor. Possibly having another member check all transactions and sign off on them.

Conclusion – Response accepted.

2023-004 Villisca Volunteer Fire Fighter’s Association – Bank Reconciliation

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 and book balances. Independent review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – The Association does not reconcile bank balances to the general ledger balance monthly.

Cause – Procedures have not been designed and implemented to ensure bank account balances are reconciled to the general ledger balance monthly and the amounts recorded in the books and bank accounts are complete and accurate to ensure proper accounting for all funds.

Effect – Lack of monthly bank to book reconciliations can result in unrecorded transactions, undetected errors, and the opportunity for misappropriation.

Recommendation – The Association should establish procedures to ensure bank balances are reconciled to general ledger balances monthly and variances are reviewed and resolved timely. An independent person should review the bank reconciliations and document their review by signing or initialing and dating the reconciliation.

Response – Plan to make a spreadsheet of monthly transactions and balances to present at monthly meetings for approval and signature.

Conclusion – Response accepted.

2023-005 Friends of the Villisca Public Library – 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 Friend’s financial statements.

Condition – Generally, one or two individuals has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

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

City of Villisca

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Effect – Inadequate segregation of duties could adversely affect the Friend’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 Friends should review its internal control activities to obtain the maximum internal control possible under the circumstances utilizing current available members, including Friends board members, to provide additional control through review of financial transactions, reconciliations, and reports.

Response – We are hoping to have a meeting to elect officers this year. Elected officers will help to segregate duties.

Conclusion – Response accepted.

2023-006 Villisca EMS Association – 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 Association’s financial statements.

Condition – Generally, one or two individuals has control over collecting, depositing, posting and disbursing for which no compensating controls exist.

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

Effect – Inadequate segregation of duties could adversely affect the Association’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 Association should review its internal control activities to obtain the maximum internal control possible under the circumstances utilizing current available members, including Association board members, to provide additional control through review of financial transactions, reconciliations, and reports.

Response – 99% of the time money is sent to City Hall. The staff opens it and then gives it to the first EMS person who enters, which has always been Nina. Nina immediately takes the money to the bank and deposit it. Nina makes a copy of the checks to give to the treasurer. The bank would not allow me to cash a check that has been written to the Villisca EMA Association. One of the nice things about living in a small community is everyone knows everyone else, and what they can and cannot do.

Conclusion – Response acknowledged. The Association should continue to review controls to obtain the maximum internal control possible, utilizing current personnel, including other officials and employees, to provide control for their accounts.

City of Villisca

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-007 Villisca EMS Association – Bank Reconciliation

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 and book balances. Independent review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – The association does reconcile bank balances to the check book balance monthly, but it is not documented and an independent review is not done.

Cause – Procedures have not been designed and implemented to ensure bank account balances are reconciled to the general ledger balance monthly and the amounts recorded in the books and bank accounts are complete and accurate to ensure proper accounting for all funds.

Effect – Lack of monthly bank to book reconciliations can result in unrecorded transactions, undetected errors, and the opportunity for misappropriation.

Recommendation – The Association should establish procedures to ensure bank balances are reconciled to general ledger balances monthly and variances are reviewed and resolved timely. An independent person should review the bank reconciliations and document their review by signing or initialing and dating the reconciliation.

Response – We were sent a sample form which we are now using at each monthly meeting.

Conclusion – Response accepted.

2023-008 Disbursement Approvals

Criteria – The City Council should approve all disbursements before payment and include a listing in the council minutes.

Condition – Various disbursements are paid prior to City Council approval. There is no written policy allowing for payment of disbursements prior to City Council approval.

Cause – The City has a limited number of employees and procedures have not been designed to clearly allow for payment of disbursements prior to City Council approval.

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

Recommendation – The City should establish a policy which would allow for payment of certain bills prior to City Council approval to avoid late fees and penalties.

Response – We will adopt a resolution that allows needed disbursements to be paid prior to Council meetings, we should have that completed in our August meeting.

Conclusion – Response accepted.

City of Villisca

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-009 Disaster Recovery Plan

Criteria A disaster recovery plan for financial continuity should include the following:

- Identification of critical applications.
- Identification of steps for recovery of any operating systems for City operations.
- Identification of computer equipment needed for temporary processing.
- Identification of business location(s) which could be used to process critical applications in the event of an emergency, including any applicable written agreements for the use of the locations.
- Requirement to keep a copy of the disaster recovery plan off site.
- Requirement to keep system backups current and off site.
- An inventory of all hardware and components. An inventory of all software applications.
- A requirement that copies of all user documentation and policy and procedures manuals be located off site.
- A requirement for extra stock of paper supplies, such as checks, warrants, purchase orders, etc., be located off site.
- Requirement outlining the frequency of testing the disaster recovery plan to identify issues and document the results of testing.

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

Cause – Management has not required written disaster recovery policies addressing financial continuity.

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

Recommendation – A written disaster recovery plan should be developed.

Response – The City will do some research and look into developing a disaster plan.

Conclusion – Response accepted.

