



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

May 13, 2025

Contact: Brian Brustkern
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The City's receipts and disbursements totaled \$2,577,633 and \$2,388,211 for the year ended June 30, 2024.

AUDIT FINDINGS:

Sand reported ten findings related to the receipt and disbursement of taxpayer funds. They are found on pages 41 through 48 of this report. The findings address issues such as a lack of segregation of duties, bank reconciliation for the ambulance service, disbursements exceeding budgeted amounts and financial condition. 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 UTE
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2024

City of Ute



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STATE OF IOWA

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Telephone (515) 281-5834

Rob Sand
Auditor of State

April 28, 2025

Officials of City of Ute
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 Ute, Iowa, for the year ended June 30, 2024. 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 Ute 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 Ute
Officials
(Before January 2024)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Hageman	Mayor	Jan 2024
Ryan Pithan	Mayor Pro tem	Jan 2024
Jimmy Carlson	Council Member	Jan 2024
Becky Miller	Council Member	Jan 2024
Josh Gotto	Council Member	Jan 2026
Matt Leitz	Council Member	Jan 2026
Leah Schwery	City Clerk	(Terminated Sep 2023)
Megan Peitch (Appointed Sep 2023)	City Clerk	Indefinite
John Hines	Attorney	Indefinite
David Briese	Attorney	Indefinite

(After January 2024)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Henschen	Mayor	Jan 2026
Ryan Pithan	Mayor Pro tem	Jan 2028
Josh Gotto	Council Member	Jan 2026
Matt Leitz	Council Member	Jan 2026
Jimmy Carlson	Council Member	Jan 2028
Sue Kelm	Council Member	Jan 2028
Megan Peitch	City Clerk	Indefinite
John Hines	Attorney	Indefinite
David Briese	Attorney	Indefinite

City of Ute



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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 Ute, Iowa, as of and for the year ended June 30, 2024, 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, 2023, 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 Ute as of June 30, 2024, 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 Ute, 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 Ute'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 Ute'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 Ute's basic financial statements. The supplementary information included in Schedules 1 through 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 April 28, 2025 on our consideration of the City Ute'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 this 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 Ute's internal control over financial reporting and compliance.



Brian R. Brustkern, CPA
Deputy Auditor of State

April 28, 2025

City of Ute

Basic Financial Statements

City of Ute

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2024

		Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Disbursements			
Functions/Programs:				
Governmental activities:				
Public safety	\$ 39,109	16,073	15,575	-
Public works	193,532	63,717	47,763	-
Health and human services	3,535	-	-	-
Culture and recreation	37,806	1,484	2,377	-
General government	95,650	8,128	6,931	-
Total governmental activities	369,632	89,402	72,646	-
Business type activities:				
Water	1,970,655	112,304	-	285,113
Sewer	47,924	56,110	-	-
Total business type activities	2,018,579	168,414	-	285,113
Total	\$ 2,388,211	257,816	72,646	285,113
General Receipts:				
Property and other city tax levied for:				
General purposes				
Local option sales tax				
Unrestricted interest on investments				
Note proceeds				
Miscellaneous				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Expendable:				
Streets				
Local option sales tax				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net position				
See notes to financial statements.				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(7,461)	-	(7,461)
(82,052)	-	(82,052)
(3,535)	-	(3,535)
(33,945)	-	(33,945)
(80,591)	-	(80,591)
(207,584)	-	(207,584)
-	(1,573,238)	(1,573,238)
-	8,186	8,186
-	(1,565,052)	(1,565,052)
(207,584)	(1,565,052)	(1,772,636)
149,168	-	149,168
38,215	-	38,215
-	3,786	3,786
-	1,760,000	1,760,000
9,983	906	10,889
197,366	1,764,692	1,962,058
(10,218)	199,640	189,422
393,414	(86,831)	306,583
383,196	112,809	496,005
\$ 50,279	-	50,279
32,856	-	32,856
850	-	850
100,139	-	100,139
199,072	112,809	311,881
\$ 383,196	112,809	496,005

