

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

Rob Sand  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

**NEWS RELEASE**

FOR RELEASE

January 13, 2022

Contact: Marlys Gaston  
515/281-5834

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

**FINANCIAL HIGHLIGHTS:**

The City's receipts totaled \$38,669,630 for the year ended June 30, 2021, an 34.1% increase over the prior year. Disbursements for the year ended June 30, 2021 totaled \$37,177,340, a 41.7% increase over the prior year. The significant increase in receipts and disbursements is primarily due to note proceeds and USDA grants received to fund water, sewer, and storm water improvement projects and the disbursements related to these utility projects.

**AUDIT FINDINGS:**

Sand reported five findings related to the receipt and disbursement of taxpayer funds. They are found on pages 58 through 63 of this report. The findings address issues such as a lack of segregation of duties, disbursements exceeding budgeted amounts prior to the budget amendment, disbursements questionable as to public purpose, and untimely submittal of certain quarterly federal reports. Sand provided the City recommendations to address each of the findings.

Three of the five findings discussed above are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body and management exercise in their fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://admin.auditor.iowa.gov/reports/file/67390/embed>.

###

**CITY OF ADEL**

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

**JUNE 30, 2021**

**City of Adel**



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December 21, 2021

Officials of the City of Adel  
Adel, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Adel for the year ended June 30, 2021. 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 Adel throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

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

Rob Sand  
Auditor of State

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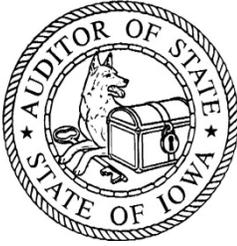
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**City of Adel**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James F. Peters	Mayor	Jan 2022
Shirley McAdon	Mayor Pro tem	Jan 2024
Rob Christensen	Council Member	Jan 2022
Jodi Selby	Council Member	Jan 2022
Dan Miller	Council Member	Jan 2024
Bob Ockerman	Council Member	Jan 2024
Anthony Brown	Administrator	Indefinite
Angela Leopard	City Clerk	(Resigned Mar 2021)
Carrie Erickson (Appointed Jun 2021)	City Clerk	Indefinite
Brittany Sandquist	Finance Director	Indefinite
Kristine Stone	Attorney	Indefinite

**City of Adel**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility 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. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes 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 Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the South Dallas County Landfill Agency, a component unit which represents 99.8% of the assets and net position, 98.4% of the disbursements and 99.7% of the revenues of the discretely presented component units. Those financial statements were audited by another auditor whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the South Dallas County Landfill Agency, is based solely on the report of the other auditor.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, based on our audit and the report of the other auditor, 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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Also as discussed in Note 14 to the financial statements, the City adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Adel's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 3, 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.

The supplementary 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. Such 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 U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, 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 38 through 46, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 21, 2021 on our consideration of the City of Adel'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 effectiveness of the City's the 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 Adel's internal control over financial reporting and compliance.

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

December 21, 2021

**City of Adel**

## **Basic Financial Statements**

City of Adel

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 1,251,503	6,623	279,119	-
Public works	583,665	-	688,529	-
Culture and recreation	2,005,221	288,829	64,669	-
Community and economic development	59,911	-	-	-
General government	297,790	328,567	76,481	-
Debt service	1,055,055	-	-	-
Capital projects	6,762	23,761	-	-
Total governmental activities	5,259,907	647,780	1,108,798	-
Business type activities:				
Water	26,164,034	1,804,897	-	2,302,000
Sewer	5,146,185	1,360,842	-	59,272
Garbage/recycling	407,638	410,099	-	-
Storm water	199,576	323,355	-	-
Total business type activities	31,917,433	3,899,193	-	2,361,272
<b>Total Primary Government</b>	<b>\$ 37,177,340</b>	<b>4,546,973</b>	<b>1,108,798</b>	<b>2,361,272</b>
<b>Component Units:</b>				
South Dallas County Landfill Agency	\$ 1,168,883	1,604,291	-	-
Friends of Adel Library Foundation	19,457	-	5,408	-
<b>Total component units</b>	<b>\$ 1,188,340</b>	<b>1,604,291</b>	<b>5,408</b>	<b>-</b>
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales and services tax				
Unrestricted interest on investments				
Note proceeds				
Commercial/industrial tax replacement				
Sale of capital assets				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year, as restated				
Cash basis net position end of year				
<b>Cash Basis Net Position</b>				
Restricted:				
Streets				
Local option sales tax				
Debt service				
Capital projects				
Closure and postclosure care				
Library Foundation				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position				
Primary Government			Component Units	
Governmental Activities	Business Type Activities	Total	South Dallas County Landfill Agency	Friends of Adel Library Foundation
(965,761)	-	(965,761)		
104,864	-	104,864		
(1,651,723)	-	(1,651,723)		
(59,911)	-	(59,911)		
107,258	-	107,258		
(1,055,055)	-	(1,055,055)		
16,999	-	16,999		
(3,503,329)	-	(3,503,329)		
-	(22,057,137)	(22,057,137)		
-	(3,726,071)	(3,726,071)		
-	2,461	2,461		
-	123,779	123,779		
-	(25,656,968)	(25,656,968)		
(3,503,329)	(25,656,968)	(29,160,297)		
			435,408	-
			-	(14,049)
			435,408	(14,049)
1,855,383	-	1,855,383	-	-
338,764	-	338,764	-	-
496,961	-	496,961	-	-
1,020,206	-	1,020,206	-	-
1,327	-	1,327	168,633	-
-	26,821,157	26,821,157	-	-
54,423	-	54,423	-	-
32,164	-	32,164	-	-
32,202	-	32,202	5,294	-
(32)	32	-	-	-
3,831,398	26,821,189	30,652,587	173,927	-
328,069	1,164,221	1,492,290	609,335	(14,049)
3,625,488	5,350,588	8,976,076	10,188,843	38,798
\$ 3,953,557	6,514,809	10,468,366	10,798,178	24,749
\$ 434,405	-	434,405	-	-
577,284	-	577,284	-	-
163,985	108,593	272,578	-	-
194,610	1,670,471	1,865,081	-	-
-	-	-	2,753,721	-
-	-	-	-	24,749
321,052	190,021	511,073	15,223	-
2,262,221	4,545,724	6,807,945	8,029,234	-
\$ 3,953,557	6,514,809	10,468,366	10,798,178	24,749

