



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

State Capitol Building  
Des Moines, Iowa 50319-0006  
Telephone (515) 281-58348

Rob Sand  
Auditor of State

**NEWS RELEASE**

FOR RELEASE

April 2, 2025

Contact: Brian Brustkern  
515/281-5834

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

**FINANCIAL HIGHLIGHTS:**

The City's receipts and disbursements totaled \$2,064,621 and \$1,982,945 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 43 through 51 of this report. The findings address issues such as a lack of segregation of duties, financial reporting, utility reconciliations, federal reporting, disbursements exceeding budgeted amounts, monitoring Local Option Sales Tax, interfund transfers, interfund loans and lack of accounting and information systems policies and procedures. 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 SOLDIER**  
**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2023**

**City of Soldier**



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Telephone (515) 281-5834

Rob Sand  
Auditor of State

March 10, 2025

Officials of City of Soldier  
Soldier, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for City of Soldier, 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 City of Soldier throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

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

Rob Sand  
Auditor of State

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**City of Soldier**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Johnny Larson	Mayor	Jan 2026
Rebecca Gangestad	Council Member	Jan 2024
Joshua Gran	Council Member	Jan 2024
Sandra Harris	Council Member	Jan 2024
Johnathan McAndrews	Council Member	Jan 2026
Shane Sorenson	Council Member	Jan 2026
Melanie McAndrews	City Clerk	Indefinite
George Blazek	Attorney	Indefinite

## **City of Soldier**



## OFFICE OF AUDITOR OF STATE STATE OF IOWA

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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

##### Qualified Opinions

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

In our opinion, 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 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 Soldier 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 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 Soldier, and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

##### Basis of Accounting

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



### Responsibilities of Management for the Financial Statements

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

### Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Soldier's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Soldier'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 Soldier'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. In our opinion, the supplementary information in Schedules 1 and 2 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Information

Management is responsible for the other information included in this report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 24 through 30 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2025 on our consideration of the City Soldier'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 Soldier's internal control over financial reporting and compliance.



Brian R. Brustkern, CPA  
Deputy Auditor of State

March 10, 2025

## **City of Soldier**

## **Basic Financial Statements**

City of Soldier

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2023

		Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Disbursements			
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 93,977	-	35,000	-
Public works	65,031	23,082	25,320	-
Health and Human Services	35,443	115	32,703	-
Culture and recreation	19,749	3,068	62,414	-
Community and economic development	100	346	-	-
General government	52,689	358	-	-
Capital Projects	1,217	-	-	-
Total governmental activities	268,206	26,969	155,437	-
Business type activities:				
Water	1,712,714	82,189	-	951,220
Sewer	2,025	20,648	-	-
Total business type activities	1,714,739	102,837	-	951,220
Total	\$ 1,982,945	129,806	155,437	951,220
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Tax increment financing				
Local option sales tax				
American Rescue Plan Act				
Unrestricted interest on investments				
Note proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Expendable:				
Capital improvements				
Streets				
Capital projects				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

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

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Governmental Activities	Business Type Activities	Total
(58,977)	-	(58,977)
(16,629)	-	(16,629)
(2,625)	-	(2,625)
45,733	-	45,733
246	-	246
(52,331)	-	(52,331)
(1,217)	-	(1,217)
(85,800)	-	(85,800)
-	(679,305)	(679,305)
-	18,623	18,623
-	(660,682)	(660,682)
(85,800)	(660,682)	(746,482)
54,393	-	54,393
15,624	-	15,624
18,299	-	18,299
12,261	-	12,261
4,172	607	4,779
-	720,300	720,300
2,502	-	2,502
(12,809)	12,809	-
94,442	733,716	828,158
8,642	73,034	81,676
191,751	137,217	328,968
\$ 200,393	210,251	410,644
\$ 136,790	-	136,790
5,076	-	5,076
1,818	-	1,818
4,125	-	4,125
52,584	210,251	262,835
\$ 200,393	210,251	410,644

