

CITY OF ADEL

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

YEAR ENDED JUNE 30, 2022

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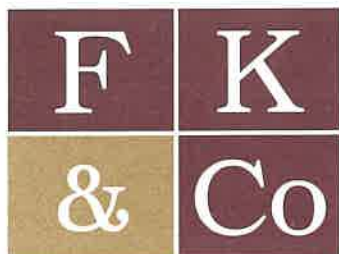
City of Adel
Officials
(Before January 2022)

<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	City Administrator	Indefinite
Carrie Erickson	City Clerk	Indefinite
Brittany Sandquist	Finance Director	Indefinite
Kristine Stone	City Attorney	Indefinite

(After January 2022)

James F. Peters	Mayor	Jan 2024
Shirley McAdon	Mayor Pro Tem	Jan 2024
Rob Christensen	Council Member	Jan 2026
Jodi Selby	Council Member	Jan 2026
Dan Miller	Council Member	Jan 2024
Bob Ockerman	Council Member	Jan 2024
Anthony Brown	City Administrator	Indefinite
Carrie Erickson	City Clerk	Indefinite
Brittany Sandquist	Finance Director	Indefinite
Kristine Stone	City Attorney	Indefinite

City of Adel



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of Adel, Iowa, (City) as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, 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 as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

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, 99.3% of the disbursements and 99.5% of the receipts 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and Government Auditing Standards, we:

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Another auditor previously audited, in accordance with the standards referred to in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report, the financial statements for the nine years ended June 30, 2021 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. 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. Such information is the responsibility of management and was

derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in Schedules 1 through 3 is fairly stated, in all material respects, in relation to the basic financial statements as a whole


Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 33 through 37 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 13, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control over financial reporting and compliance.


FALLER, KINCHELOE & CO., PLC

January 13, 2023

Basic Financial Statements

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2022

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position				
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Primary Government			Component Units	
					Governmental Activities	Business Type Activities	Total	South Dallas County Landfill Agency	Friends of Adel Library Foundation
Functions / Programs:									
Primary Government:									
Governmental activities:									
Public safety	\$ 1,440,756	152,519	13,338	-	(1,274,899)	-	(1,274,899)		
Public works	676,539	-	798,918	-	122,379	-	122,379		
Culture and recreation	1,357,809	606,786	110,438	-	(640,585)	-	(640,585)		
Community and economic development	95,001	-	-	-	(95,001)	-	(95,001)		
General government	323,051	23,136	48,971	-	(250,944)	-	(250,944)		
Debt service	844,755	-	-	-	(844,755)	-	(844,755)		
Capital projects	213,527	19,602	-	37,170	(156,755)	-	(156,755)		
Total governmental activities	4,951,438	802,043	971,605	37,170	(3,140,560)	-	(3,140,560)		
Business type activities:									
Water	9,011,558	1,779,149	197,645	100,385	-	(6,934,379)	(6,934,379)		
Sewer	24,051,524	1,814,267	1,816,043	3,083,302	-	(17,337,912)	(17,337,912)		
Garbage/Recycling	428,416	420,416	-	-	-	(8,000)	(8,000)		
Storm Water	411,831	329,370	350	-	-	(82,111)	(82,111)		
Total business type activities	33,903,329	4,343,202	2,014,038	3,183,687	-	(24,362,402)	(24,362,402)		
Total Primary Government	\$ 38,854,767	\$ 5,145,245	2,985,703	3,220,857	(3,140,560)	(24,362,402)	(27,502,962)		
Component Units:									
South Dallas County Landfill Agency	\$ 2,395,128	1,926,218	-	-				(468,910)	-
Friends of Adel Library Foundation	17,440	-	10,152	-				-	(7,288)
	<u>\$ 2,412,568</u>	<u>1,926,218</u>	<u>10,152</u>	<u>-</u>				<u>(468,910)</u>	<u>(7,288)</u>
Total component units									
General Receipts and Transfers:									
Property tax and other city tax levied for									
General purposes					1,962,311	-	1,962,311	-	-
Debt service					347,308	-	347,308	-	-
Tax increment financing					491,365	-	491,365	-	-
Local option sales and services tax					1,547,233	-	1,547,233	-	-
Hotel/Motel tax					23,958	-	23,958	-	-
Commercial/industrial tax replacement					54,387	-	54,387	-	-
American Rescue Plan Act					407,824	-	407,824	-	-
Unrestricted interest on investments					7,442	-	7,442	93,749	-
Note proceeds					-	25,781,087	25,781,087	-	-
Rent					86,541	-	86,541	-	-
Miscellaneous					21,782	-	21,782	6,716	-
Transfers					(22,140)	22,140	-	-	-
Total general receipts and transfers					4,928,011	25,803,227	30,731,238	100,465	-
Change in cash basis net position					1,787,451	1,440,825	3,228,276	(368,445)	(7,288)
Cash basis net position beginning of year					3,953,557	6,514,809	10,468,366	10,798,178	24,749
Cash basis net position end of year					<u>\$ 5,741,008</u>	<u>7,955,634</u>	<u>13,696,642</u>	<u>10,429,733</u>	<u>17,461</u>
Cash Basis Net Position									
Restricted:									
Expendable:									
Streets					474,301	-	474,301	-	-
Urban renewal purposes					47,441	-	47,441	-	-
Debt service					122,868	682,421	805,289	-	-
Capital projects					-	634,890	634,890	-	-
Closure and postclosure care					-	-	-	2,931,852	-
Library Foundation					-	-	-	-	17,461
Other purposes					796,435	199,473	995,908	11,020	-
Unrestricted					4,299,963	6,438,850	10,738,813	7,486,861	-
Total cash basis net position					<u>\$ 5,741,008</u>	<u>7,955,634</u>	<u>13,696,642</u>	<u>10,429,733</u>	<u>17,461</u>