City of Adel

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

As of and for the year ended June 30, 2021

	Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Local Sales and Services Tax
<b>Receipts:</b>				
Property tax	\$ 1,312,166	-	-	-
Tax increment financing	-	-	496,961	-
Local option sales tax	-	-	-	1,020,206
Other city tax	10,932	-	-	-
Licenses and permits	232,739	-	-	-
Use of money and property	80,013	-	-	-
Intergovernmental	339,546	551,056	-	-
Charges for service	260,892	-	-	-
Special assessments	-	-	-	-
Miscellaneous	165,174	6,568	-	-
Total receipts	2,401,462	557,624	496,961	1,020,206
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	942,104	-	-	-
Public works	57,381	505,470	-	-
Culture and recreation	1,802,744	-	-	-
Community and economic development	54,734	-	-	-
General government	282,165	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	3,139,128	505,470	-	-
Excess (deficiency) of receipts over (under) disbursements	(737,666)	52,154	496,961	1,020,206
<b>Other financing sources (uses):</b>				
Transfers in	1,274,246	-	-	-
Transfers out	(13,563)	(20,700)	(499,686)	(1,502,627)
Sale of capital assets	32,164	-	-	-
Total other financing sources (uses)	1,292,847	(20,700)	(499,686)	(1,502,627)
Change in cash balances	555,181	31,454	(2,725)	(482,421)
Cash balances beginning of year, as restated	1,704,577	402,951	51,345	1,059,705
Cash balances end of year	\$ 2,259,758	434,405	48,620	577,284
<b>Cash Basis Fund Balances</b>				
<b>Restricted for:</b>				
Streets	\$ -	434,405	-	-
Local option sales tax	-	-	-	577,284
Debt service	-	-	48,620	-
Capital projects	-	-	-	-
Other purposes	-	-	-	-
Unassigned	2,259,758	-	-	-
Total cash basis fund balances	\$ 2,259,758	434,405	48,620	577,284

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
338,764	-	528,942	2,179,872
-	-	-	496,961
-	-	-	1,020,206
-	-	3,343	14,275
-	-	-	232,739
-	-	-	80,013
8,058	130,905	14,128	1,043,693
-	-	-	260,892
-	23,761	-	23,761
-	-	31,690	203,432
346,822	154,666	578,103	5,555,844
-	-	309,608	1,251,712
-	-	20,877	583,728
-	-	202,480	2,005,224
-	-	5,219	59,953
-	-	15,658	297,823
1,055,055	-	-	1,055,055
-	6,762	-	6,762
1,055,055	6,762	553,842	5,260,257
(708,233)	147,904	24,261	295,587
720,090	-	60,911	2,055,247
-	(18,703)	-	(2,055,279)
-	-	-	32,164
720,090	(18,703)	60,911	32,132
11,857	129,201	85,172	327,719
103,508	65,409	235,880	3,623,375
115,365	194,610	321,052	3,951,094
-	-	-	434,405
-	-	-	577,284
115,365	-	-	163,985
-	194,610	-	194,610
-	-	321,052	321,052
-	-	-	2,259,758
115,365	194,610	321,052	3,951,094

City of Adel

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
Governmental Funds

As of and for the year ended June 30, 2021

**Total governmental funds cash balances (page 13)** \$ 3,951,094

***Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of partial self-funding of the City's flexible benefits plan to individual funds. A portion of the cash balance of the Internal Service Funds is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

2,463

**Cash basis net position of governmental activities (page 11)** \$ 3,953,557

**Change in cash balances (page 13)** \$ 327,719

***Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of partial self-funding of the City's flexible benefits plan to individual funds. A portion of the change in the cash balance of the Internal Service Funds is reported in governmental activities in the Cash Basis Statement of Activities and Net Position.

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**Change in cash basis net assets of governmental activities (page 11)** \$ 328,069

See notes to financial statements.

City of Adel

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

As of and for the year ended June 30, 2021

	Enterprise					Internal
	Water	Sewer	Garbage/ Recycling	Storm Water	Total	Service Flex Benefits
Operating receipts:						
Charges for service	\$ 1,802,628	1,360,842	410,099	323,355	3,896,924	10,290
Operating disbursements:						
Governmental activities:						
Public safety	-	-	-	-	-	3,454
Public works	-	-	-	-	-	1,042
Culture & Recreation	-	-	-	-	-	47
Community and economic development	-	-	-	-	-	694
General government	-	-	-	-	-	546
Business type activities	705,548	629,386	407,638	73,959	1,816,531	3,919
Total operating disbursements	705,548	629,386	407,638	73,959	1,816,531	9,702
Excess of operating receipts over operating disbursements	1,097,080	731,456	2,461	249,396	2,080,393	588
Non-operating receipts (disbursements):						
Capital outlay	(7,694,604)	(3,832,474)	-	(6,702)	(11,533,780)	-
Debt service	(17,763,986)	(684,454)	-	(118,920)	(18,567,360)	-
USDA grant	2,302,000	-	-	-	2,302,000	-
Miscellaneous	2,269	59,272	-	-	61,541	-
Note proceeds	22,848,216	3,766,366	-	206,575	26,821,157	-
Net non-operating receipts (disbursements)	(306,105)	(691,290)	-	80,953	(916,442)	-
Excess of receipts over disbursements	790,975	40,166	2,461	330,349	1,163,951	588
Transfers in	-	19,400	-	-	19,400	-
Transfers out	(2,446)	(1,426)	(15,325)	(171)	(19,368)	-
Total transfers in (out)	(2,446)	17,974	(15,325)	(171)	32	-
Change in cash balances	788,529	58,140	(12,864)	330,178	1,163,983	588
Cash balances (deficits) beginning of year	2,117,435	2,537,988	85,605	612,441	5,353,469	(767)
Cash balances (deficits) end of year	\$ 2,905,964	2,596,128	72,741	942,619	6,517,452	(179)
<b>Cash Basis Fund Balances (Deficits)</b>						
Restricted for:						
Debt service	\$ 47,208	46,009	-	15,376	108,593	-
Capital improvements	744,767	425,372	-	500,332	1,670,471	-
Water deposits	190,021	-	-	-	190,021	-
Unrestricted	1,923,968	2,124,747	72,741	426,911	4,548,367	(179)
Total cash basis fund balances (deficits)	\$ 2,905,964	2,596,128	72,741	942,619	6,517,452	(179)

See notes to financial statements.

City of Adel

Reconciliation of the Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position –  
Proprietary Funds

As of and for the year ended June 30, 2021

**Total enterprise funds cash balances (page 15)** \$ 6,517,452

***Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of partial self-funding of the City's flexible benefits plan to individual funds. A portion of the cash balances of the Internal Service Funds is included in business type activities in the Cash Basis Statement of Activities and Net Position.