**Exhibit B**

## City of Soldier

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

As of and for the year ended June 30, 2023

	<u>Special Revenue</u>			
	General	Local Option Sales Tax	Nonmajor Funds	Total
Receipts:				
Property tax	\$ 29,139	-	23,952	53,091
TIF increment financing	-	-	15,624	15,624
Local option sales tax	-	18,299	-	18,299
Other city tax	1,302	-	-	1,302
Licenses and permits	473	-	-	473
Use of money and property	7,240	-	-	7,240
Intergovernmental	99,964	-	25,320	125,284
Charges for service	23,082	-	-	23,082
Special assessments	346	-	-	346
Miscellaneous	44,916	-	-	44,916
Total receipts	206,462	18,299	64,896	289,657
Disbursements:				
Operating:				
Public safety	93,977	-	-	93,977
Public works	35,622	-	29,409	65,031
Health and social services	35,443	-	-	35,443
Culture and recreation	18,108	-	1,641	19,749
Community and economic development	100	-	-	100
General government	50,874	-	1,815	52,689
Capital projects	-	-	1,217	1,217
Total disbursements	234,124	-	34,082	268,206
Excess (deficiency) of receipts over (under) disbursements	(27,662)	18,299	30,814	21,451
Other financing sources (uses):				
Transfers in	36,090	-	-	36,090
Transfers out	-	(18,299)	(30,600)	(48,899)
Total other financing sources (uses)	36,090	(18,299)	(30,600)	(12,809)
Change in cash balances	8,428	-	214	8,642
Cash balances beginning of year	44,156	136,790	10,805	191,751
Cash balances end of year	\$ 52,584	136,790	11,019	200,393
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Streets	\$ -	-	5,076	5,076
Capital project	-	-	1,818	1,818
Local option sales tax	-	136,790	-	136,790
Other purposes	-	-	4,125	4,125
Unassigned	52,584	-	-	52,584
Total cash basis fund balances	\$ 52,584	136,790	11,019	200,393

See notes to financial statements.

## City of Soldier

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	\$ 81,589	20,648	102,237
Operating disbursements:			
Business type activities	41,447	525	41,972
Excess of operating receipts over operating disbursements	40,142	20,123	60,265
Non-operating receipts (disbursements):			
United States Department of Agriculture grant	951,220	-	951,220
Note proceeds	720,300	-	720,300
Interest on investments	356	251	607
Miscellaneous	600	-	600
Debt service	(5,977)	-	(5,977)
Capital projects	(1,665,290)	(1,500)	(1,666,790)
Net non-operating receipts (disbursements)	1,209	(1,249)	(40)
Excess of receipts over disbursements	41,351	18,874	60,225
Transfers:			
Transfer in	12,809		12,809
Change in cash balances	54,160	18,874	73,034
Cash balances beginning of year	95,479	41,738	137,217
Cash balances end of year	\$ 149,639	60,612	210,251
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 149,639	60,612	210,251

See notes to financial statements.



City of Soldier

Notes to Financial Statements

June 30, 2023

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

The City of Soldier is a political subdivision of the State of Iowa located in Monona County. It was first incorporated in 1901 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, sewer and utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City of Soldier 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

**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: Monona County Assessor's Conference Board, Monona County Emergency Management Commission and Monona County Joint 911 Service Board.

**B. Basis of Presentation**

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The Local Option Sales Tax Fund is used to account for receipts from the local option sales and service tax. The receipts are to be used for property tax relief and to finance economic development, infrastructure including, water, sewer, roads, buildings and parks.

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:

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 classification.

### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2023, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, general government, capital projects and business type activities functions prior to the budget amendment and in the public works, general government and capital projects functions at year end.

## **(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) Notes Payable**

### Water Revenue Capital Loan Anticipation Note – Direct Borrowing

On September 17, 2020, the City entered into an interim loan agreement for \$837,000 to be used for the purpose of paying costs of planning, designing and constructing improvements to the City water system. This amount was increased on July 11, 2022 by a supplemental resolution to increase the note \$ 113,000. The City had previously drawn down \$229,700 during the period from September 2020 through June 30, 2022. During the year ended June 30, 2023, the City drew down and additional \$720,300 for a total cumulative amount drawn of \$950,000. The loan matures on September 17, 2023 and will be repaid with a water revenue note from the United States Department of Agriculture. For the current year, interest paid was \$5,977 and no principal.

## **(4) Interfund Loan**

Prior to July 1, 2022, the General Fund had loaned the Special Revenue, Urban Renewal Tax Increment fund (TIF) \$20,319 at no interest. The loan was established to improve road conditions, repair a dilapidated home and attorney fees paid for establishing the urban renewal area. Payments are to be made on the loan starting in fiscal year 2023 to the extent there are incremental tax receipts available which have been allocated to the Special Revenue, TIF fund. During the fiscal year ended June 30, 2023, repayments have been made of \$15,624.

The City did not have City Council approval by resolution as noted in comment 2023-M.

## **(5) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](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 \$4,950.