See notes to financial statements

City of Adel

Exhibit B

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

As of and for the year ended June 30, 2022

	Special Revenue					Nonmajor	Total
	General	Road Use Tax	Employee Benefits	Debt Service	Capital Projects		
Receipts:							
Property tax	\$1,386,755	-	573,123	347,308	-	-	2,307,186
Tax increment financing	-	-	-	-	-	491,365	491,365
Local option sales tax	1,547,233	-	-	-	-	-	1,547,233
Other city tax	26,392	-	-	-	-	-	26,392
Licenses and permits	304,656	-	-	-	-	-	304,656
Use of money and property	99,915	-	-	-	-	10	99,925
Intergovernmental	215,262	788,942	14,354	7,846	428,361	-	1,454,765
Charges for service	273,757	-	-	-	-	-	273,757
Special assessments	-	-	-	-	19,602	-	19,602
Miscellaneous	146,255	9,977	1,638	-	16,633	39,870	214,373
Total receipts	4,000,225	798,919	589,115	355,154	464,596	531,245	6,739,254
Disbursements:							
Operating:							
Public safety	1,124,342	-	313,422	-	-	3,990	1,441,754
Public works	59,578	597,566	19,595	-	-	-	676,739
Culture and recreation	1,142,713	-	184,576	-	-	30,529	1,357,818
Community and economic development	86,706	-	8,339	-	-	-	95,045
General government	307,393	-	15,851	-	-	-	323,244
Debt service	-	-	-	844,755	-	-	844,755
Capital projects	-	-	-	-	213,527	-	213,527
Total disbursements	2,720,732	597,566	541,783	844,755	213,527	34,519	4,952,882
Excess (deficiency) of receipts over (under) disbursements	1,279,493	201,353	47,332	(489,601)	251,069	496,726	1,786,372
Other financing sources (uses):							
Sale of capital assets	21,775	-	-	-	-	-	21,775
Transfers in	53,031	-	14,866	497,104	125,594	-	690,595
Transfers out	(40,720)	(161,457)	-	-	(18,014)	(492,544)	(712,735)
Total other financing sources (uses)	34,086	(161,457)	14,866	497,104	107,580	(492,544)	(365)
Change in cash balances	1,313,579	39,896	62,198	7,503	358,649	4,182	1,786,007
Cash balances beginning of year, as restated	2,837,042	434,405	283,514	115,365	194,610	86,158	3,951,094
Cash balances end of year	\$4,150,621	474,301	345,712	122,868	553,259	90,340	5,737,101
Cash Basis Fund Balances							
Restricted for:							
Streets	\$ -	474,301	-	-	-	-	474,301
Urban renewal purposes	-	-	-	-	-	47,441	47,441
Debt service	-	-	-	122,868	-	-	122,868
American Rescue Plan Act projects	-	-	-	-	407,824	-	407,824
Other purposes	-	-	345,712	-	-	42,899	388,611
Assigned	2,130,580	-	-	-	145,435	-	2,276,015
Unassigned	2,020,041	-	-	-	-	-	2,020,041
Total cash basis fund balances	\$4,150,621	474,301	345,712	122,868	553,259	90,340	5,737,101

See notes to financial statements.

City of Adel

Exhibit C

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, 2022

Total governmental funds cash balances (page 10) \$ 5,737,101

***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 benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

3,907

Cash basis net position of governmental activities (page 9) \$ 5,741,008

Change in cash balances (page 10) \$ 1,786,007

***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 Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

1,444

Change in cash basis net position of governmental activities (page 9) \$ 1,787,451

See notes to financial statements.