(2,643)

**Cash basis net position of business type activities (page 11)** \$ 6,514,809

**Change in cash balances (page 15)** \$ 1,163,983

***Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of partial self-funding of the City's flexible benefits plan to individual funds. A portion of the change in the cash balances of the Internal Service Funds is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

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**Change in cash basis net position of business type activities (page 11)** \$ 1,164,221

See notes to financial statements.

City of Adel

Statement of Changes in Fiduciary Net Position –  
Custodial Funds

As of and for the year ended June 30, 2021

	Custodial				Total
	Oakdale Pride	Historic Preservation Plaques	Holiday Lights	Nile Kinnick Addition	
Additions:					
Donations	\$ -	2,110	3,000	-	5,110
Deductions:					
Maintenance and repairs	-	2,219	3,698	-	5,917
Change in cash balance	-	(109)	(698)	-	(807)
Net position beginning of year, as restated	114	120	4,682	18,476	23,392
Net position end of year	\$ 114	11	3,984	18,476	22,585

City of Adel

Notes to Financial Statements

June 30, 2021

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

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

A. Reporting Entity

For financial reporting purposes, the City of Adel 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 Adel (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. The individual component unit financial statements can be obtained at City Hall, Adel, Iowa 50003.

Discretely Presented Component Units

The South Dallas County Landfill Agency (Landfill Agency) and Friends of Adel Library Foundation (Foundation) are presented in separate columns to emphasize they are legally separate from the City but are financially accountable to the City or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Landfill Agency is governed by a one-member board appointed by the City Council. A financial benefit/burden relationship exists between the City and the Landfill Agency in that the Landfill Agency's operating budget is subject to the approval of the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Landfill meets the definition of a component unit which should be discretely presented.

The Friends of Adel Library Foundation is an entity which is legally separate from the City. The Foundation collects donations which are used to purchase items to support the City Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Friends of Adel Library Foundation meets the definition of a component unit which should be discretely presented.

### Blended Component Unit

Pursuant to Chapter 501B of Code of Iowa, the City of Adel Fire Association (Fire Association) is an unincorporated nonprofit association. The Fire Association exists for charitable purposes in support of the City's Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Fire Association meets the definition of a component unit which should be blended. Based on these criteria, the Fire Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. The Fire Association is reported as part of the City and blended into the nonmajor governmental funds.

### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission, Dallas County Joint 911 Service Board, Central Iowa Regional Transportation and Planning Alliance (CIRTPA), Adel Partners, Metropolitan Advisory Council, Central Iowa Regional Housing Authority, Dallas County Local Housing Trust Fund, North Raccoon River Watershed Management Coalition, and the Greater Dallas County Development Alliance.

## 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:

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. At June 30, 2021, \$1,545,754 is restricted by 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. 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 Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Sales and Services Tax Fund is used to account for the collection and use of local option sales and services tax.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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/Recycling Fund accounts for the operation and maintenance of the City's solid waste collection and recycling system.

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

The City also reports the following additional proprietary fund:

Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

Additionally, the City reports fiduciary funds to account for assets held by the City as an agent for certain organizations.

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 is 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 receipts 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, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

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, 2021, disbursements in the business type activities function exceeded the budget prior to the budget amendment.

## (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2021 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.

At June 30, 2021, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$784,376. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

### Component Unit

The South Dallas County Landfill Agency (Landfill Agency) categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs. The recurring fair value of the U.S. Treasury Securities Stripped of Interest (Securities) at June 30, 2021 was \$8,968,601 and was determined using the last reported sales price at current exchange rates. (Level 1 inputs). The carrying amount of the Securities at June 30, 2021 was \$7,733,232 and the maturity dates ranged from November 15, 2021 to November 15, 2030.

## (3) Notes Payable

A summary of changes in notes payable for the ended June 30, 2021 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation notes	\$ 7,415,000	-	880,000	6,535,000	690,000
Business type activities:					
Water revenue notes	\$ 720,000	16,603,000	941,195	16,381,805	328,546
Water revenue anticipation notes	12,366,820	6,245,216	16,627,710	1,984,326	-
Sewer revenue notes	7,105,918	-	547,202	6,558,716	128,679
Sewer revenue anticipation notes	1,145,313	3,766,366		4,911,679	-
Stormwater revenue notes	1,376,056	206,575	91,729	1,490,902	28,390
Business-type activities total	\$ 22,714,107	26,821,157	18,207,836	31,327,428	485,615

General Obligation Notes

A summary of the City's June 30, 2021 general obligation notes payable is as follows:

Year Ending June 30,	Refunding Capital Loan Issued Jun 28, 2017			Refunding Capital Loan Issued Dec 2, 2019		
	Interest Rates	Amount	Interest	Interest Rates	Amount	Interest
	2022	3.00%	\$ 275,000	80,300	2.00%	\$ 415,000
2023	3.00	275,000	72,050	2.00	420,000	65,055
2024	2.00	280,000	63,800	2.00	430,000	56,655
2025	3.00	280,000	58,200	2.00	275,000	48,055
2026	2.30	285,000	49,800	2.00	235,000	42,555
2027-2031	2.40-3.00	1,455,000	144,070	2.00-2.25	1,285,000	138,135
2032	3.00	160,000	4,800	2.30	465,000	10,695
Total		<u>\$ 3,010,000</u>	<u>473,020</u>		<u>\$ 3,525,000</u>	<u>434,505</u>

Total		
Principal	Interest	Total
\$ 690,000	153,655	843,655
695,000	137,105	832,105
710,000	120,455	830,455
555,000	106,255	661,255
520,000	92,355	612,355
2,740,000	282,205	3,022,205
625,000	15,495	640,495
<u>\$ 6,535,000</u>	<u>907,525</u>	<u>7,442,525</u>

On June 28, 2017, the City issued \$3,935,000 of general obligation refunding capital loan notes with interest rates ranging from 2.00% to 3.00% per annum. The notes were issued for street and sidewalk improvements, water utility and sewer utility projects, and refunding outstanding general obligation notes. During the year ended June 30, 2021, the City paid \$270,000 of principal and \$88,400 of interest on the notes. The outstanding principal balance on the notes at June 30, 2021 is \$3,010,000.

On December 2, 2019, the City issued \$4,135,000, of general obligation refunding capital loan notes with interest rates ranging from 2.00% to 2.30% per annum. The notes were issued to currently refund four prior general obligation notes issued in September 2011, August 2012 and July 2014. During the year ended June 30, 2021, the City paid \$610,000 of principal and \$85,555 of interest on the notes. The outstanding principal balance on the notes at June 30, 2021 is \$3,525,000.

