



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

July 3, 2025

Contact: Pam Bormann
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The City's receipts and disbursements totaled \$3,897,377 and \$3,892,609, for the year ended June 30, 2023.

AUDIT FINDINGS:

Sand reported eleven findings related to the receipt and disbursement of taxpayer funds. They are found on pages 43 through 52 of this report. The findings address issues such as a lack of segregation of duties, financial reporting, federal reporting, disbursements exceeding budgeted amounts before amendments, a deficit balance and separately maintained accounts. Sand provided the City with recommendations to address each of the findings.

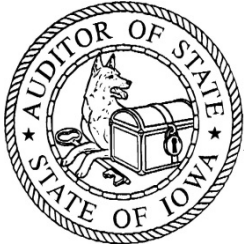
The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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 ASHTON
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2023

City of Ashton



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STATE OF IOWA

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Telephone (515) 281-5834

Rob Sand
Auditor of State

June 10, 2025

Officials of City of Ashton
Ashton, 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 Ashton, 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 Ashton 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 Ashton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Patrick DeVries	Mayor	Jan 2024
Michael Klein	Council Member	Jan 2024
Mark Vander Pol	Council Member	Jan 2024
JoAnn Koedam	Council Member	Jan 2026
Douglas Konz	Council Member	Jan 2026
Kay Winkel	Council Member	Jan 2026
Nancy Marnach	City Clerk	Indefinite
Nathan Rockman	Attorney	Indefinite

City of Ashton



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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 City of Ashton, 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 Ashton 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 Ashton, 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 Ashton'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 Ashton'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 Ashton's basic financial statements. The supplementary information included in Schedule 1, 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, except for the effects on the supplementary information described in the Basis for Qualified Opinions section of our report, the supplementary information in Schedule 1 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 26 through 32 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 June 10, 2025 on our consideration of the City Ashton'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 Ashton's internal control over financial reporting and compliance.



Pam Bormann, CPA
Deputy Auditor of State

June 10, 2025

City of Ashton

Basic Financial Statements

City of Ashton

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2023

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 172,730	6,963	87,315	-
Public works	184,793	-	47,355	-
Culture and recreation	111,002	15,967	41,467	-
Community and economic development	4,372	527	10,000	-
General government	87,138	-	-	-
Debt service	36,941	-	-	-
Total governmental activities	596,976	23,457	186,137	-
Business type activities:				
Water	3,209,265	77,957	-	856,353
Sewer	51,396	55,647	-	-
Garbage	34,972	37,052	-	-
Total business type activities	3,295,633	170,656	-	856,353
Total	3,892,609	194,113	186,137	856,353
General Receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
American Rescue Plan Act				
Unrestricted interest on investments				
Note proceeds				
Miscellaneous				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Expendable:				
Employee benefit				
Capital projects				
Debt service				
Streets				
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
(78,452)	-	(78,452)
(137,438)	-	(137,438)
(53,568)	-	(53,568)
6,155	-	6,155
(87,138)	-	(87,138)
(36,941)	-	(36,941)
(387,382)	-	(387,382)
-	(2,274,955)	(2,274,955)
-	4,251	4,251
-	2,080	2,080
-	(2,268,624)	(2,268,624)
(387,382)	(2,268,624)	(2,656,006)
199,428	-	199,428
38,080	-	38,080
67,357	-	67,357
31,400	-	31,400
1,032	1,314	2,346
-	2,305,112	2,305,112
15,267	1,784	17,051
352,564	2,308,210	2,660,774
(34,818)	39,586	4,768
37,758	226,526	264,284
2,940	266,112	269,052
19,199	-	19,199
-	36,598	36,598
-	19,220	19,220
4,000	-	4,000
(20,259)	210,294	190,035
\$ 2,940	266,112	269,052