City of Adel

Exhibit D

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

As of and for the year ended June 30, 2022

	Enterprise					Internal Service
	Water	Sewer	Storm Water	Nonmajor - Garbage/ Recycling	Total	Total
Operating receipts:						
Charges for service	\$ 1,879,530	1,814,267	329,370	420,416	4,443,583	12,770
Miscellaneous	97,264	1,816,043	350	-	1,913,657	-
Total operating receipts	1,976,794	3,630,310	329,720	420,416	6,357,240	12,770
Operating disbursements:						
Governmental activities						
Public safety	-	-	-	-	-	4,842
Public works	-	-	-	-	-	968
Culture and recreation	-	-	-	-	-	41
Community and economic development	-	-	-	-	-	611
General government	-	-	-	-	-	544
Business type activities	853,454	691,833	93,160	428,416	2,066,863	3,582
Total operating disbursements	853,454	691,833	93,160	428,416	2,066,863	10,588
Excess (deficiency) of operating receipts over (under) operating disbursements	1,123,340	2,938,477	236,560	(8,000)	4,290,377	2,182
Non-operating receipts (disbursements):						
Intergovernmental	100,385	3,083,302	-	-	3,183,687	-
Note proceeds	7,362,766	18,418,321	-	-	25,781,087	-
Debt service	(5,365,544)	(12,047,485)	(318,686)	-	(17,731,715)	-
Capital projects	(2,792,887)	(11,312,603)	-	-	(14,105,490)	-
Net non-operating receipts (disbursements)	(695,280)	(1,858,465)	(318,686)	-	(2,872,431)	-
Excess (deficiency) of receipts over (under) disbursements	428,060	1,080,012	(82,126)	(8,000)	1,417,946	2,182
Other financing sources (uses):						
Transfers in	-	38,800	-	-	38,800	-
Transfers out	(128)	(1,532)	-	(15,000)	(16,660)	-
Total other financing sources (uses)	(128)	37,268	-	(15,000)	22,140	-
Change in cash balances	427,932	1,117,280	(82,126)	(23,000)	1,440,086	2,182
Cash balances beginning of year	2,905,964	2,596,128	942,619	72,741	6,517,452	(179)
Cash balances end of year	\$ 3,333,896	3,713,408	860,493	49,741	7,957,538	2,003
Cash Basis Fund Balances						
Restricted for:						
Debt service	\$ 153,909	163,270	365,242	-	682,421	-
Capital improvements	80,217	548,673	6,000	-	634,890	-
Water deposits	199,473	-	-	-	199,473	-
Unrestricted	2,900,297	3,001,465	489,251	49,741	6,440,754	2,003
Total cash basis fund balances	\$ 3,333,896	3,713,408	860,493	49,741	7,957,538	2,003

See notes to financial statements.

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, 2022

Total enterprise funds cash balances (page 12) \$ 7,957,538

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 benefit plan to individual funds. A portion of the cash balance of the Internal Service is included in business type activities in the Cash Basis Statement of Activities and Net Position.

(1,904)

Cash basis net position of business type activities (page 9) \$ 7,955,634

Change in cash balances (page 12) \$ 1,440,086

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 balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

739

Change in cash basis net position of business type activities (page 9) \$ 1,440,825

See notes to financial statements.

Statement of Changes in Fiduciary Net Position -
Custodial Funds

As of and for the year ended June 30, 2022

	Custodial				Total
	Oakdale Pride	Historic Preservation Plaques	Holiday Lights	Nile Kinnick Addition	
Additions:					
Donations	\$ -	-	1,250	1,060	2,310
Deductions:					
Maintenance and repairs	-	-	3,558	3,913	7,471
Change in cash balance	-	-	(2,308)	(2,853)	(5,161)
Net position beginning of year	114	11	3,984	18,476	22,585
Net position end of of year	\$ 114	11	1,676	15,623	17,424

June 30, 2022

(1) Summary of Significant Accounting Policies

The City of Adel (City) 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 governmental services. The City also provides water, sewer, garbage/recycling and storm water utilities for its citizens.

A. Reporting Entity

For reporting purposes, the City 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.

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. Complete financial statements can be obtained at City Hall, Adel, Iowa 50003.

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 revenues, 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/components:

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

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

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

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds and nonmajor enterprise 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 that are 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 Employee Benefits Fund is utilized to account for property tax and other receipts to be used for the payment of employee benefits.

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

The 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, 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 proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements: Property tax revenues recognized in these 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, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

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 imposed by law through constitutional provisions or enabling legislation.

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2022 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. However, at times other than at June 30, 2022, the City's deposits in banks were not 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 the 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, 2022, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$785,237. 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, 2022 was \$8,674,876 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, 2022 was \$8,203,883 and the maturity dates ranged from November 15, 2022 to November 15, 2031.