## Revenue Notes

A summary of the City's June 30, 2021 revenue notes payable is as follows:

Year Ending June 30,	Water 2020A			Water 2020B			Total		
	Issued Jul 1, 2020			Issued Dec 2, 2020			Principal	Interest	Total
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest			
2022	1.125%	\$ 140,974	76,586	1.25%	\$ 187,572	117,804	\$ 328,546	194,390	522,936
2023	1.125	142,568	74,992	1.25	189,930	115,446	332,498	190,438	522,936
2024	1.125	144,180	73,380	1.25	192,318	113,058	336,498	186,438	522,936
2025	1.125	145,810	71,750	1.25	194,736	110,640	340,546	182,390	522,936
2026	1.125	147,459	70,101	1.25	197,184	108,192	344,643	178,293	522,936
2027-2031	1.125	762,689	325,111	1.25	1,023,734	503,146	1,786,423	828,257	2,614,680
2032-2036	1.125	806,858	281,002	1.25	1,089,723	437,157	1,896,581	718,159	2,614,740
2037-2041	1.125	853,459	234,341	1.25	1,159,967	366,913	2,013,426	601,254	2,614,680
2042-2046	1.125	902,818	184,982	1.25	1,234,738	292,142	2,137,556	477,124	2,614,680
2047-2051	1.125	955,032	132,768	1.25	1,314,329	212,551	2,269,361	345,319	2,614,680
2052-2056	1.125	1,010,266	77,534	1.25	1,399,051	127,829	2,409,317	205,363	2,614,680
2057-2061	1.125	860,098	20,128	1.25	1,326,312	38,104	2,186,410	58,232	2,244,642
		<u>\$ 6,872,211</u>	<u>1,622,675</u>		<u>\$ 9,509,594</u>	<u>2,542,982</u>	<u>\$ 16,381,805</u>	<u>4,165,657</u>	<u>20,547,462</u>

Year Ending June 30,	Sewer			Sewer			Total		
	Issued Feb 28, 2018			Issued Dec 20, 2019			Principal	Interest	Total
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest			
2022	2.00%	\$ 20,526	21,762	1.75%	\$ 108,153	102,075	\$ 128,679	123,837	252,516
2023	2.00	20,940	21,348	1.75	110,061	100,167	131,001	121,515	252,516
2024	2.00	21,363	20,925	1.75	112,002	98,226	133,365	119,151	252,516
2025	2.00	21,794	20,494	1.75	113,978	96,250	135,772	116,744	252,516
2026	2.00	22,234	20,054	1.75	115,989	94,239	138,223	114,293	252,516
2027-2031	2.00	118,087	93,353	1.75	611,369	439,771	729,456	533,124	1,262,580
2032-2036	2.00	130,495	80,945	1.75	667,231	383,909	797,726	464,854	1,262,580
2037-2041	2.00	144,207	67,233	1.75	728,198	322,942	872,405	390,175	1,262,580
2042-2046	2.00	159,361	52,079	1.75	794,735	256,405	954,096	308,484	1,262,580
2047-2051	2.00	176,106	35,334	1.75	867,353	183,787	1,043,459	219,121	1,262,580
2052-2056	2.00	194,611	16,829	1.75	946,605	104,171	1,141,216	121,000	1,262,216
2057-2061	2.00	67,632	1,166	1.75	285,686	22,531	353,318	23,697	377,015
		<u>\$ 1,097,356</u>	<u>451,522</u>		<u>\$ 5,461,360</u>	<u>2,204,473</u>	<u>\$ 6,558,716</u>	<u>2,655,995</u>	<u>9,214,711</u>

Year Ending June 30,	Storm Water		
	Issued Dec 11, 2018		
	Interest Rates	Principal	Interest
2022	2.00%	\$ 28,390	31,070
2023	2.00	28,963	30,497
2024	2.00	29,548	29,912
2025	2.00	30,144	29,316
2026	2.00	30,753	28,707
2027-2031	2.00	163,328	133,972
2032-2036	2.00	180,491	116,809
2037-2041	2.00	199,457	97,843
2042-2046	2.00	220,415	76,885
2047-2051	2.00	243,576	53,724
2052-2056	2.00	269,171	28,129
2057-2061	2.00	66,666	3,492
		<u>\$ 1,490,902</u>	<u>660,356</u>

### Water Revenue Notes

On July 1, 2020, the City issued \$7,000,000 of water revenue capital loan notes with interest rates at 1.125% per annum. Proceeds from the notes provided financing for the costs of improvements and extensions to the municipal water utility and refunding any outstanding project notes for such project. The notes are payable solely from water customer net receipts and are payable through July 2060. During the year ended June 30, 2021, the City paid principal of \$127,789 and interest of \$71,641 on the notes.

On December 2, 2020, the City issued \$9,603,000 of water revenue capital loan notes with interest rates at 1.25% per annum. Proceeds from the notes provided financing for the costs of improvements and extensions to the municipal water utility and refunding any outstanding project notes for such project. The notes are payable solely from water customer net receipts and are payable through December 2060. During the year ended June 30, 2021, the City paid principal of \$93,406 and interest of \$59,282 on the notes.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$7,000,000 of water revenue notes issued July 2020 and \$9,603,000 of water revenue notes issued in December 2020. Annual principal and interest payments on the notes are expected to require approximately 32% of the net receipts. The principal and interest remaining to be paid on the notes is \$20,547,462. For the current year, principal and interest paid and total customer net receipts were \$352,118 and \$1,094,634 (net of transfers out for operating purposes), respectively.

### Sewer Revenue Notes

On February 28, 2018, the City issued \$1,163,000 of sewer revenue capital loan notes with interest at 2.0% per annum. Proceeds from the notes provided financing for the construction of improvements to the sewer utility system. The notes are payable solely from sewer customer net receipts and are payable through 2058. During the year ended June 30, 2021, the City paid principal of \$20,152 and interest of \$22,136 on the notes.

On December 20, 2019, the City issued sewer loan notes of up to \$6,041,000 with interest at 1.75% per annum. At June 30, 2021, the City had drawn \$6,041,000 on the note. The notes were issued pursuant to the provisions of Chapters 384.24A and 3834.83 of the Code of Iowa to pay the costs of improvements and extensions to the municipal sewer utility, including acquisition, construction, and installation of a lift station, force main and gravity sewer, related site improvements. The notes are payable solely from the net earnings of the system. The notes are payable through 2060. During the year ended June 30, 2021, the City paid principal of \$527,050 and interest of \$101,720 on the notes.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,163,000 of sewer revenue notes issued in February 2018 and \$6,041,000 of sewer revenue notes issued in December 2019. Annual principal and interest payments on the notes are expected to require approximately 92% of net receipts. The total principal and interest remaining to be paid on the notes is \$9,214,711. For the current year, principal and interest paid and total customer net receipts were \$671,058 and \$730,030 (net of transfers out for operating purposes), respectively.