Exhibit B

City of Ute

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

As of and for the year ended June 30, 2024

	<u>Special Revenue</u>			
	General	Road Use Tax	Nonmajor Funds	Total
Receipts:				
Property tax	\$ 115,675	-	33,493	149,168
Local option sales tax	-	-	38,215	38,215
Licenses and permits	4,190	-	-	4,190
Use of money and property	16,934	-	-	16,934
Intergovernmental	17,952	47,743	-	65,695
Charges for service	64,402	-	9,501	73,903
Miscellaneous	11,309	-	-	11,309
Total receipts	230,462	47,743	81,209	359,414
Disbursements:				
Operating:				
Public safety	27,967	-	11,142	39,109
Public works	114,290	70,161	9,081	193,532
Health and social services	3,535	-	-	3,535
Culture and recreation	37,047	-	759	37,806
General government	92,046	-	3,604	95,650
Total disbursements	274,885	70,161	24,586	369,632
Excess (deficiency) of receipts over (under) disbursements	(44,423)	(22,418)	56,623	(10,218)
Cash balances beginning of year	281,176	72,697	39,541	393,414
Cash balances end of year	\$ 236,753	50,279	96,164	383,196
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	50,279	-	50,279
Debt service	-	-	850	850
Local option sales tax	-	-	32,856	32,856
Other purposes	37,681	-	62,458	100,139
Unassigned	199,072	-	-	199,072
Total cash basis fund balances	\$ 236,753	50,279	96,164	383,196

See notes to financial statements.

City of Ute

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

As of and for the year ended June 30, 2024

	Enterprise		
	Non-Major		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 112,304	56,110	168,414
Operating disbursements:			
Business type activities	118,850	47,924	166,774
Excess (deficiency) of operating receipts over (under) operating disbursements	(6,546)	8,186	1,640
Non-operating receipts (disbursements):			
United States Department of Agriculture grant	285,113	-	285,113
Note proceeds	1,760,000	-	1,760,000
Interest on investments	3,786	-	3,786
Miscellaneous	906	-	906
Debt service	(39,840)	-	(39,840)
Capital projects	(1,811,965)	-	(1,811,965)
Net non-operating receipts (disbursements)	198,000	-	198,000
Excess of receipts over disbursements	191,454	8,186	199,640
Cash balances beginning of year	(69,446)	(17,385)	(86,831)
Cash balances end of year	\$ 122,008	(9,199)	112,809
Cash Basis Fund Balances			
Unrestricted	\$ 122,008	(9,199)	112,809

See notes to financial statements.

City of Ute

Notes to Financial Statements

June 30, 2024

(1) Summary of Significant Accounting Policies

The City of Ute is a political subdivision of the State of Iowa located in Monona County. It was first incorporated in 1892 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 the City Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

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

Blended Component Unit

The Ute Ambulance Services (Corporation) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act for the purpose of supporting the City of Ute residents. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Corporation 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.

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 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 City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water 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, 2022 assessed property valuations; is for the tax accrual period July 1, 2023 through June 30, 2024 and reflects tax asking contained in the budget certified to the City Council in June 2023.

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, 2024, disbursements exceeded the amounts budgeted in the culture and recreation and business type activities functions prior to the budget amendment.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2024 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 March 7, 2023, the City entered into an interim loan agreement for \$951,000 to be used for the purpose of paying costs of improvements to the City water system including construction of a new water tower, water mains and distribution improvements, acquisition and installation of a backup generator and transfer switch to the water treatment plant. On August 7, 2023, the City entered into an additional interim loan agreement for \$809,000 to provide additional funds for the construction project. On October 2, 2023, the City entered into an interim loan agreement combining these two loan agreements into an interim loan agreement for \$1,760,000 to be used for the purpose of paying costs of improvements and extensions to the City water system. During the year ended June 30, 2024, the City drew down all \$1,760,000. The loan matures on October 2, 2024 and will be repaid with a water revenue note from the United States Department of Agriculture. For the current year, interest paid was \$39,840 and no principal.