(3) **Notes Payable**

A summary of changes in notes payable for the year ended June 30, 2022 is as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Notes	\$ 6,535,000	-	690,000	5,845,000	695,000
Business type activities:					
Direct Borrowings:					
Water revenue notes	\$ 16,381,805	4,713,000	490,575	20,604,230	423,612
Water revenue anticipation notes	1,984,326	2,649,766	4,634,092	-	-
Sewer revenue notes	6,558,716	11,665,000	153,773	18,069,943	355,623
Sewer revenue anticipation notes	4,911,679	6,753,321	11,665,000	-	-
Stormwater revenue notes	1,490,902	-	292,708	1,198,194	35,823
Business-type activities total	\$31,327,428	25,781,087	17,236,148	39,872,367	815,058

General Obligation Notes

A summary of the City's June 30, 2022 general obligation notes payable is as follows:

Year Ending June 30,	Refunding Capital Loan			Refunding Capital Loan		
	Issued June 28, 2017			Issued December 2, 2019		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
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	2.40%	285,000	43,245	2.00%	245,000	37,855
2028-2032	2.50-3.00%	1,330,000	105,625	2.00-2.30%	1,505,000	110,975
		<u>\$2,735,000</u>	<u>392,720</u>		<u>\$3,110,000</u>	<u>361,150</u>
Year Ending June 30,	Total					
	Principal	Interest	Total			
2023	\$ 695,000	137,105	832,105			
2024	710,000	120,455	830,455			
2025	555,000	106,255	661,255			
2026	520,000	92,355	612,355			
2027	530,000	81,100	611,100			
2028-2032	2,835,000	216,600	3,051,600			
	<u>\$5,845,000</u>	<u>753,870</u>	<u>6,598,870</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, 2022, the City paid \$275,000 of principal and \$80,300 of interest on the notes. The outstanding principal balance on the notes at June 30, 2022 is \$2,735,000.

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, 2022, the City paid \$415,000 of principal and \$73,355 of interest on the notes. The outstanding principal balance on the notes at June 30, 2022 is \$3,110,000.

Revenue Notes

A summary of the City's June 30, 2022 water revenue notes payable is as follows:

Year Ending June 30,	Water			Water		
	Issued July 1, 2020			Issued December 2, 2020		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	1.125%	\$ 143,306	74,254	1.25%	\$ 189,936	115,440
2024	1.125%	144,927	72,633	1.25%	192,324	113,052
2025	1.125%	146,566	70,994	1.25%	194,742	110,634
2026	1.125%	148,223	69,337	1.25%	197,190	108,186
2027	1.125%	149,899	67,661	1.25%	199,670	105,706
2028-2032	1.125%	775,308	312,492	1.25%	1,036,638	490,242
2033-2037	1.125%	820,148	267,652	1.25%	1,103,460	423,420
2038-2042	1.125%	867,580	220,220	1.25%	1,174,588	352,292
2043-2047	1.125%	917,756	170,044	1.25%	1,250,302	276,578
2048-2052	1.125%	970,834	116,966	1.25%	1,330,897	195,983
2053-2057	1.125%	1,026,981	60,819	1.25%	1,416,686	110,194
2058-2061	1.125%	554,364	8,366	1.25%	1,035,585	23,143
		<u>\$ 6,665,892</u>	<u>1,511,438</u>		<u>\$ 9,322,018</u>	<u>2,424,870</u>

Year Ending June 30,	Water			Total		
	Issued May 2, 2022					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2023	1.375%	\$ 90,370	62,906	423,612	252,600	676,212
2024	1.375%	91,620	61,656	428,871	247,341	676,212
2025	1.375%	92,888	60,388	434,196	242,016	676,212
2026	1.375%	94,173	59,103	439,586	236,626	676,212
2027	1.375%	95,476	57,800	445,045	231,167	676,212
2028-2032	1.375%	497,567	268,813	2,309,513	1,071,547	3,381,060
2033-2037	1.375%	532,957	233,423	2,456,565	924,495	3,381,060
2038-2042	1.375%	570,865	195,515	2,613,033	768,027	3,381,060
2043-2047	1.375%	611,468	154,912	2,779,526	601,534	3,381,060
2048-2052	1.375%	654,959	111,421	2,956,690	424,370	3,381,060
2053-2057	1.375%	701,544	64,836	3,145,211	235,849	3,381,060
2058-2061	1.375%	582,433	16,110	2,172,382	47,619	2,220,001
		<u>\$ 4,616,320</u>	<u>1,346,883</u>	<u>20,604,230</u>	<u>5,283,191</u>	<u>25,887,421</u>

A summary of the City's June 30, 2022 sewer revenue notes payable is as follows:

Year Ending June 30,	Sewer			Sewer		
	Issued February 28, 2018			Issued December 20, 2019		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2023	2.00%	\$ 20,943	21,345	1.75%	\$ 117,618	92,610
2024	2.00%	21,365	20,923	1.75%	119,692	90,536
2025	2.00%	21,797	20,491	1.75%	121,804	88,424
2026	2.00%	22,237	20,051	1.75%	123,952	86,276
2027	2.00%	22,685	19,603	1.75%	126,139	84,089
2028-2032	2.00%	120,483	90,957	1.75%	664,869	386,271
2033-2037	2.00%	133,144	78,296	1.75%	725,620	325,520
2038-2042	2.00%	147,134	64,306	1.75%	791,921	259,219
2043-2047	2.00%	162,595	48,845	1.75%	864,281	186,859
2048-2052	2.00%	179,680	31,760	1.75%	943,253	107,887
2053-2057	2.00%	198,561	12,879	1.75%	746,636	24,774
2058-2062	2.00%	26,206	187		-	-
		<u>\$ 1,076,830</u>	<u>429,643</u>		<u>\$5,345,785</u>	<u>1,732,465</u>

Year Ending June 30,	Sewer			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2023	1.125-1.50%	\$ 217,062	170,310	355,623	284,265	639,888
2024	1.125-1.50%	220,281	167,091	361,338	278,550	639,888
2025	1.125-1.50%	223,548	163,824	367,149	272,739	639,888
2026	1.125-1.50%	226,864	160,508	373,053	266,835	639,888
2027	1.125-1.50%	230,229	157,143	379,053	260,835	639,888
2028-2032	1.125-1.50%	1,203,398	733,462	1,988,750	1,210,690	3,199,440
2033-2037	1.125-1.50%	1,295,368	641,492	2,154,132	1,045,308	3,199,440
2038-2042	1.125-1.50%	1,394,397	542,462	2,333,452	865,987	3,199,439
2043-2047	1.125-1.50%	1,501,031	435,829	2,527,907	671,533	3,199,440
2048-2052	1.125-1.50%	1,615,854	321,006	2,738,787	460,653	3,199,440
2053-2057	1.125-1.50%	1,739,499	197,361	2,684,696	235,014	2,919,710
2058-2062	1.125-1.50%	1,779,797	64,327	1,806,003	64,514	1,870,517
		<u>\$11,647,328</u>	<u>3,754,815</u>	<u>18,069,943</u>	<u>5,916,923</u>	<u>23,986,866</u>

A summary of the City's June 30, 2022 sewer revenue notes payable is as follows:

Year Ending June 30,	Storm Water			Total
	Issued December 11, 2018			
	Interest Rates	Principal	Interest	
2023	2.00%	\$ 35,823	23,637	59,460
2024	2.00%	36,546	22,914	59,460
2025	2.00%	37,284	22,176	59,460
2026	2.00%	38,037	21,423	59,460
2027	2.00%	38,804	20,656	59,460
2028-2032	2.00%	206,091	91,209	297,300
2033-2037	2.00%	227,747	69,553	297,300
2038-2042	2.00%	251,679	45,621	297,300
2043-2047	2.00%	278,125	19,175	297,300
2048	2.00%	48,058	433	48,491
		\$1,198,194	336,797	1,534,991

Water Revenue Notes

On July 1, 2020, the City issued \$7,000,000 of water revenue capital loan notes with an interest of 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, 2022, the City paid principal of \$206,319 and interest of \$76,589 on the notes.

On December 2, 2020, the City issued \$9,603,000 of water revenue capital loan notes with an interest rate of 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, 2022, the City paid principal of \$187,576 and interest of \$117,801 on the notes.

On May 2, 2022, the City issued \$4,713,000 of water revenue capital loan notes with an interest rate of 1.375% 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 May 2062. During the year ended June 30, 2022, the City paid principal of \$96,680 and interest of \$5,504 on the notes.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$7,000,000, \$9,603,000 and \$4,713,000 of water revenue notes issued July 2020, December 2020 and May 2022, respectively. In the event of default, the issuer shall have and possess all the rights of action and remedies afforded by the common law, the Constitution and statutes of the State of Iowa, and of the United States of America, for the enforcement of payment of their notes and interest thereon, and of the pledge of the revenues made hereunder, and of all covenants of the Issuer hereunder. Annual principal and interest payments on the notes are expected to require approximately 62% of the net receipts. The principal and interest remaining to be paid on the notes is \$25,887,421. For the current year, principal and interest paid and total customer net receipts were \$690,469 and \$1,123,340.

Sewer Revenue Notes

On February 28, 2018, the City issued \$1,163,000 of sewer revenue capital loan notes with an interest rate of 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, 2022, the City paid principal of \$20,528 and interest of \$21,760 on the notes.

On December 20, 2019, the City issued \$6,041,000 of sewer capital loan notes with an interest rate of 1.75% per annum. Proceeds from the notes provided financing for the construction 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 sewer customer net receipts and are payable through 2060. During the year ended June 30, 2022, the City paid principal of \$115,575 and interest of \$94,652 on the notes.