Exhibit B

City of Ashton

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

As of and for the year ended June 30, 2023

	General	Special Revenue Employee Benefits	Debt Service	Nonmajor Road Use Tax	Total
Receipts:					
Property tax	\$ 148,891	43,385	37,266	-	229,542
Local option sales tax	67,357	-	-	-	67,357
Other city tax	6,204	948	814	-	7,966
Licenses and permits	527	-	-	-	527
Use of money and property	1,032	-	-	-	1,032
Intergovernmental	150,141	-	-	47,355	197,496
Charges for service	6,963	-	-	-	6,963
Miscellaneous	51,275	-	-	-	51,275
Total receipts	432,390	44,333	38,080	47,355	562,158
Disbursements:					
Operating:					
Public safety	172,730	-	-	-	172,730
Public works	113,025	24,413	-	47,355	184,793
Culture and recreation	108,638	2,364	-	-	111,002
Community and economic development	4,372	-	-	-	4,372
General government	73,987	13,151	-	-	87,138
Debt service	-	-	36,941	-	36,941
Total disbursements	472,752	39,928	36,941	47,355	596,976
Excess (deficiency) of receipts over (under) disbursements	(40,362)	4,405	1,139	-	(34,818)
Other financing sources (uses):					
Transfers in	-	2,905	-	4,000	6,905
Transfers out	(6,905)	-	-	-	(6,905)
Total other financing sources (uses)	(6,905)	2,905	-	4,000	-
Change in cash balances	(47,267)	7,310	1,139	4,000	(34,818)
Cash balances beginning of year	112,769	11,889	(86,900)	-	37,758
Cash balances end of year	\$ 65,502	19,199	(85,761)	4,000	2,940
Cash Basis Fund Balances					
Restricted for:					
Employee benefit	-	19,199	-	-	19,199
Streets	-	-	-	4,000	4,000
Committed for uniform law	3,328	-	-	-	3,328
Assigned for:					
Library	38,792	-	-	-	38,792
Fire	17,194	-	-	-	17,194
Unassigned	6,188	-	(85,761)	-	(79,573)
Total cash basis fund balances	\$ 65,502	19,199	(85,761)	4,000	2,940

See notes to financial statements.

City of Ashton

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	Garbage	Total
Operating receipts:				
Charges for service	\$ 77,957	55,647	37,052	170,656
Total operating receipts	77,957	55,647	37,052	170,656
Operating disbursements:				
Business type activities	70,856	51,396	34,972	157,224
Total operating disbursements	70,856	51,396	34,972	157,224
Excess of operating receipts over operating disbursements	7,101	4,251	2,080	13,432
Non-operating receipts (disbursements):				
United States Department of Agriculture grant	856,353	-	-	856,353
Note proceeds	2,305,112	-	-	2,305,112
Interest on investments	976	338	-	1,314
Miscellaneous	1,784	-	-	1,784
Debt service	(1,390,858)	-	-	(1,390,858)
Capital projects	(1,747,551)	-	-	(1,747,551)
Net non-operating receipts	25,816	338	-	26,154
Excess of receipts over disbursements	32,917	4,589	2,080	39,586
Change in cash balances	32,917	4,589	2,080	39,586
Cash balances beginning of year	171,094	22,674	32,758	226,526
Cash balances end of year	204,011	27,263	34,838	266,112
Cash Basis Fund Balances				
Restricted for:				
Capital projects	36,598	-	-	36,598
Debt service	19,220	-	-	19,220
Unrestricted	148,193	27,263	34,838	210,294
Total cash basis fund balances	\$ 204,011	27,263	34,838	266,112

See notes to financial statements.

City of Ashton

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies

The City of Ashton is a political subdivision of the State of Iowa located in Osceola County. It was first incorporated in 1885 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 garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Ashton 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: Osceola County Assessor's Board, Osceola County Emergency Management Commission and Northwest Iowa Area Solid Waste Agency.

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 category. 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. The remaining governmental fund is reported as a nonmajor governmental fund.

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 Employee Benefit Fund is used to account for the collection and use of tax for pensions, retirement and insurance benefits.

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

The City reports the following major proprietary funds:

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

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

The Enterprise, Garbage Fund accounts for the operation and maintenance of the City's garbage operations.