(4) Pension Plan

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

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

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

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

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 2024, 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, 2024 totaled \$9,179.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2024, the City reported a liability of \$55,946 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023 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, 2023, the City's proportion was 0.001239%, which was an increase of 0.000600% over its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$4,754, \$43,797 and \$34,114, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2023 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, 2023 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 2023 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	21.0%	4.56%
International equity	16.5	6.22
Global smart beta equity	5.0	5.22
Core plus fixed income	23.0	2.69
Public credit	3.0	4.38
Cash	1.0	1.59
Private equity	17.0	10.44
Private real assets	9.0	3.88
Private credit	4.5	4.60
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 the 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 (asset) would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 118,954	55,946	3,145

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

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2024, the City contributed \$14,463. At June 30, 2024, 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 Ute 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. At June 30, 2024, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>1</u>
Total	<u><u>1</u></u>

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation 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 to employees at June 30, 2024, primarily relating to the Enterprise Funds, is as follows:

Type of Benefit	Amount
Vacation	\$ 4,000

This liability has been computed based on rates of pay in effect at June 30, 2024.

(7) 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.

(8) Construction Commitment

The City has entered into construction contracts totaling \$2,515,163 for water improvements. As of June 30, 2024, \$1,694,376 has been paid on the contracts. The remaining \$820,787 balance will be paid as work on the projects progress.

(9) Lease Agreement

On May 1, 2017, the City entered into a lease agreement for renting a building to the United States Postal Services. The agreement requires an annual payment of \$9,900 payable in monthly rentals over 5 years, with an implicit rate of 5.07%. A renewal option was approved effective May 1, 2022 with an annual payment of \$10,890 which will expire April 30, 2027. During the year ended June 30, 2024, the City received principal of \$9,182 and interest of \$1,708.

Year Ending June 30,	Unites States Postal Service		
	Principal	Interest	Total
2025	\$ 9,658	1,232	10,890
2026	10,159	731	10,890
2027	8,868	207	9,075
	<u>\$ 28,685</u>	<u>2,170</u>	<u>30,855</u>

(10) Subsequent Event

In October 2024, the City issued \$1,760,000 of Water Revenue Capital Loan notes, to pay the cost of improvements and extensions to the Municipal Water Utility, including construction of a new water tower, water mains, and distribution improvements, acquisition and installation of a backup generator and transfer switch to the water treatment plan and other 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 Ute

Other Information

City of Ute

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, 2024

	Governmental Funds Actual	Proprietary Funds Actual	Funds not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 149,168	-	-	149,168
Other city tax	38,215	-	-	38,215
Licenses and permits	4,190	-	-	4,190
Use of money and property	16,934	3,786	-	20,720
Intergovernmental	65,695	285,113	-	350,808
Charges for service	73,903	168,414	9,501	232,816
Miscellaneous	11,309	906	-	12,215
Total receipts	359,414	458,219	9,501	808,132
Disbursements:				
Public safety	39,109	-	11,142	27,967
Public works	193,532	-	-	193,532
Health and social services	3,535	-	-	3,535
Culture and recreation	37,806	-	-	37,806
General government	95,650	-	-	95,650
Capital projects	-	-	-	-
Business type activities	-	2,018,579	-	2,018,579
Total disbursements	369,632	2,018,579	11,142	2,377,069
Deficiency of receipts under disbursements	(10,218)	(1,560,360)	(1,641)	(1,568,937)
Other financing sources, net	-	1,760,000	-	1,760,000
Change in balances	(10,218)	199,640	(1,641)	191,063
Balances beginning of year	393,414	(86,831)	30,672	275,911
Balances end of year	\$ 383,196	112,809	29,031	466,974