On May 27, 2022, the City issued \$11,665,000 of sewer capital loan notes with interest rates ranging from 1.125% to 1.5% per annum. Proceeds from the notes provided financing for the construction of improvements and extensions to the municipal sewer utility, including constructing and equipping a new waste water treatment plant, related site improvements, and refunding any outstanding project notes with accrued interest for such project. The notes are payable solely from sewer customer net receipts and are payable through 2062. During the year ended June 30, 2022, the City paid principal of \$17,672 and interest of \$14,611 on the notes.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,163,000, \$6,041,000 and \$11,665,000 of sewer revenue notes issued February 2018, December 2019 and May 2022, respectively. In the event of default, the issuer shall have and possess all the rights of action and remedies afforded by the common law, the Constitution and statutes of the State of Iowa, and of the United States of America, for the enforcement of payment of their notes and interest thereon, and of the pledge of the revenues made hereunder, and of all covenants of the Issuer hereunder. Annual principal and interest payments on the notes are expected to require approximately 10% of the net receipts. The principal and interest remaining to be paid on the notes is \$23,986,866. For the current year, principal and interest paid and total customer net receipts were \$284,798 and \$2,938,477.

Storm Water Revenue Notes

On December 11, 2018, the City issued \$1,635,000 of storm water revenue capital loan notes with an interest rate of 2.00% per annum. Proceeds of the notes provided financing for 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 2048. During the year ended June 30, 2022, the City paid principal of \$292,708 and interest of \$25,978 on the notes.

The City has pledged future storm water customer receipts, net of specified operating disbursements, to repay \$1,635,000 of storm water revenue notes issued in December 2018. In the event of default, the issuer shall have and possess all the rights of action and remedies afforded by the common law, the Constitution and statutes of the State of Iowa, and of the United States of America, for the enforcement of payment of their notes and interest thereon, and of the pledge of the revenues made hereunder, and of all covenants of the Issuer hereunder. Based on the scheduled debt payments of \$59,460 per year, annual principal and interest payments on the notes are expected to require approximately 26% of the net receipts. The principal and interest remaining to be paid on the notes is \$1,534,991. For the current year, principal and interest paid and total customer net receipts were \$318,686 and \$236,560.

Water, Sewer and Storm Water Revenue Notes

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) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% for the revenue notes of the amount of principal and interest on the notes falling due in the same year.

(d) Sufficient monthly transfers shall be made to water reserve accounts within the Enterprise Funds until a balance of \$676,212 has been accumulated. Sufficient monthly transfers shall be made to sewer reserve accounts within the Enterprise Funds until a balance of \$639,888 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.

(e) Over the life of the loan, yearly transfers of \$47,477 are required to be made to a short-lived asset water reserve account within the Enterprise Fund. Over the life of the loan, yearly transfers of \$20,030 are required to be made to a short-lived asset sewer reserve account within the Enterprise Fund. Over the life of the loan, yearly transfers of \$1,500 are required to be made to a short-lived asset storm water reserve account within the Enterprise Fund. These reserve accounts are restricted for the payment of repairs and/or replacement of major system assets.

Revenue Capital Loan Anticipation Project Notes

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 matured on December 21, 2021. No funds were drawn down the current year. During the year ending June 30, 2022, the City paid principal of \$1,200,000, paying off the loan in full.

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 \$6,753,321 during the current year. During the year ended June 30, 2022, the City paid principal of \$10,465,000 and interest of \$97,687, paying off the loan in full.

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 \$2,649,766 during the current year. During the year ended June 30, 2022, the City paid principal of \$4,634,092 and interest of \$40,984, paying off the loan in full.

(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 Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

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

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime 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 age 55. 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 that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that 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 that 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 2022, 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%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2022 totaled \$180,860.

Net Pension Liability (Asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City reported a liability of \$(498,889) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021 and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City's proportion was 0.1445105%, which was an increase of 0.130806% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$(118,213), \$233,998 and \$1,318,761, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability (asset) in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

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

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 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 pension plan 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 arithmetic 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	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	100.0 %	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 539,779	(498,889)	(1,368,837)

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

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

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2022, the City contributed \$320,104 and plan members eligible for benefits contributed \$72,299 to the plan. At June 30, 2022, 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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	26
Total	26

(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, 2022, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 81,287
Compensatory time	11,731
Total	<u>\$ 93,018</u>

This liability has been computed based on rates of pay in effect at June 30, 2022.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 2,367
	Urban Renewal Tax Increment	34,004
	Enterprise:	
	Water	128
	Sewer	1,532
	Garbage/Recycling	15,000
		<u>53,031</u>
Special Revenue:		
Employee Benefits	General	<u>14,866</u>
Debt Service	General	20,550
	Special Revenue:	
	Urban Renewal Tax Increment	458,540
	Capital Projects	18,014
		<u>497,104</u>
Capital Projects	General	5,304
	Special Revenue:	
	Road Use Tax	<u>120,290</u>
		<u>125,594</u>
Enterprise:	Special Revenue:	
Sewer	Road Use Tax	<u>38,800</u>
Total		<u>\$ 729,395</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to distribute 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, 2022, the Special Revenue, Road Use Tax Fund repaid \$38,800 to the Enterprise, Sewer Fund. The amount due to the Enterprise, Sewer Fund at June 30, 2022 is \$0.