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.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year-end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

(2) **Cash and Pooled Investments**

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

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

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

(3) **Bonds, Equipment Purchase Agreements and Notes Payable**

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

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 260,581	-	31,581	229,000	21,000
Equipment purchase agreements - direct borrowing	165,171	-	27,906	137,265	27,906
Governmental activities total	\$ 425,752	-	59,487	366,265	48,906
Business type activities:					
Water project revenue notes - direct borrowing	\$ 436,888	2,305,112	1,377,589	1,364,411	26,682

General Obligation Bonds

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

Year Ending June 30,	Sewer Improvements Issued Dec 1, 2013			
	Interest Rates	Principal	Interest	Total
2024	2.00%	\$ 21,000	4,580	25,580
2025	2.00	21,000	4,160	25,160
2026	2.00	22,000	3,740	25,740
2027	2.00	22,000	3,300	25,300
2028	2.00	23,000	2,860	25,860
2029-2033	2.00	120,000	7,280	127,280
		\$ 229,000	25,920	254,920

On September 24, 2013, the City issued \$105,810 of general obligation bonds with an interest rate of 3.40% per annum. The bonds were issued for a water tower project. During the year ended June 30, 2023, the City paid \$10,581 of principal and \$360 of interest and fees on the bond. The bond was paid in full at June 30, 2023.

On December 1, 2013, the City issued \$400,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued for sewer improvements. During the year ended June 30, 2023, the City paid \$21,000 of principal and \$5,000 of interest and fees on the bond.

Direct Borrowing – Revenue Notes

The City's June 30, 2023 revenue notes payable is as follows:

Year Ending June 30,	Water Project Issued Mar 10, 2023			Year Ending June 30,	Water Project Issued Mar 10, 2023		
	Interest Rates	Principal	Interest		Interest Rates	Principal	Interest
2024	1.25%	\$ 7,228	4,580	2024	1.25%	\$ 19,454	12,346
2025	1.25	7,331	4,477	2025	1.25	19,732	12,068
2026	1.25	7,417	4,391	2026	1.25	19,964	11,836
2027	1.25	7,510	4,298	2027	1.25	20,215	11,585
2028	1.25	7,599	4,209	2028	1.25	20,453	11,347
2029-2033	1.25	39,488	19,552	2029-2033	1.25	106,284	52,716
2034-2038	1.25	42,027	17,013	2034-2038	1.25	113,119	45,881
2039-2043	1.25	44,736	14,304	2039-2043	1.25	120,411	38,589
2044-2048	1.25	47,617	11,423	2044-2048	1.25	128,165	30,835
2049-2053	1.25	50,692	8,348	2049-2053	1.25	136,441	22,559
2054-2058	1.25	53,957	5,083	2054-2058	1.25	145,229	13,771
2059-2063	1.25	53,614	1,611	2059-2063	1.25	145,728	4,421
Total		<u>\$ 369,216</u>	<u>99,289</u>			<u>\$ 995,195</u>	<u>267,954</u>

Year Ending June 30,	Totals		
	Principal	Interest	Total
2024	\$ 26,682	16,926	43,608
2025	27,063	16,545	43,608
2026	27,381	16,227	43,608
2027	27,725	15,883	43,608
2028	28,052	15,556	43,608
2029-2033	145,772	72,268	218,040
2034-2038	155,146	62,894	218,040
2039-2043	165,147	52,893	218,040
2044-2048	175,782	42,258	218,040
2049-2053	187,133	30,907	218,040
2054-2058	199,186	18,854	218,040
2059-2063	199,342	6,032	205,374
Total	<u>\$1,364,411</u>	<u>367,243</u>	<u>1,731,654</u>

On August 9, 2021, the City entered into a loan agreement with Ashton State Bank to provide \$1,371,000 interim financing to pay the costs of a water tower. The notes bear interest of 1.50%, per annum and mature on August 23, 2023. During the year ended June 30, 2023, the City received \$934,112 in project anticipation notes. During the year ended June 30, 2023, the City paid principal of \$1,371,000 and interest of \$8,956. The note was paid in full at June 30, 2023.