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
131,036	131,036	18,132
45,314	45,314	(7,099)
8,050	8,050	(3,860)
39,286	39,286	(18,566)
87,000	987,000	(636,192)
198,340	198,340	34,476
-	-	12,215
509,026	1,409,026	(600,894)
28,000	28,000	33
233,370	255,370	61,838
4,220	4,220	685
22,510	45,510	7,704
100,647	125,647	29,997
-	51,000	51,000
125,613	2,828,613	810,034
514,360	3,338,360	961,291
(5,334)	(1,929,334)	360,397
-	1,760,000	-
(5,334)	(169,334)	360,397
287,164	287,164	(11,253)
281,830	117,830	349,144

City of Ute

Notes to Other Information – Budgetary Reporting

June 30, 2024

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 unit and the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, three budget amendments increased budgeted disbursements by \$2,824,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2024, disbursements exceeded the amounts budgeted prior to the budget amendment in December in the business type function. Additionally, the City exceeded amounts budgeted prior to the budget amendment in March in the culture and recreation function and business type function and the budget was exceeded prior to the amendment in May in the business type function.

City of Ute

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

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

Other Information

	2024	2023
City's proportion of the net pension liability (asset)	0.001239%	0.000639%
City's proportionate share of the net pension liability (asset)	\$ 56	24
City's covered payroll	\$ 109	52
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	51.38%	46.15%
IPERS' net position as a percentage of the total pension liability (asset)	90.13%	91.40%

* 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.

See accompanying independent auditor's report.

City of Ute

Schedule of City Contributions

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

Other Information

	2024	2023	2022	2021
Statutorily required contribution	\$ 9	10	5	9
Contributions in relation to the statutorily required contribution	(9)	(10)	(5)	(9)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 96	109	52	91
Contributions as a percentage of covered payroll	9.38%	9.17%	9.62%	9.89%

* 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.

City of Ute

Notes to Other Information – Pension Liability

Year ended June 30, 2024

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%.

Supplementary Information

Schedule 1

City of Ute

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances

Nonmajor Governmental Funds

As of and for the year ended June 30, 2024

	Special Revenue				Total
	Local Option Sales Tax	Employee Benefits	Ute Ambulance Service	Debt Service	
Receipts:					
Property tax	\$ -	33,493	-	-	33,493
Local option sales tax	38,215	-	-	-	38,215
Charges for service	-	-	9,501	-	9,501
Total receipts	38,215	33,493	9,501	-	81,209
Disbursements:					
Operating:					
Public safety	-	-	11,142	-	11,142
Public works	-	9,081	-	-	9,081
Cultures and recreation	-	759	-	-	759
General government	-	3,604	-	-	3,604
Total disbursements	-	13,444	11,142	-	24,586
Excess (deficiency) of receipts over (under) disbursements	38,215	20,049	(1,641)	-	56,623
Cash balances beginning of year	(5,359)	13,378	30,672	850	39,541
Cash balances end of year	\$ 32,856	33,427	29,031	850	96,164
Cash Basis Fund Balances					
Restricted for:					
Local option sales tax	\$ 32,856	-	-	-	32,856
Debt service	-	-	-	850	850
Other purposes	-	33,427	29,031	-	62,458
Total cash basis fund balances	\$ 32,856	33,427	29,031	850	96,164

See accompanying independent auditor's report.

City of Ute

Schedule of Expenditures of Federal Awards

Year ended June 30, 2024

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		\$ 1,629,805
Total U.S. Department of Agriculture			<u>1,629,805</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	21-WS-008	221,999
Total U.S. Department of the Housing and Urban Development			<u>221,999</u>
U.S. Department of the Treasury:			
COVID-19, CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	FY24	26,918
Total U.S. Department of Treasury			<u>26,918</u>
Total			<u>\$ 1,878,722</u>

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Ute under programs of the federal government for the year ended June 30, 2024. 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 Ute, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Ute.