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, 2022, the Special Revenue, Local Option Sales Tax Fund repaid \$33,666 to the General Fund. The amount due to the General Fund at June 30, 2022 is \$0.

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, 2022, the Special Revenue, Urban Renewal Tax Increment Fund repaid \$34,004 to the General Fund. The amount due to the General Fund at June 30, 2022 is \$0.

On November 9, 2021, the City agreed to advance \$10,000 from the General Fund to the Special Revenue, Urban Renewal Tax Increment Fund for the purpose of paying for a historic preservation grant for 801 Main Street. 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, 2022, no transfers were made to repay this loan. The amount due to the General Fund at June 30, 2022 is \$10,000.

(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 794 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, 2022 were \$113,444.

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, 2022, 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, 2022, the City did not rebate any incremental property tax to the participating company.

(11) Fund Balance

The City's assigned fund balance in the General Fund as of June 30, 2022 consists of the following:

Purpose	Amount
Special Reserve	\$ 437,181
Local Option Sales Tax	1,526,339
Hotel/Motel	32,389
Police	8,635
Fire	6,103
Park and Recreation	1,464
Industrial Park	<u>118,469</u>
Total	<u>\$ 2,130,580</u>

(12) Commitments

The City has entered into contracts for various construction projects. The total remaining to be paid on these projects was approximately \$2,500,000 at June 30, 2022. These projects are expected to be completed in fiscal year 2023. The costs of these projects will be primarily financed with a grant from the U.S. Department of Agriculture.

(13) Contingency

The City participates in a number of Federal and State grant/loan programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

(14) 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 that of the City, 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.

(15) Subsequent Events

The City has evaluated all subsequent events through January 13, 2023, the date the financial statements were available to be issued.

(16) Accounting Restatement

The beginning cash balances were restated to reflect the proper balances and the proper classification between accounts and funds. The restatements are as follows:

	Balances at June 30, 2021, as previously reported	Restatements	Balances at July 1, 2021, as restated
General Fund	\$ 2,259,758	577,284	2,837,042
Special Revenue Funds:			
Local Sales and Services Tax	577,284	(577,284)	-

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, 2022

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Total	Budgeted Amounts		Final to Total Variance
					Original	Final	
Receipts:							
Property tax	\$ 2,307,186	-	-	2,307,186	2,277,039	2,277,039	30,147
Tax increment financing	491,365	-	-	491,365	492,544	492,544	(1,179)
Other city tax	1,573,625	-	-	1,573,625	906,887	1,531,887	41,738
Licenses and permits	304,656	-	-	304,656	147,227	205,391	99,265
Use of money and property	99,925	-	10	99,915	73,900	73,900	26,015
Intergovernmental	1,454,765	3,183,687	-	4,638,452	6,784,652	6,784,652	(2,146,200)
Charges for service	273,757	4,443,583	-	4,717,340	4,554,016	4,554,016	163,324
Special assessments	19,602	-	-	19,602	13,142	13,142	6,460
Miscellaneous	214,373	1,913,657	6,330	2,121,700	1,883,675	1,928,182	193,518
Total receipts	6,739,254	9,540,927	6,340	16,273,841	17,133,082	17,860,753	(1,586,912)
Disbursements:							
Public safety	1,441,754	-	3,626	1,438,128	1,403,407	1,505,025	66,897
Public works	676,739	-	-	676,739	694,628	689,628	12,889
Culture and recreation	1,357,818	-	-	1,357,818	1,333,826	1,443,792	85,974
Community and economic development	95,045	-	-	95,045	73,819	96,319	1,274
General government	323,244	-	-	323,244	324,637	349,637	26,393
Debt service	844,755	-	-	844,755	844,655	844,755	-
Capital projects	213,527	-	-	213,527	650,000	650,000	436,473
Business type activities	-	33,904,068	-	33,904,068	20,307,150	36,884,916	2,980,848
Total disbursements	4,952,882	33,904,068	3,626	38,853,324	25,632,122	42,464,072	3,610,748
Excess (deficiency) of receipts over (under) disbursements	1,786,372	(24,363,141)	2,714	(22,579,483)	(8,499,040)	(24,603,319)	2,023,836
Other financing sources, net	(365)	25,803,227	-	25,802,862	9,855,000	25,938,000	(135,138)
Change in balances	1,786,007	1,440,086	2,714	3,223,379	1,355,960	1,334,681	1,888,698
Balances beginning of year	3,951,094	6,517,452	15,051	10,453,495	8,942,077	8,942,077	1,511,418
Balances end of year	\$ 5,737,101	7,957,538	17,765	13,676,874	10,298,037	10,276,758	3,400,116

See accompanying independent auditor's report.