On March 10, 2023, the City entered into a loan agreement with the United States Department of Agriculture – Rural Development for the issuance of \$371,000 of Water revenue notes to redeem the project anticipation note previously issued to pay the costs of a water tower. The notes bear interest at a rate of 1.25%, per annum, and mature in 2063. During the year ended June 30, 2023, the City paid principal of \$1,785 and interest of \$1,167 on the notes.

On March 10, 2023, the City entered into a loan agreement with the United States Department of Agriculture – Rural Development for the issuance of \$1,000,000 of Water revenue notes to redeem the project anticipation note previously issued to pay the costs of a water tower. The notes bear interest at a rate of 1.25%, per annum, and mature in 2063. During the year ended June 30, 2023, the City paid principal of \$4,804 and interest of \$3,146 on the notes.

The resolution providing for the issuance of the sewer revenue notes/bonds included the following provisions:

- (a) Sufficient monthly transfers shall be made to separate debt service reserve funds within the Enterprise Funds for the purpose of making the note/bond principal and interest payments when due.
- (b) Additionally, annual transfers of at least \$18,245 shall be made to a short-lived asset reserve fund for the life of the loan to pay for repairs and/or replacement of major system assets.

Equipment Purchase Agreements – Direct Borrowing

The City's June 30, 2023 equipment purchase agreements payable is as follows:

Year Ending June 30,	Fire Truck	Payloader	Totals
	Issued Jun 1, 2020 Principal	Issued Dec 30, 2020 Principal	
2024	\$ 15,000	12,906	27,906
2025	15,000	12,906	27,906
2026	15,000	6,453	21,453
2027	15,000	-	15,000
2028	15,000	-	15,000
2029-2033	30,000	-	30,000
	<u>\$ 105,000</u>	<u>\$ 32,265</u>	<u>\$ 137,265</u>

On June 1, 2020, the City entered into installment purchase agreement for a fire truck with a total cost of \$150,000. The agreement bears no interest per annum and is payable over twenty biannual installments of \$7,500, with the final payment due during the year ending June 30, 2026. Payments under the installment purchase agreement totaled \$15,000 for the year ended June 30, 2023.

On December 30, 2020, the City entered into installment purchase agreement for a payloader with a total cost of \$64,530. The agreement bears no interest per annum and is payable over ten biannual installments of \$6,453, with the final payment due during the year ending June 30, 2026. Payments under the installment purchase agreement totaled \$12,906 for the year ended June 30, 2023.

(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 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 \$10,062.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the City reported a liability of \$49,397 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 0.001307%, which was an increase of 0.001809% 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 \$(709), \$50,059 and \$53,793, 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	\$ 92,032	49,397	11,823

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

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2023, the City contributed \$15,743. At June 30, 2023, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2023, the City had one active employee covered by the benefit terms.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2023, primarily relating to the General Fund, was \$26,000.

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
Special Revenue:	General	
Employee Benefits		\$ 2,905
Road Use Tax		4,000
Total		<u>\$ 6,905</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 \$1,543,608 for water improvements. As of June 30, 2023, \$1,496,618 has been paid on the contracts. The remaining \$46,990 balance will be paid as work on the projects progress.

(10) Subsequent Event

On August 26, 2024, the City approved a \$195,000 loan, Series 2024 from a local bank for the purpose of paying the costs resulting from flooding in June 2024. The loan bears an interest rate of 6.5% per annum and is payable through August 2025.