2023-010 Journal Entries

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

Condition – Approval and review for journal entries is not documented.

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

City of Villisca

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

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

Recommendation – An independent person should review the journal entries and document the review by signing or initialing as evidence of the review.

Response – The Mayor will review and approve journal entries going forward.

Conclusion – Response accepted.

2023-011 Receipts

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 recorded \$9,758 of commercial/industrial replacement tax as property tax rather than intergovernmental receipts and \$8,273 of utility excise tax as property tax rather than other city taxes according to the Uniform Chart of Accounts (COA) recommended by the City Finance Committee.

Cause – City procedures have not been established to help ensure receipts are correctly recorded according to the recommended Uniform Chart of Accounts for Iowa City Governments.

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

Recommendation – The City should implement procedures to ensure all receipts are properly coded and recorded.

Response – We will create the correct accounts and correct the receipts. As well as ensure they are properly coded going forward.

Conclusion – Response accepted.

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.



City of Villisca

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCE OF NONCOMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

No material weaknesses in internal control over the major federal program were noted.

City of Villisca

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

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

- 2023-A Certified Budget – Disbursements during the year ended June 30, 2023, did not exceed the amounts budgeted.
- 2023-B Questionable Disbursements – No disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion date April 25, 1979 were noted.
- 2023-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 2023-D Business Transactions – No business transactions between the City and City officials or employees were noted.
- 2023-E Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 2023-F Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- 2023-G City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

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

Recommendation –The City should publish minutes within fifteen days, as required.

Response – We have switched papers and will submit the minutes in a timely fashion to make sure we reach the 15-day mark.

Conclusion – Response accepted.

- 2023-H Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted. However, the Special Revenue, Local Option Sales Tax Fund earned interest in fiscal year 2023. Chapter 12C.7(2) of the Code of Iowa requires interest earned be recorded in the General Fund.

Recommendation – The City should discontinue recording interest to this fund and record interest to the General Fund, as required.

Response – The City will stop recording interest in the LOST fund and will record to the general fund effective immediately. We will move any interest recorded to the LOST fund in FY2024 to the general fund as well.

Conclusion – Response accepted.

City of Villisca

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-I Revenue Notes/Bonds – The City has not established sewer rates to produce net operating receipts equal to at least 110% of the principal and interest coming due each year as required by the bond resolution. In addition, the water revenue note resolution requires the City to make monthly transfers to a water revenue note sinking account for the purpose of making principal and interest payments when due as well as an annual transfer of \$37,013 to a water revenue reserve account for the purpose of paying principal and interest on the notes when there shall be insufficient money in the sinking fund and to pay the cost of extraordinary maintenance expenses or repairs. The City did not make the required transfers in fiscal year 2023.

Recommendation – The City should ensure net operating receipts for the Enterprise, Sewer Fund are sufficient to make required debt service payments and comply with the revenue bond resolution. In addition, the City should ensure monthly and annual transfers are made to the water sinking fund and water reserve fund as required by the water note resolution.

Response – We will review our rates and adjust accordingly.

Conclusion – Response accepted.

2023-J Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1, 2023

2023-K Tax Increment Financing – Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness. 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. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal and interest on the certified indebtedness. In addition, Chapter 403.19(6)(b) of the Code of Iowa requires the City to certify the amount of reductions resulting from the reduction of debt or any other reason to the County Auditor.

The City has certified and certifiable tax increment financing (TIF) debt outstanding at June 30, 2021 totaling \$150,000 as part of a developer agreement. The City made no payments under the agreement, leaving a balance in the TIF fund at June 30, 2023 totaling \$153,068. According to the City, the developer sold the property referenced in the developer agreement. Chapter 24.21 of the Code of Iowa requires, when the necessity for maintaining the TIF Fund ceases to exist, the excess balance remaining in the fund, if any, be remitted to the County Treasurer and allocated to the respective taxing districts.

Recommendation – The City should consult legal counsel to determine the disposition of this matter, including whether the \$150,000 of TIF collections accumulated pursuant to the developer agreement should be paid to the developer. Remaining TIF receipts should be returned to the County Treasurer as required by Chapter 24.21 of the Code of Iowa.

Response – We will consult legal counsel to distribute as instructed.

Conclusion – Response accepted.

City of Villisca

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-L Unclaimed Property – Chapter 556.11 of the Code of Iowa requires each City to report and remit obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit these obligations, as required.

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

Response – We will submit unclaimed property every year going forward.

Conclusion – Response accepted.

2023-M Financial Condition – The Capital Projects Fund had a deficit balance of \$125,819 and the Water Fund had a deficit balance of \$211,912 at June 30, 2023.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position.

Response – We will be doing some transfers as we wrap up the water project and work on the bridge project. Both projects have been going on for several years now.

Conclusion – Response accepted.

City of Villisca

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Deputy  
Ryan J. Pithan, CPA, Manager  
Luke M. Bormann, CPA, Senior II Auditor  
Matthew W. Beerman, Staff Auditor  
Maria R. Collins, Staff Auditor  
Aria G. Puetsch, Assistant Auditor