### Storm Sewer Revenue Notes

On December 11, 2018, the City issued storm water capital loan notes of up to \$1,635,000 with interest at 2.00% per annum. During the year ended June 30, 2021, the City drew down \$206,575 on the notes and at June 30, 2021, the City had drawn the entire \$1,635,000 on the notes. The notes were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the costs of improvements and extensions of the storm water utility. The notes are payable solely from storm water customer net receipts and the City has pledged future storm water customer receipts, net of specified operating disbursements to repay the notes. The notes are payable through 2059. During the year ended June 30, 2021, the City paid principal of \$91,729 and interest of \$27,191 on the notes. Annual principal and interest payments on the notes are expected to require approximately 48% of net receipts. The total principal and interest remaining to be paid on the notes is \$2,151,258. For the current year, principal and interest paid and total customer net receipts were \$118,920 and \$249,225 (net of transfers out for operating purposes), respectively.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water, sewer and storm water revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers to a water reserve account, a sewer revenue reserve account, and a storm water reserve account within the Enterprise Funds shall be made. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the respective systems.
- (d) User rates shall be established at a level which produces and maintains net receipts at a level not less than 125% for the water revenue notes and 110% for sewer and storm water revenue notes of the amount of principal and interest on the notes falling due in the same year.
- (e) Sufficient monthly transfers shall be made to sewer reserve accounts within the Enterprise Funds until a balance of \$252,516 has been accumulated. Sufficient monthly transfers shall be made to water reserve accounts within the Enterprise Funds until a balance of \$522,936 has been accumulated. Sufficient monthly transfers shall be made to a storm water reserve account within the Enterprise Funds until a balance of \$59,460 has been accumulated.

### Revenue Capital Loan Anticipation Project Notes

On January 5, 2018, the City issued a Water Revenue Capital loan and disbursement agreement interim project anticipation note to the Iowa Finance Authority for up to \$1,025,000 to pay the costs of acquisition, construction, repairing and equipping all or part of the municipal water system. The note was issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and a corresponding issuance of water revenue notes in an amount sufficient to repay the note. The note bears no interest and matured on January 5, 2021. No funds were drawn down during the current year. During the year ending June 30, 2021, the City paid principal of \$1,011,937, paying off the loan in full.

On October 24, 2018, the City issued a Water Revenue Capital Loan Note Anticipation Project Note for up to \$16,603,000 to pay the costs of improvements and extensions to the municipal water utility, including construction of a new water treatment plant, two wells, raw meter transmission line, 8" transmission main, Highway 169 ground storage reservoir with booster station, South 14<sup>th</sup> street booster station upgrades, water main replacement on Highway 169 and Rapids Street, Old Portland Road water main extension, and related site improvements. The note was issued pursuant to the provisions of Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and a corresponding issuance of water revenue notes in an amount sufficient to repay the note. The note bears a variable interest rate and matured on December 28, 2020. The City drew down \$4,260,890 during the current year. During the year ending June 30, 2021, the City paid principal of \$15,615,773 and interest of \$59,318, paying off the loan in full.

On December 28, 2018, the City issued Sewer Revenue Capital Loan Notes Anticipation Project Note to the Iowa Finance Authority for up to \$1,200,000 to pay the costs of acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping all or part of the municipal sewer system. The note was issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa and is payable solely from sewer net receipts. The note bears no interest and matures on December 21, 2021. The City drew down \$54,687 during the current year. At June 30, 2021, the City had drawn down \$1,200,000 of the authorized amount.

On August 3, 2020, the City issued Sewer Revenue Capital Anticipation Project Loan Notes for up to \$10,880,000 to pay the costs of improvements and extensions to the municipal sewer utility, including construction and equipping of a new wastewater treatment plant, and related site improvements. The note was issued pursuant to the provisions of Chapters 76.13, 384.24A and 384.83 of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and a corresponding issuance of sewer revenue notes in an amount sufficient to repay the note. The note bears a variable interest rate and matures on August 3, 2023. The City drew down \$3,711,679 during the current year. During the year ended June 30, 2021, the City paid interest of \$13,396 on the notes. At June 30, 2021, the City had drawn down \$3,711,679 of the authorized amount.

On August 28, 2020, the City issued Water Revenue Capital Loan Notes for up to \$4,713,000 to pay the cost of improvements and extensions to the municipal water utility, including construction of a new ground storage reservoir at the water treatment plant to replace the existing ground storage reservoir, new finished water pumping station, new finished water main, other improvements for the benefit of the water utility, and related site improvements, and refunding any outstanding project notes. The note was issued pursuant to the provisions of Chapters 76.13, 384.24A and 384.83 of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and a corresponding issuance of sewer revenue notes in an amount sufficient to repay the note. The note bears a variable interest rate and matures on August 28, 2023. The City drew down \$1,984,326 during the current year. During the year ended June 30, 2021, the City paid interest of \$2,563 on the notes. At June 30, 2021, the City had drawn down \$1,984,326 of the authorized amount.

#### **(4) Pension Plan**

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

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

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

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

Protection occupation members may retire at normal retirement age which is generally at age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

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

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

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

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

In fiscal year 2021, 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%. Protective occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City’s contributions to IPERS for the year ended June 30, 2021 were \$163,241.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$962,694 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 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, 2020, the City’s proportion was 0.013704%, which was an increase of 0.001244% over its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$209,846, \$279,091 and \$143,100, respectively.