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 \$22,977 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 0.000608%, which was an increase of 0.000833% 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 \$(330), \$23,285 and \$25,022, 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	3.25 to 16.25% average, including inflation.
(effective June 30, 2017)	Rates vary by membership group.
Long-term investment rate of return	7.00% compounded annually, net of investment
(effective June 30, 2017)	expense, including inflation.
Wage growth	3.25% per annum, based on 2.60% inflation
(effective June 30, 2017)	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:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
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	100.0%	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 42,809	22,977	5,500

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).

**(6) Compensated Absences**

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

Type of Benefit	Amount
Vacation	\$ 1,339

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:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Insurance	\$ 14,976
	Local Option Sales Tax	5,490
	TIF	15,624
		<u>36,090</u>
Enterprise	Special Revenue:	
Water	LOST	\$ 12,809
Total		<u>\$ 48,899</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) Construction Commitment**

The City has entered into construction contracts totaling \$2,499,277 for water improvements. As of June 30, 2023, \$1,598,095 has been paid on the contracts. The remaining \$901,182 balance will be paid as work on the projects progress.

**(10) Subsequent Event**

In October 2023, the City issued a \$950,000 of Water Revenue Capital Loan notes, to pay the cost of improvements and extensions to the Municipal Water Utility, including acquisition and construction of a new well, a new filtration system, a new water tower, distribution system improvements, new radio head water meters, acquisition of land, demolishing the old water tower, and related site improvements and refunding any outstanding Project Notes with accrued interest. This issuance refunded the Water Revenue Capital Loan Anticipation Note discussed in Note 3.



## **City of Soldier**

### **Other Information**

City of Soldier

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	Total
Receipts:			
Property tax	\$ 53,091	-	53,091
Tax increment financing	15,624	-	15,624
Other city tax	19,601	-	19,601
Licenses and permits	473	-	473
Use of money and property	7,240	607	7,847
Intergovernmental	125,284	951,220	1,076,504
Charges for service	23,082	102,237	125,319
Special assessments	346	-	346
Miscellaneous	44,916	600	45,516
Total receipts	289,657	1,054,664	1,344,321
Disbursements:			
Public safety	93,977	-	93,977
Public works	65,031	-	65,031
Health and social services	35,443	-	35,443
Culture and recreation	19,749	-	19,749
Community and economic development	100	-	100
General government	52,689	-	52,689
Capital projects	1,217	-	1,217
Business type activities	-	1,714,739	1,714,739
Total disbursements	268,206	1,714,739	1,982,945
Excess (deficiency) of receipts over (under) disbursements	21,451	(660,075)	(638,624)
Other financing sources (uses), net	(12,809)	733,109	720,300
Change in balances	8,642	73,034	81,676
Balances beginning of year	191,751	137,217	328,968
Balances end of year	\$ 200,393	210,251	410,644

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Total Variance
49,893	49,893	3,198
-	16,000	(376)
21,201	21,201	(1,600)
750	750	(277)
1,500	101,500	(93,653)
186,000	186,000	890,504
1,056,489	2,385,648	(2,260,329)
-	-	346
-	-	45,516
1,315,833	2,760,992	(1,416,671)
3,250	103,250	9,273
58,750	58,750	(6,281)
152,000	152,000	116,557
18,994	20,754	1,005
500	500	400
40,800	46,800	(5,889)
-	-	(1,217)
1,007,135	2,336,294	621,555
1,281,429	2,718,348	735,403
34,404	42,644	(681,268)
-	-	720,300
34,404	42,644	39,032
295,742	631,681	(302,713)
330,146	674,325	(263,681)

City of Soldier

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. 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 Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,436,919. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2023, disbursements exceeded the amounts budgeted in the public works, general government and capital projects functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the public safety, culture and recreation, general government, capital projects and business type activities functions.

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City of Soldier

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

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

Other Information

	2023	2022
City's proportion of the net pension liability (asset)	0.000608%	0.000225% **
City's proportionate share of the net pension liability	\$ 23	1
City's covered payroll	\$ 49	45
City's proportionate share of the net pension liability as a percentage of its covered payroll	46.94%	2.22%
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 Soldier

Schedule of City Contributions

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

Other Information

	2023	2022	2021	2020
Statutorily required contribution	\$ 5	5	4	4
Contributions in relation to the statutorily required contribution	(5)	(5)	(4)	(4)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 52	49	45	41
Contributions as a percentage of covered payroll	9.42%	9.39%	8.89%	9.76%

\* Amounts reported do not agree with the calculated amounts due to rounding required contributions and covered payroll to the nearest thousandth.