Other Information

City of Ashton

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	\$ 229,542	-	229,542
Local option sales tax	67,357	-	67,357
Other city tax	7,966	-	7,966
Licenses and permits	527	-	527
Use of money and property	1,032	1,314	2,346
Intergovernmental	197,496	856,353	1,053,849
Charges for service	6,963	170,656	177,619
Miscellaneous	51,275	1,784	53,059
Total receipts	562,158	1,030,107	1,592,265
Disbursements:			
Public safety	172,730	-	172,730
Public works	184,793	-	184,793
Health and social services	-	-	-
Culture and recreation	111,002	-	111,002
Community and economic development	4,372	-	4,372
General government	87,138	-	87,138
Debt service	36,941	-	36,941
Business type activities	-	3,295,633	3,295,633
Total disbursements	596,976	3,295,633	3,892,609
Excess (deficiency) of receipts over (under) disbursements	(34,818)	(2,265,526)	(2,300,344)
Other financing sources, net	-	2,305,112	2,305,112
Change in balances	(34,818)	39,586	4,768
Balances beginning of year	37,758	226,526	264,284
Balances end of year	\$ 2,940	266,112	269,052

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
222,665	222,665	6,877
56,000	56,000	11,357
8,443	8,443	(477)
500	500	27
800	800	1,546
122,718	1,069,718	(15,869)
183,000	183,000	(5,381)
200	200	52,859
594,326	1,541,326	50,939
86,574	107,074	(65,656)
184,856	184,856	63
350	350	350
37,750	49,750	(61,252)
8,000	8,000	3,628
90,750	90,750	3,612
36,941	36,941	-
1,728,026	3,454,026	158,393
2,173,247	3,931,747	39,138
(1,578,921)	(2,390,421)	90,077
1,491,026	2,425,137	(120,025)
(87,895)	34,716	(29,948)
174,140	174,140	90,144
86,245	208,856	60,196

City of Ashton

City of Ashton

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 Debt Service 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 amendments increased budgeted disbursements by \$1,758,500. 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 safety and culture and recreation functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the culture and recreation and business type activities functions.

City of Ashton

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

Iowa Public Employees' Retirement System
For the Current Year*
(In Thousands)

Other Information

	<u>2023</u>
City's proportion of the net pension liability	0.001307%
City's proportionate share of the net pension liability	\$ 49
City's covered payroll	\$ 105
City's proportionate share of the net pension liability as a percentage of its covered payroll	46.67%
IPERS' net position as a percentage of the total pension liability	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 Ashton

Schedule of City Contributions

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

Other Information

	<u>2023</u>	<u>2022</u>
Statutorily required contribution	\$ 10	10
Contributions in relation to the statutorily required contribution	<u>(10)</u>	<u>(10)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>
City's covered payroll	\$ 107	105
Contributions as a percentage of covered payroll	9.44%	9.44%
See accompanying independent auditor's report.		

City of Ashton

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 Ashton

City of Ashton

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		\$ 1,754,820
Total U.S. Department of Agriculture			<u>1,754,820</u>
U.S. Department of the Treasury:			
COVID-19, CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	FY2023	<u>62,800</u>
Total U.S. Department of the Treasury			<u>62,800</u>
Total			<u>\$ 1,817,620</u>

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

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 Ashton has elected 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 Ashton, 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 June 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 City of Ashton'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 City of Ashton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Ashton'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 and 2023-002 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 2023-003 and 2023-006 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ashton'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 Ashton'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 Ashton'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 Ashton 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.


Pam Bormann, CPA
Deputy Auditor of State

June 10, 2025

City of Ashton



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

In our opinion, the City of Ashton 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 Ashton 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 Ashton'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 Ashton'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 Ashton'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 City of Ashton'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 Ashton'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 Ashton'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 Ashton'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 Ashton's response to the internal control over compliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. The City of Ashton'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.



Pam Bormann, CPA
Deputy Auditor of State

June 10, 2025

City of Ashton

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 Ashton did not qualify as a low-risk auditee.

City of Ashton

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:

	Applicable Departments
1) Accounting system – performance of all accounting functions, controlling all data input and output.	City
2) Cash – initiating cash receipt and disbursement transactions, handling and recording cash.	City
3) Investments – detailed record keeping, custody of investments and reconciling earnings.	City
4) Long-term debt – maintaining long-term debt records, compliance and debt payment processing.	City
5) Receipts – opening mail, collecting, depositing, recording, reconciling and posting.	City
6) Utilities – billing, collecting, depositing and posting.	City
7) Disbursements – purchasing, receiving, invoice processing, check writing, mailing, reconciling and recording.	City
8) Payroll – recordkeeping, preparing, and distributing.	City
9) Journal entries – preparing and recording.	City
10) Deposit preparation and reconciliation functions are not segregated from those recording and accounting of cash receipts.	Fire and Library
11) Bank accounts are not reconciled by an employee who does not sign checks, handle or record cash receipts.	Fire and Library
12) Incoming mail is not opened and distributed by someone other than an employee who is authorized to make entries to the accounting records. No initial listing of receipts is prepared.	Fire