There were no non-employee contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
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 to 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 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 1,906,119	962,694	172,039

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

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug 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, 2021, the City contributed \$303,080 and plan members eligible for benefits contributed \$66,914 to the plan. At June 30, 2021, 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 Adel and are eligible to participate in the group health and dental plan are eligible to continue healthcare and dental benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug and dental 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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	29
Total	<u>30</u>

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation and compensatory time payable to employees at June 30, 2021, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 77,000
Compensatory time	14,000
Total	<u>\$ 91,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2021.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 1,220,132
	Urban Renewal Tax Increment	33,446
	Road Use Tax	1,300
	Enterprise:	
	Garbage/Recycling	15,325
	Water	2,446
	Sewer	1,426
	Stormwater	171
		<u>1,274,246</u>
Special Revenue:		
Employee Benefit	General	13,563
	Special Revenue:	
	Local Option Sales and Services Tax	47,348
		<u>60,911</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	466,240
	Local Option Sales and Services Tax	235,147
	Capital Projects	18,703
		<u>720,090</u>
Enterprise:	Special Revenue:	
Sewer	Road Use Tax	19,400
Total		<u>\$ 2,074,647</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

## **(8) Interfund Loans**

On June 12, 2018, the City agreed to advance \$97,000 from the Enterprise, Sewer Fund to the Special Revenue, Road Use Tax Fund, for costs associated with the purchase of a 2009 John Deere Road Grader. This loan will be repaid through transfers over the next five years from the Special Revenue, Road Use Tax Fund, as funds become available. During the year ended June 30, 2021, the Special Revenue, Road Use Tax Fund repaid \$19,400 to the Enterprise, Sewer Fund. The amount due to the Enterprise, Sewer Fund at June 30, 2021 is \$38,800.

On April 9, 2019, the City agreed to advance \$100,000 from the General Fund to the Special Revenue, Local Sales and Services Tax Fund for the purchase of land. This loan will be repaid through transfers over the next three years from the Special Revenue, Local Option Sales Tax Fund to the General Fund as funds become available. During the year ended June 30, 2021, the Special Revenue, Local Option Sales Tax Fund repaid \$33,000 to the General Fund. The amount due to the General Fund at June 30, 2021 is \$33,666.

On November 12, 2019, the City agreed to advance \$33,446 from the General Fund to the Special Revenue, Urban Renewal Tax Increment Fund for the purpose of paying for improvements consistent with the promotion of economic development and blight remediation, an urban renewal purpose. This loan will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Fund to the General Fund, as funds become available. During the year ended June 30, 2021, the Special Revenue, Urban Renewal Tax Increment Fund repaid \$33,446 to the General Fund. The amount due to the General Fund at June 30, 2021 is zero.

On November 10, 2020, the City agreed to advance \$34,004 from the General Fund to the Special Revenue, Urban Renewal Tax Increment Fund for the purpose of paying for improvements consistent with the promotion of economic development and blight remediation, an urban renewal purpose. This loan will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Fund to the General Fund, as funds become available. During the year ended June 30, 2021, no transfers were made to repay this loan. The amount due to the General Fund at June 30, 2021 is \$34,004.

## **(9) Risk Management**

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2021 were \$74,886.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2021, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **(10) Rebate Agreements**

The City has entered into a rebate agreement to assist in certain urban renewal projects. The City agreed to rebate incremental property tax paid by the participating company with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating company will be rebated for a period of up to five years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. During the year ended June 30, 2021, the City did not rebate any incremental property tax to the participating company.

**(11) Deficit Balance**

The Internal Service, Flex Benefits Fund, had a deficit balance of \$179 at June 30, 2021. The City has a plan to reduce the deficit in fiscal year 2022.

**(12) Construction Commitments**

At June 30, 2021, the City had entered into construction contracts totaling approximately \$31,141,000 for various projects. At June 30, 2021, these projects will require future payments of approximately \$13,761,000 upon completion. These projects will be funded with loans from the U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities program.

**(13) COVID-19**

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including the City of Adel, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Adel.

**(14) Accounting Change/Restatement**

Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities, was implemented during fiscal year 2021. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity.

The restatements to retroactively report the change in net position, are as follows:

	Governmental Activities	Special Revenue Nonmajor	Fiduciary Activities
Net position June 30, 2020, as previously reported	\$ 3,611,369	221,761	-
Change to implement GASBS No. 84	14,119	14,119	23,392
Net position July 1, 2020, as restated	\$ 3,625,488	235,880	23,392

**(15) Prospective Accounting Change**

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

**City of Adel**

## **Other Information**

City of Adel

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, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 2,179,872	-	-
Tax increment financing	496,961	-	-
Other city tax	1,034,481	-	-
Licenses and permits	232,739	-	-
Use of money and property	80,013	-	-
Intergovernmental	1,043,693	2,302,000	-
Charges for service	260,892	3,896,924	-
Special assessments	23,761	-	-
Miscellaneous	203,432	61,541	7,427
Total receipts	5,555,844	6,260,465	7,427
Disbursements:			
Public safety	1,251,712	-	1,865
Public works	583,728	-	-
Culture and recreation	2,005,224	-	-
Community and economic development	59,953	-	-
General government	297,823	-	-
Debt service	1,055,055	-	-
Capital projects	6,762	-	-
Business type activities	-	31,917,671	-
Total disbursements	5,260,257	31,917,671	1,865
Excess (deficiency) of receipts over (under) disbursements	295,587	(25,657,206)	5,562
Other financing sources (uses), net	32,132	26,821,189	-
Change in balances	327,719	1,163,983	5,562
Balances beginning of year, as restated	3,623,375	5,353,469	9,489
Balances end of year	\$ 3,951,094	6,517,452	15,051

See accompanying independent auditor's report.

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Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
2,179,872	2,121,756	2,121,756	58,116
496,961	499,686	499,686	(2,725)
1,034,481	784,298	784,298	250,183
232,739	175,352	175,352	57,387
80,013	90,250	90,250	(10,237)
3,345,693	700,626	1,603,409	1,742,284
4,157,816	4,118,034	4,118,034	39,782
23,761	15,131	15,131	8,630
257,546	37,685	37,685	219,861
<u>11,808,882</u>	<u>8,542,818</u>	<u>9,445,601</u>	<u>2,363,281</u>
1,249,847	1,384,102	1,384,102	134,255
583,728	664,899	664,899	81,171
2,005,224	2,088,364	2,177,389	172,165
59,953	122,617	122,617	62,664
297,823	301,212	329,712	31,889
1,055,055	1,054,955	1,055,055	-
6,762	2,142,000	2,142,000	2,135,238
<u>31,917,671</u>	<u>22,481,410</u>	<u>39,757,055</u>	<u>7,839,384</u>
<u>37,176,063</u>	<u>30,239,559</u>	<u>47,632,829</u>	<u>10,456,766</u>
(25,367,181)	(21,696,741)	(38,187,228)	12,820,047
<u>26,853,321</u>	<u>21,450,000</u>	<u>37,819,026</u>	<u>(10,965,705)</u>
1,486,140	(246,741)	(368,202)	1,854,342
8,967,355	6,251,084	6,251,084	2,716,271
<u>10,453,495</u>	<u>6,004,343</u>	<u>5,882,882</u>	<u>4,570,613</u>

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**City of Adel**

City of Adel

Notes to Other Information – Budgetary Reporting

June 30, 2021

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the component units, the Internal Service Fund and the Custodial 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, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$17,393,270. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements in the business type activities function exceeded the amount budgeted prior to the budget amendment.