See accompanying independent auditor's report.

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2019	2018	2017	2016	2015	2014
4	4	4	3	3	3
(4)	(4)	(4)	(3)	(3)	(3)
-	-	-	-	-	-
39	41	41	37	31	30
10.26%	9.76%	9.76%	8.11%	9.68%	10.00%



City of Soldier

Notes to Other Information – Pension Liability

Year ended June 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

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

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

## **Supplementary Information**

City of Soldier

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			
	Road Use Tax	Employee Benefits	Insurance Fund	TIF Fund
Receipts:				
Property tax	\$ -	8,976	14,976	-
TIF Increment Financing	-	-	-	15,624
Intergovernmental	25,320	-	-	-
Total receipts	25,320	8,976	14,976	15,624
Disbursements:				
Operating:				
Public works	28,014	1,395	-	-
Cultures and recreation	-	1,641	-	-
General government	-	1,815	-	-
Capital projects	-	-	-	-
Total disbursements	28,014	4,851	-	-
Excess (deficiency) of receipts over (under) disbursements	(2,694)	4,125	14,976	15,624
Other financing uses:				
Transfers out	-	-	(14,976)	(15,624)
Change in cash balances	(2,694)	4,125	-	-
Cash balances beginning of year	7,770	-	-	-
Cash balances end of year	\$ 5,076	4,125	-	-
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Streets	5,076	-	-	-
Capital projects	-	-	-	-
Other purposes	-	4,125	-	-
Total cash basis fund balances	\$ 5,076	4,125	-	-

See accompanying independent auditor's report.

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Capital Projects

Capital Projects	Total
-	23,952
-	15,624
-	25,320
-	64,896
-	29,409
-	1,641
-	1,815
1,217	1,217
1,217	34,082
(1,217)	30,814
-	(30,600)
(1,217)	214
3,035	10,805
1,818	11,019
-	5,076
1,818	1,818
-	4,125
1,818	11,019

## **City of Soldier**

## City of Soldier

## 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		\$ 1,673,446
Community Facilities Loans and Grants	10.766	CF Grant #04	55,000
Total U.S. Department of Agriculture			<u>1,728,446</u>
U.S. Department of Housing and Urban Development:			
Passed through Iowa Economic Development Authority Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	19-HSG-020	32,703
Total U.S. Department of the Housing and Urban Development			<u>32,703</u>
Total			<u>\$ 1,761,149</u>

**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Soldier 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 Soldier, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Soldier.

**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 Soldier 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**

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Rob Sand  
Auditor of State

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Soldier, Iowa, as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 10, 2025. 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 fund and the aggregate remaining fund information since we were unable to satisfy ourselves as to the distribution by fund of the total July 1, 2022 fund balance.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Soldier'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 Soldier's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Soldier'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 2023-004 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 Questioned Costs as items 2023-005 and 2023-006 to be significant deficiencies.

## Report on Compliance and Other Matters

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

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The City of Soldier'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 Soldier during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Brian R. Brustkern, CPA  
Deputy Auditor of State

March 10, 2025



### **City of Soldier**



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

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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 Soldier, 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 Soldier's major federal program for the year ended June 30, 2023. The City of Soldier's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Soldier 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 Soldier 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 the major federal program. Our audit does not provide a legal determination of the City of Soldier'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 Soldier'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 City of Soldier'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 Soldier's compliance with the requirements of the 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 Soldier'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 Soldier'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 Soldier'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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-007, to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Soldier's response to the internal control over compliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. The City of Soldier's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

March 10, 2025

City of Soldier

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 U.S. generally accepted accounting principles.
- (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) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Assistance Listing Number 10.760 Water and Waste Disposal Systems for Rural Communities.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Soldier 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 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 receipt and disbursement transactions, handling and recording cash and reconciling bank accounts.
- (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (4) Long-term debt – maintaining long-term debt records and handling and recording cash and reviewing compensated absence records.
- (5) Receipts – opening mail, collecting, depositing, recording, and reconciling.
- (6) Disbursements – purchasing, receiving, invoice processing, check writing, mailing, reconciling and recording.
- (7) Utilities – opening mail, billing, collecting, depositing, posting, entering rates into the system, maintaining accounts receivable and reconciling.
- (8) Payroll – entering rates into the system, preparing, reconciling, recording, and distributing.
- (9) Journal entries – preparing and recording transfers, adjustments and corrections.