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 Ute has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



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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 Ute, Iowa, as of and for the year ended June 30, 2024, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 28, 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, 2023 fund balance.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Ute'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 Ute's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Ute'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 2024-001 through 2024-005 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2024-006 and 2024-007 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ute'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, 2024 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 Ute'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 Ute'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 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 Ute 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

April 28, 2025

City of Ute



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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 Ute, 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 Ute's major federal program for the year ended June 30, 2024. The City of Ute's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Ute 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, 2024.

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 Ute 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 Ute'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 Ute'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 Ute'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 Ute'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 Ute'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 Ute'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 Ute'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

April 28, 2025

City of Ute
Schedule of Findings and Questioned Costs
Year ended June 30, 2024

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) 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 did not disclose 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 10.760 – 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 Ute did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2024-001 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, depositing and reconciling bank accounts.
- (3) Investments – detailed recordkeeping, custody of investments and reconciling earnings.
- (4) Long-term debt – maintaining long-term debt records and handling and recording cash, compliance with debt agreements, payments and reviewing compensated absence records.
- (5) Receipts – opening mail, collecting, depositing, recording, posting, recording voided receipts 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 Ute

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review their 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 – Due to limited funds and staff, the City recognizes that a full segregation of duties is difficult in a city this size. In recognition of this, the City has implemented a policy of independent review by an elected official of financial reports, bank reconciliations, petty cash, and utility reconciliations at the monthly council meetings.

Conclusion – Response accepted.

2024-002 Ute Ambulance Service – 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 maximized the accuracy of the Ambulance Service'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 Ambulance Service has a limited number of members and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight or transactions and processes.

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

Recommendation – The Ambulance Service should review its internal control activities to obtain the maximum internal control possible under the circumstances utilizing current available members, including board members, to provide additional control through documented review of financial transactions, reconciliation and reports.

Response – The City of Ute will work with the Ute Ambulance to develop internal controls and create independent review procedures for the Ute Ambulance accounts.

Conclusion – Response accepted.

City of Ute

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

2024-003 Ute Ambulance Service – 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 reconciliation can help ensure the accuracy of recorded amounts.

Condition – The Ambulance Service does not perform a documented reconciliation between the bank balance and the book balance. Since the reconciliation is not documented, an independent review cannot be performed.

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 Ambulance Service 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 – The City of Ute will work with the Ute Ambulance to create a procedure of bank reconciliation and independent review of the reconciliations.

Conclusion – Response accepted.

2024-004 Ute Ambulance Service - Disbursements

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

Condition – The Ute Ambulance Service did not always retain supporting documentation for disbursements paid by check.

Cause – Supporting documentation was not always maintained for disbursements.

Effect – Lack of supporting documentation for all disbursements could result in unauthorized transactions and the opportunity of misappropriation.

Recommendation – All disbursements should be supported by invoices or other supporting documentation.

City of Ute

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

Response – The City of Ute will work with the Ute Ambulance to ensure all transactions have supporting documentation or invoices and are retained for recordkeeping.

Conclusion – Response accepted.

2024-005 Ute Ambulance Service – Service Organizations

Criteria – An effective internal control system provides for internal controls related to reconciling the service organizations billings, collections, and delinquent accounts to ensure the accuracy of ambulance service collections and receivables.

Condition – The Ambulance Service contracts with an outside company to bill and collect ambulance service receipts. The ambulance service receipts are deposited into the Ambulance Service bank account and the outside company sends a quarterly bill for the administrative fee. The amount of the administrative fee is not verified for accuracy. The Ambulance Service has not established an approved rate schedule for the various types of ambulance services. In addition, a reconciliation of billings, collections and delinquent accounts is not prepared, and the Ambulance Service does not perform procedures to ensure the accuracy and completeness of the ambulance receipts.