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City of Adel

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

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

Other Information

	2021	2020	2019	2018
City's proportion of the net pension liability	0.013704%	0.012460%	0.011741%	0.011089%
City's proportionate share of the net pension liability	\$ 963	722	743	739
City's covered payroll	\$ 1,568	1,477	1,362	1,269
City's proportionate share of the net pension liability as a percentage of its covered payroll	61.42%	48.88%	54.55%	58.23%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

\* 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.

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2017	2016	2015
0.010890%	0.008788%	0.007337%
685	434	291
1,100	1,100	1,070
62.27%	39.45%	27.20%
81.82%	85.19%	87.61%

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City of Adel

Schedule of City Contributions

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

Other Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 163	151	143	126
Contributions in relation to the statutorily required contribution	<u>(163)</u>	<u>(151)</u>	<u>(143)</u>	<u>(126)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 1,718	1,568	1,477	1,362
Contributions as a percentage of covered payroll	9.49%	9.63%	9.68%	9.25%
See accompanying independent auditor's report.				

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2017	2016	2015	2014	2013	2012
118	106	103	100	89	86
(118)	(106)	(103)	(100)	(89)	(86)
-	-	-	-	-	-
1,269	1,100	1,100	1,070	935	965
9.30%	9.64%	9.36%	9.35%	9.52%	8.91%

City of Adel

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

**Supplementary Information**

City of Adel

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

As of and for the year ended June 30, 2021

	Library Memorial	Employee Benefits	Special Police DARE
Receipts:			
Property tax	\$ -	528,942	-
Other city tax	-	3,343	-
Intergovernmental	-	14,128	-
Miscellaneous	10,328	2,119	1,816
Total receipts	<u>10,328</u>	<u>548,532</u>	<u>1,816</u>
Disbursements:			
Operating:			
Public safety	-	302,723	350
Public works	-	20,877	-
Culture and recreation	11,117	177,458	-
Community and economic development	-	5,219	-
General government	-	15,658	-
Total disbursements	<u>11,117</u>	<u>521,935</u>	<u>350</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(789)</u>	<u>26,597</u>	<u>1,466</u>
Other financing sources:			
Transfers in	-	60,911	-
Change in cash balances	(789)	87,508	1,466
Cash balances beginning of year, as restated	10,885	196,006	598
Cash balances end of year	<u>\$ 10,096</u>	<u>283,514</u>	<u>2,064</u>
<b>Cash Basis Fund Balances</b>			
Restricted for other purposes	<u>\$ 10,096</u>	<u>283,514</u>	<u>2,064</u>

See accompanying independent auditor's report.

Revenue			
Library Friends/ Foundation	Fire Association	Police Forfeiture	Total
-	-	-	528,942
-	-	-	3,343
-	-	-	14,128
10,000	7,427	-	31,690
10,000	7,427	-	578,103
-	1,865	4,670	309,608
-	-	-	20,877
13,905	-	-	202,480
-	-	-	5,219
-	-	-	15,658
13,905	1,865	4,670	553,842
(3,905)	5,562	(4,670)	24,261
-	-	-	60,911
(3,905)	5,562	(4,670)	85,172
14,119	9,489	4,783	235,880
10,214	15,051	113	321,052
10,214	15,051	113	321,052

City of Adel

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

For the Last Ten Years

	2021	2020	2019	2018
<b>Receipts:</b>				
Property tax	\$ 2,179,872	2,019,303	1,902,041	1,742,444
Tax increment financing	496,961	558,406	661,815	633,628
Local option sales tax	1,020,206	910,971	742,152	476,425
Other city tax	14,275	9,031	2,489	113,877
Licenses and permits	232,739	252,525	295,343	625,038
Use of money and property	80,013	104,878	150,162	90,934
Intergovernmental	1,043,693	750,051	670,446	625,025
Charges for service	260,892	144,606	214,295	276,472
Special assessments	23,761	36,710	37,152	113,311
Miscellaneous	203,432	177,603	315,700	97,912
<b>Total</b>	<b>\$ 5,555,844</b>	<b>4,964,084</b>	<b>4,991,595</b>	<b>4,795,066</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 1,251,712	1,245,901	1,156,297	1,153,221
Public works	583,728	443,464	567,392	543,980
Culture and recreation	2,005,224	1,126,217	1,197,356	937,383
Community and economic development	59,953	147,834	86,491	100,203
General government	297,823	489,824	274,555	228,980
Debt service	1,055,055	966,004	968,368	992,771
Capital projects	6,762	151,259	679,764	1,301,061
<b>Total</b>	<b>\$ 5,260,257</b>	<b>4,570,503</b>	<b>4,930,223</b>	<b>5,257,599</b>

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
1,665,068	1,670,133	1,617,400	1,688,888	1,679,872	1,611,593
641,589	641,828	535,382	488,325	495,028	465,346
539,776	474,195	441,965	422,345	544,169	234,487
111,150	111,337	92,116	-	7,239	2,514
438,980	323,835	226,345	158,078	86,289	72,196
71,563	65,676	52,308	57,055	56,394	49,356
635,487	921,402	696,892	651,655	564,582	496,700
293,010	287,947	216,148	234,828	123,499	124,546
42,259	99,632	123,670	29,388	66,146	178,916
83,056	123,488	106,969	158,029	118,376	84,591
4,521,938	4,719,473	4,109,195	3,888,591	3,741,594	3,320,245
1,060,923	982,568	953,757	1,008,083	841,419	805,808
473,198	521,863	505,985	352,358	340,004	325,110
904,520	737,885	692,654	655,554	529,000	514,599
91,359	78,755	67,539	145,296	110,994	94,243
328,325	197,023	237,023	288,799	172,477	235,204
3,051,954	981,923	914,828	2,079,458	877,907	816,684
91,687	689,989	1,406,425	741,327	3,605,883	636,067
6,001,966	4,190,006	4,778,211	5,270,875	6,477,684	3,427,715

**City of Adel**

City of Adel  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2021

Grantor/Program	Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 11,416,531
Indirect:			
U.S. Department of the Treasury			
Iowa Department of Revenue			
COVID-19 - Coronavirus Relief Fund	21.019	Project 00000426	97,337
		Project 00000459	32,310
			<u>129,647</u>
U.S. Department of Homeland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA 4421 DRIA	66,350
		FEMA 4557 DRIA	52,682
			<u>119,032</u>
Total indirect			<u>248,679</u>
			<u>\$ 11,665,210</u>

**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Adel under programs of the federal government for the year ended June 30, 2021. 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 Adel, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Adel.