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

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

City of Soldier

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

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

Response and Corrective Action Planned – The City of Soldier will continue to create a separation of duties through utilizing the City Council as a second verification. For example, designated members signing off on monthly reconciled bank statements, the meeting minutes and past due utility reports.

Conclusion – Response accepted.

2023-002 Financial Reporting

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

Condition – During the fiscal year ended June 30, 2023, \$112,331 of receipts and disbursements were overstated due to City recording the purchase of CDs as an expenditure and the receipt of the CD as a revenue. Loan proceeds of \$720,000 and proceeds from a USDA grant of \$951,220 were budgeted and recorded on the financial statements as charge for services instead of note proceeds and as an intergovernmental receipt. Adjustments were subsequently made by the City to properly exclude the \$112,331 amounts in the financial statements and properly classify the funds for the water project.

Cause – The City's policies do not require, and procedures have not been established to require independent review of the cities accounting records by an independent individual.

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

Recommendation – The City should enact a policy for review of receipts and disbursements recorded in the City's accounting records.

Response – The City of Soldier will enact a policy for review of receipts and disbursements recorded in the City's accounting records. This will be accomplished through establishing a Policy Handbook.

Conclusion – Response accepted.

City of Soldier

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-003 Utility Reconciliations

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

Condition – Utility billings, collections and bank deposits were reconciled throughout the year. However, a reconciliation of showing the balance at the beginning of the period, billings, collections, write offs and delinquent accounts was not prepared and reconciling items were not identified and resolved. In addition, the reconciliations were not reviewed and approved by an independent person.

Cause – Policies have not been established and procedures have not been implemented to reconcile utility billings, collections and delinquent accounts or to have the reconciliation approved and initialed by an independent person.

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

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or other independent person designated by the City Council should review the reconciliation and monitor delinquent accounts. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

Response – The City of Soldier will create a process to have a running A/R balance available to the City Council each month that will be reviewed and signed by a designated Council Member.

Conclusion – Response accepted.

2023-004 Timesheets

Criteria – An effective internal control system requires employees to maintain timesheets for hours worked per pay period. These timesheets should be signed by the employee and reviewed by the supervisor for accuracy before the paycheck is issued to the employee.

Condition – The employees prepare timesheets to track hours worked, overtime, comp time and paid time off. However, the employees do not sign the timesheets to certify the hours worked and hours of leave taken are accurate. In addition, there is no evidence of supervisory review of hours recoded on the timesheet.

Cause – Policies have not been established and procedures have not been implemented to require employees to sign timesheets or to have supervisory approval prior to the issuance of payroll checks.



City of Soldier

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Effect – Lack of employee and supervisor approved timesheets for personnel increases the risk of inaccurate leave records and the potential to pay for hours not worked. Without evidence of detailed records to support the claim, there is no assurance the claim is proper.

Recommendation – The City should establish policies and implement procedures to ensure timesheets are approved by the employee and their supervisor.

Response – The City of Soldier will have the City Clerk and Maintenance Superintendent sign off on each biweekly timesheet and benefits report to acknowledge acceptance and will review the other employee's timesheet so as to provide a supervisory review.

Conclusion – Response accepted.

2023-005 Computer System

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

Condition – The City does not have written policies for:

- password privacy and confidentiality,
- requiring password changes because software does not require the user to change logins/passwords periodically,
- ensuring only software licensed to the City is installed on computers,
- requiring the use of an anti-virus program on computers,
- timely computer backup and off sight storage,
- actions to be taken for disaster recovery.

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

Effect – Lack of written policies for the computer-based system could result in a loss of data or compromised data, resulting in unreliable financial information.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over its computer system.

Response – The City of Soldier will establish a policy in regards to its computer system.

Conclusion – Response accepted.

City of Soldier

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-006 Accounting Policies and Procedures Manual

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

- (1) Aid in training additional or replacement staff.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.

Condition – The City does not have any documented accounting policies or procedures.

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

Effect – Lack of an accounting policies and procedures manual could negatively impact the Cities ability to continue operating effectively and efficiently in the event of staff turnover.

Recommendation – The City should establish and document accounting policies and procedures.

Response – The City of Soldier will establish a policy that addresses and establishes accounting policies and procedures.

Conclusion – Response accepted.

**INSTANCES OF NONCOMPLIANCE:**

No matters were noted.