City of Ashton

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

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

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials, to provide additional controls through review of financial transactions and 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 – The City will review its control activities and utilize the Mayor and Council Members to aid in the segregation of duties. Signatures or initials and the date of the review will be included when the review is performed.

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 in integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – During the fiscal year ended June 30, 2023, \$15,967 of reimbursements by the Library were recorded by the City as a negative disbursement rather than a receipt. Adjustments were subsequently made to properly report these amounts in the financial statements.

Cause – The City's policies do not require, and procedures have not been established to require the proper recording of receipts and disbursements to ensure the City's financial statements are accurate and reliable.

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 – Reimbursements received by the City should be reported as receipts and not netted against disbursements.

Response – The reimbursement that the City receives from the Library for the payment of wages will now be entered as receipts instead of a negative disbursement.

Conclusion – Response accepted.

City of Ashton

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-003 Bank Reconciliations – Library

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank to book balances each month. Supervisory review of bank reconciliations can help ensure accuracy of recorded amounts.

Condition – No evidence of a bank reconciliation being performed monthly by the Library.

Cause – Policies have not been established and procedures have not been implemented to require preparation of a complete reconciliation of all accounts and investments to the total general ledger balance or to require the bank reconciliations to be reviewed by an independent person.

Effect – Lack of performing and maintaining complete bank reconciliations and lack of review by an independent person could result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – The City and Library should establish procedures to ensure bank and investment account balances for all City activity are included in the financial reports and reconciled to the general ledger monthly and variances, if any, should be reviewed and resolved timely. An independent person should review the Library bank reconciliations and document the review by the signature or initials and date of the review of the monthly bank reconciliations.

Response – The Library will perform bank reconciliations each month and sign and date them and print them out. They will then be reviewed and initialed by the Mayor and City Clerk.

Conclusion – Response accepted.

2023-004 Fire Department and Library 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.
- (3) Save supervisory time by recording decisions so they will not have to be made each time the same, or a similar, situation arises.

Condition – The City's Fire Department and Library did not have an accounting policies and procedures manuals.

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

City of Ashton

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Effect – Lack of an accounting policies and procedures manual could negatively result in the Fire Department and the Library's ability to continue operating effectively and efficiently in the event of staff turnover.

Recommendation – An accounting policies and procedures manual should be developed for the Fire Department and the Library.

Response – An accounting policy and procedures manual will be developed for the Fire Department and the Library.

Conclusion – Response accepted.

2003-005 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 Library did not always retain supporting documentation for disbursements paid through debit card or 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 for misappropriation.

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

Response – The Library will print out and present invoices that determine the disbursements were for public purpose prior to authorizing payments. A written policies and procedures manual will be developed for the Library.

Conclusion – Response accepted.

2023-006 Library Debit Card

Criteria – Internal controls over safeguarding assets constitutes 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 Library has a debit card available for use for foundation business. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions. Significant risks exist with the mishandling or theft of debit cards, as they provide no additional safeguards or audit trail for purchases.

City of Ashton

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Cause – Officials have been unaware of the repercussions of allowing the use of debit cards.

Effect – Allowing the use of debit cards could result in unauthorized transactions and the opportunity for misappropriations.

Recommendation – The Library should prohibit the use of debit cards.

Response – The Library has applied for and has been approved for a credit card. Once the credit card is received, the debit card will be destroyed.