**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 Adel has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



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

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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 U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2021. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Our report includes a reference to other auditors who audited the financial statements of the South Dallas County Landfill Agency, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified a deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item II-A-21, that we consider to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Adel's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance 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, 2021 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.

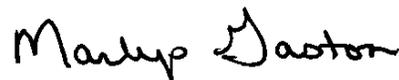
### The City of Adel's Responses to the Findings

The City of Adel's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Adel's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

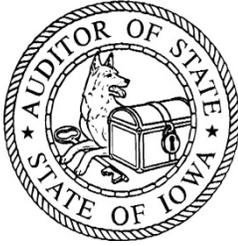
### Purpose of this Report

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

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

  
Marlys K. Gaston, CPA  
Deputy Auditor of State

December 21, 2021



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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

We have audited the City of Adel, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Adel's major federal program for the year ended June 30, 2021. The City of Adel's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Adel's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Adel's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Adel's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Adel complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

## Report on Internal Control Over Compliance

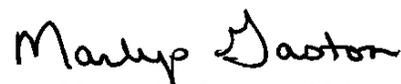
The management of the City of Adel is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Adel's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Adel's 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item III-A-21, that we consider to be a significant deficiency.

City of Adel's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings and Questioned Costs. City of Adel's response was not subjected to the 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.



Marlys K. Gaston, CPA  
Deputy Auditor of State

December 21, 2021

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

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

- (a) Unmodified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA 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 Adel did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

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

**INTERNAL CONTROL DEFICIENCIES:**

II-A-21 Segregation of Duties  
(2021-001)

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, the Friends of Adel Library Foundation's and the Fire Association's financial statements.

Condition – Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Investments – recordkeeping, investing and reconciling earnings.
- (3) Long-term debt – recordkeeping and debt payment processing.
- (4) Receipts – collecting, preparing deposits and reconciling. In addition, the mail is not opened and distributed by someone other than accounting personnel.
- (6) Receipts for Parks and Recreation – collecting.

For the Friends of Adel Library Foundation (Library Foundation), one individual has control over each of the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements – preparing, signing of checks, and reconciling.

For the Fire Association, one individual has control over each of the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements – preparing, recording and reconciling.

Cause – The City, Library Foundation and Fire Association have 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.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, the Library Foundation and the Fire Association 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 transactions, reconciliations and financial report. The reviews should be documented by the signature or initials of the reviewer and the date of the review.

City Response – The City continues to search for ways to maximize segregation of duties with limited staff. We recognize the importance of this issue.

Library Foundation Response – The Library Foundation has no employees and procedures to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes is difficult. Library staff completes several processes to attempt to address this issue. The Library Foundation is continually reviewing their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available volunteers and library staff.

Fire Association Response – The Fire Association maintains dual control on disbursement activities per the Association’s Financial & Accounting Policies. Furthermore, account balances are reported at every monthly Association business meeting to our membership. Documentation is provided at the meeting if any member would like to review the monthly transactions or account balances. The Association will continue to ensure proper policies are maintained given our staffing levels and transaction volumes.

Conclusion – Responses acknowledged. The Fire Association should continue to review control procedures to obtain the maximum control possible, including utilizing elected officials and other City personnel to add additional oversight through review of transactions and reconciliations.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number: 10.760 Water and Waste Disposal Systems for Rural Communities**  
**Federal Award Year: 2021**  
**U.S. Department of Agriculture**

III-A-21 USDA Reporting  
(2021-002)

Criteria – Per 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.

Condition – The reports for the quarter ending June 30, 2021 were not submitted timely.

Cause – Policies and procedures have not been established to require the reports to be submitted timely.

Effect – The lack of timely submittal of the reports could impact management decisions.

Recommendation – The City should establish policies and procedures to ensure the quarterly reports are submitted within 30 days of each quarter's end.

Response and Corrective Action Planned – The City's Finance Director was on leave and unable to finalize and submit these reports prior to her return. The Finance Director will cross-train additional staff to submit these reports in her absence, even if preliminary.

Conclusion – Response accepted.

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

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

IV-A-21 Certified Budget – Disbursements in the business type activities functions exceeded the amount budgeted 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 – The disbursements for business type activities exceeded amounts budgeted prior to the amendment due to the issuances of the Water 2020A & Water 2020B revenue note and subsequent payoffs of the 2013 water revenue note, a planning and design loan through Iowa Finance Authority, and interim financing through CoBank. In the future, the importance of amendments taking place prior to any large unbudgeted disbursement occurring will be emphasized.

Conclusion – Response accepted.

IV-B-21 Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain expenditures 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 expenditures are detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Award Program Services Inc.	Service Award for member of Fire Department	\$ 180
Bonnie Kirk	Reimbursement for purchase of Visa gift cards, including fees, for retirement gifts	262

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

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

Response – The Auditors identified two purchases made relating to employee recognition. The City will establish policies and procedures for documenting the public purpose of such expenditures going forward.

Conclusion – Response accepted.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2021

- IV-C-21 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-21 Business Transactions – No business transactions between the City and City officials or employees were noted.
- IV-E-21 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.
- IV-F-21 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.
- IV-G-21 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- IV-H-21 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- IV-I-21 Revenue Notes – No instances of non-compliance with the revenue note requirements for the year ended June 30, 2021 were noted.
- IV-J-21 Annual Urban Renewal Report – No instances of non-compliance with the Annual Urban Renewal Report requirements for the year ended June 30, 2021 were noted.
- IV-K-21 Tax Increment Financing – The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates. Also, the City of Adel properly completed the Tax Increment Debt Certificate Forms to request TIF properly taxes.
- IV-L-21 Financial Condition – The Internal Service, Flex Benefits Fund, had a deficit balance of \$179 at June 30, 2021.

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

Response – Since the plan year for the City’s 125 Cafeteria Plan is the calendar year (not the City’s fiscal year), the deficit is the result of timing. For example, if an employee elects to contribute \$600 to their cafeteria plan for the calendar year (\$50 per month), the employee can seek reimbursement for \$600 worth of eligible expenditures in January. The City would then have a deficit balance until December. Overall, the deficit is immaterial. The Internal Service, Flex Benefits Fund, is entirely employee funded.

Conclusion – Response accepted.

City of Adel

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Lesley R. Geary, CPA, Manager  
Karen L. Brustkern, CPA, Senior Auditor II  
Mason R. Brown, Staff Auditor  
Nolan R. Schultz, Assistant Auditor