City of Soldier

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:**

**Assistance Listing Number 10.760: Water and Waste Disposal Systems for Rural Communities**

**Federal Award Year: 2023**

**Prior Year Finding Number: N/A**

**U.S. Department of Agriculture**

2023-007 Reporting

Criteria – Per the 2023 Compliance Supplement for Water and Waste Water Disposal Systems for rural communities, a borrower may submit financial data similar to what is required on Forms RD 442-2 and 442-3, but what gets submitted must be signed and dated by the borrower to certify the correctness of the information.

Condition – The City submits financial reports that substantially meet the requirements per the compliance supplement. However, these reports are not signed and dated as required by the compliance supplement.

Cause – Policies and procedures have not been established to require signatures on financial data submitted to federal agencies.

Effect – The lack of established policies and procedures could result in incorrect data being reported.

Recommendation – The City should establish policies and procedures to ensure that all financial data submitted to federal agencies is signed by the city certifying that the information is correct.

Response and Corrective Action Planned – The City of Soldier will establish policies and procedures to guarantee that all financial data is submitted to finance agencies.

Conclusion – Response acknowledged. In addition to guaranteeing information is properly supported, the City should ensure financial reports are properly signed.

City of Soldier

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 exceeded the amounts budgeted prior to the budget amendment in May in the public safety, culture and recreation, general governmental, capital projects and business type functions. Additionally, the City exceeded amounts budgeted at year end in the public works, general government and capital project functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City of Soldier will verify at each month’s meeting that the expenses do not exceed the budgeted amount, if so, an amendment will be initiated.

Conclusion – Response accepted.

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

2023-C Travel Disbursements – 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.

2023-H Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. In addition, a resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. In addition, the City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

City of Soldier

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Response – The City of Soldier will adopt an investment policy which can be a part of the policy handbook. The City of Soldier will verify that a resolution will be adopted to verify all approved depositories.

Conclusion – Response accepted.

2023-I Tax Increment Financing – The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates. Also, the City of Soldier properly completed the Tax Increment Debt Certificate Forms to request TIF property taxes.

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 as required by Chapter 384.22(2)(a) of the Code of Iowa and no exceptions were noted

2023-K Local Option Sales Tax – On May 15, 1990, the voters of the City approved adoption of a 1% Local Option Sales Tax (LOST) effective July 1, 1990. The LOST was approved to be use 10% for property tax relief, 10% for infrastructure including sewer, buildings and park, 10% for economic development and 70% for water and streets. The City has not tracked how the LOST revenues have been spent and it can not be determined if the funds have been spent appropriately.

Recommendation – The City should adopt policies and procedures to track how LOST Funds are spent and the amount available for each purpose stated on the ballot.

Response – The City of Soldier will adopt policies and procedures to track how all LOST Funds are spent and the amount available. This can be completed during monthly financial reporting.

Conclusion – Response accepted.

2023-L Interfund Transfers – Interfund Transfers – Rule 545-2 of the City Finance Committee Rules requires “A fund transfer resolution must be completed for all transfers between funds and must include a clear statement of reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred.” The City made six transfers which were not approved by resolution.

Also, Iowa Administrative Code Section 545-4.4(384) states “The revenues and appropriations for employee benefits for those employees being paid from any fund other than the city general fund and the road use tax fund shall be budgeted in and paid from the fund from which the employee is being paid.” The City transferred funds from the Special Revenue, Employee Benefits fund to the Enterprise, Water Fund which would not be allowed.

Recommendation – The resolutions approving all fund transfers should include the information required by Section 545-2 of the City Finance Committee Rules. All interfund transfers should be preceded by a resolution. Additionally, employee benefits for enterprise funds should be paid for by that fund and no transfers from the Special Revenue, Employee Benefits Fund should be made to the Enterprise, Water Fund.

City of Soldier

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Response – The City of Soldier will make sure that all interfund transfers will be preceded by a resolution. The City of Soldier will not transfer from the Special Revenue, Employee Benefits fund to the Enterprise, Water Fund for employee benefits.

Conclusion – Response accepted.

2023-M Interfund Loan – During the year ended June 30, 2023, the City transferred from the Special Revenue, TIF Fund to the General Fund. The transfers were payments on an interfund loan from the Special Revenue, TIF Fund to the General Fund. Transfers from the Special Revenue, TIF Fund are allowable as long as the Council approves an interfund loan by resolution. The City has never set up an interfund loan.

Recommendation – The City should ensure all future advances/interfund loans are properly approved by the Council and document terms for repayment

Response – The City of Soldier will ensure that all future advances/interfund loans are properly documented and approved by the Council with the terms of repayment.

Conclusion – Response accepted.

City of Soldier

Staff

This audit was performed by:

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