Conclusion – Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

City of Ashton

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 – According to the Letter of Condition for United States Department of Agriculture (USDA) loans entered into by the City, quarterly income and expense statements are required to be submitted within 30 days of each quarter's end. Annual financial statements are to be submitted within 60 days of the fiscal year end. Annual budgets are to be submitted 30 days prior to the start of the fiscal year. Reports and other information are to document evidence of independent review.

Condition –

- (1) The annual financial statements for the year ending June 30, 2023, were submitted 63 days late.
- (2) The annual budget for fiscal year 2023-2024 was submitted seven days late.
- (3) Although procedures were in place for review of reports and other information submitted, there was no documentation of the review.

Cause – Policies and procedures have not been established to require reports and other information to be submitted timely and include documentation of the independent review.

Effect – The lack of established policies and procedures resulted in the late submissions of the required reports and other information and lack of documentation of an independent review of the reports.

Recommendation – The City should establish policies and procedures to ensure all reports and other information are submitted timely in accordance with the Letter of Condition and an independent review of the reports and other information is documented by the signature or initials of the reviewer and the date of the review.

City of Ashton

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Response and Corrective Action Planned – The annual budget for fiscal year 2023-2024 was submitted late due to a computer crash. The computer had to be repaired so the report could not be completed until the computer was repaired and returned.

All reports will be initialed and dated to show independent review and will be timely submitted from now on.

Conclusion – Response accepted.

City of Ashton

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 in the public safety and culture and recreation functions. In addition, disbursements exceeded the amounts budgeted in the culture and recreation and business type activities functions prior to the budget amendment. 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 – From now on the budget will be amended before disbursements exceed the budget.

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 date 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 – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Doug Konz, Council Member Owner of Konz Brothers Constuction	Poured concrete for park restrooms	\$ 325

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with Konz Brothers Construction do not appear to represent conflicts of interest since total transactions were less than \$6,000 during the fiscal year.

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.

City of Ashton

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-H Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

2023-I Revenue Notes – No instances of noncompliance with the revenue note resolutions were noted.

2023-J Financial Condition- The Debt Service Fund had a deficit balance of \$85,761 at June 30, 2023.

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

Response – The City will work to eliminate the Debt Service Fund deficit.

Conclusion – Response accepted.

2023-K Interfund Transfers – Section 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 funds into which the transfer is to be received, and the dollar amount to be transferred." The resolutions approving the City's fund transfers were dated after the dates of the transfers. The City is back dating transfers. Transfers were also not recorded on the City's Annual Financial Report.

Recommendation – The resolutions approving all fund transfers should be done prior to the recording of the transfer in the system. Transfers should be included in the City's Annual Financial Report.

Response – Resolutions approving all fund transfers will be done before the transfers from now on. The transfers will be included in the City's Annual Financial Report. The transfers will be properly inputted into the City's accounting system.

Conclusion – Response accepted.

2023-L Separately Maintained Records – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which show the receipt, use, and disposition of all city property."

The City of Ashton Fire Department and Library maintain checking and savings accounts for certain operations. While the Fire Department and Library are part of the City, the transactions and resulting balances were not included in the City's accounting records and were not included in the City's annual budget, monthly financial reports or Annual Financial Reports.

In addition, the transactions and resulting balances of these accounts were not reported to the City Council and disbursements from the accounts were not reviewed and approved by the City Council. Also, a summary of each account's receipts, total disbursements and the listing of claims allowed each month were not published in accordance with Chapter 372.13(6) of the Code of Iowa.

City of Ashton

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal control and increase operating efficiencies, the financial transactions of the City of Ashton Fire Department and Library separate accounts should be integrated with the City's accounting records in the City Clerk's office. The financial activity should be included in the City Clerk's accounting records, monthly financial reports and the Annual Financial Reports. The activity in these accounts should be subject to City Council review and approval and should be included in the City's budget process. Also, a summary of each account's receipts, total disbursements and listings of claims should each month be published, as required.

Response – The Fire Department and Library will be included in the City's financials from now on.

Conclusion – Response accepted.

City of Ashton

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Deputy
Cole L. Hocker, CPA, Director
Noelle M. Johnson, Senior II Auditor
Laurel P. Hoogensen, Senior Auditor
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