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

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

Recommendation – The Ambulance Service should request or prepare reconciliations of billings, collections and delinquent accounts for fees received from the outside service company contracted to bill ambulance fees. The reconciliations should be reviewed by an independent person and the review should be evidenced by the signature or initials of the reviewer and the state of the review. In addition, for ambulance services, the Ambulance Service should formally establish and approve ambulance service rates.

Response – The City of Ute will work with the Ute Ambulance to establish policies and procedures to reconcile the ambulance billings, collections, and delinquent accounts. The City will help establish independent review for these reconciliations. The City will also work with the Ambulance to formally establish and adopt a rate schedule.

Conclusion – Response accepted.

2024-006 Disbursement Approvals

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

Condition – Various disbursements were paid prior to City Council approval. At the time the disbursements were made, there was no written policy allowing for payments of disbursements prior to the City Council approval.

City of Ute

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

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 – The City of Ute has now established policies and procedures to ensure council approval before payment and authorization by council for certain payments to be made before the council meeting to avoid late fees or penalties.

Conclusion – Response accepted.

2024-007 Journal Entries

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

Condition – Supporting documentation is not maintained for all journal entries. Approval and review for journal entries is not documented.

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

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

Recommendation – Journal entries should be supported, and the support should be provided to an independent person for review and approval. An independent person should review the journal entries and document the review by signing or initialing as evidence of the review.

Response – The City of Ute will establish a policy of review by an additional staff member and including the reviewed journal entries with the financial reports at the council meeting for independent review from an elected official.

Conclusion – Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

City of Ute

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

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 Ute

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

Part IV: Other Findings Related to Required Statutory Reporting:

2024-A Certified Budget – Disbursements during the year ended June 30, 2024 exceeded the amounts budgeted prior to the budget amendment in December in the business type function. Additionally, the City exceeded amounts budgeted prior to the budget amendment in March in the culture and recreation function and business type function and the budget was exceeded prior to the amendment in May in the business type function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Additionally, the fiscal year 2024 budget, which was required to be certified by April 30, 2023, per Chapter 24.17 of the Code of Iowa, was certified on June 26, 2023.

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. Additionally, policies and procedures should be developed to ensure the budget is approved timely.

Response – The City of Ute now has a procedure of monthly review of budget by function reports and initiating an amendment before exceeding the budget. The City has also implemented a budget timeline and process that ensures a timely certification of the fiscal year budget.

Conclusion – Response accepted.

2024-B Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for the public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Internal Revenue Service	FICA penalties	\$ 16,425
Iowa Department of Revenue	Sales tax remittance late fees	1,674
Iowa Department of Natural Resources	Late fees	210
IPERS	Late fees and penalty	96
Capital One	Past due fees and interest	91
		<u>\$ 18,496</u>

Recommendation – The City should establish procedures to ensure all payments are made timely to avoid fines and late fees.

City of Ute

Schedule of Findings and Questioned Costs

Year ended June 30, 2024

Response – The City of Ute has implemented a procedure of timely payment of invoices and liabilities. City Council now receives a monthly report of the status of federal and state tax payments and reports filed.

Conclusion – Response accepted.

2024-C Travel Disbursements – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2024-D Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
James Henschen, Mayor, owner of Mid States Electric	Generator for water tower	\$ 92,910

In accordance with Chapter 362.5(3)(d) of the Code of Iowa, the transactions with Mid States Electric do not appear to represent a conflict of interest since the contract was entered into through competitive bidding. In addition, the bidding for the contract was approved in March 2022 which was prior to the Mayor's election.

2024-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.

2024-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.

2024-G City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

2024-H Deposits and Investments – No instance of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

2024-I Financial Condition – The Enterprise, Sewer Fund had a deficit balance of \$9,199 at June 30, 2024

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

Response – The City of Ute underwent a rate study in October of 2023 to address the fund health of Water and Sewer. Rates were raised to the recommended levels and the Sewer Fund now has a positive balance.

Conclusion – Response accepted.

City of Ute

Staff

This audit was performed by:

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