City of Adel

Notes to Other Information - Budgetary Reporting

June 30, 2022

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$16,831,950. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2022, disbursements did not exceed the amounts budgeted.

City of Belle Plaine

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

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

Other Information

	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.144511%	0.013704%	0.012460%	0.011741%	0.011089%	0.010890%	0.008788%	0.007337%
City's proportionate share of the net pension liability (asset)	\$ (499)	963	722	743	739	685	434	291
City's covered payroll	\$ 1,718	1,568	1,477	1,362	1,269	1,100	1,100	1,070
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-29.05%	61.42%	48.88%	54.55%	58.23%	62.27%	39.45%	27.20%
IPERS' net position as a percentage of the total pension liability (asset)	100.81%	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

City of Adel

Schedule of City Contributions

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

Other Information

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 181	163	151	143	126	118	106	103	100	89
Contributions in relation to the statutorily required contribution	(181)	(163)	(151)	(143)	(126)	(118)	(106)	(103)	(100)	(89)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 1,925	1,718	1,568	1,477	1,362	1,269	1,100	1,100	1,070	935
Contributions as a percentage of covered payroll	9.40%	9.49%	9.63%	9.68%	9.25%	9.30%	9.64%	9.36%	9.35%	9.52%

See accompanying independent auditor's report.

City of Adel

Notes to Other Information – Pension Liability

Year ended June 30, 2022

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

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

As of and for the year ended June 30, 2022

	Special Revenue						Total
	Library Memorial	Police DARE	Library Friends/ Foundation	Fire Association	Urban Renewal Tax Increment	Police Forfeiture	
Receipts:							
Tax increment financing	\$ -	-	-	-	491,365	-	491,365
Use of money and property	-	-	-	10	-	-	10
Miscellaneous	22,577	963	10,000	6,330	-	-	39,870
Total receipts	22,577	963	10,000	6,340	491,365	-	531,245
Disbursements:							
Operating:							
Public safety	-	364	-	3,626	-	-	3,990
Culture and recreation	18,042	-	12,487	-	-	-	30,529
Total disbursements	18,042	364	12,487	3,626	-	-	34,519
Excess (deficiency) of receipts over (under) disbursements	4,535	599	(2,487)	2,714	491,365	-	496,726
Other financing sources (uses):							
Transfers out	-	-	-	-	(492,544)	-	(492,544)
Total other financing sources (uses)	-	-	-	-	(492,544)	-	(492,544)
Change in cash balances	4,535	599	(2,487)	2,714	(1,179)	-	4,182
Cash balances beginning of year	10,096	2,064	10,214	15,051	48,620	113	86,158
Cash balances end of year	\$ 14,631	2,663	7,727	17,765	47,441	113	90,340
Cash Basis Fund Balances							
Restricted for:							
Urban renewal purposes	\$ -	-	-	-	47,441	-	47,441
Other purposes	14,631	2,663	7,727	17,765	-	113	42,899
Total cash basis fund balances	\$ 14,631	2,663	7,727	17,765	47,441	113	90,340

See accompanying independent auditor's report.

City of Adel

Schedule 2

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

For the Last Ten Years

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Receipts:										
Property tax	\$2,307,186	2,179,872	2,019,303	1,902,041	1,742,444	1,665,068	1,670,133	1,617,400	1,688,888	1,679,872
Tax increment financing	491,365	496,961	558,406	661,815	633,628	641,589	641,828	535,382	488,325	495,028
Local option sales tax	1,547,233	1,020,206	910,971	742,152	476,425	539,776	474,195	441,965	422,345	544,169
Other city tax	26,392	14,275	9,031	2,489	113,877	111,150	111,337	92,116	-	7,239
Licenses and permits	304,656	232,739	252,525	295,343	625,038	438,980	323,835	226,345	158,078	86,289
Use of money and property	99,925	80,013	104,878	150,162	90,934	71,563	65,676	52,308	57,055	56,394
Intergovernmental	1,454,765	1,043,693	750,051	670,446	625,025	635,487	921,402	696,892	651,655	564,582
Charges for service	273,757	260,892	144,606	214,295	276,472	293,010	287,947	216,148	234,828	123,499
Special assessments	19,602	23,761	36,710	37,152	113,311	42,259	99,632	123,670	29,388	66,146
Miscellaneous	214,373	203,432	177,603	315,700	97,912	83,056	123,488	106,969	158,029	118,376
Total	<u>\$6,739,254</u>	<u>5,555,844</u>	<u>4,964,084</u>	<u>4,991,595</u>	<u>4,795,066</u>	<u>4,521,938</u>	<u>4,719,473</u>	<u>4,109,195</u>	<u>3,888,591</u>	<u>3,741,594</u>
Disbursements:										
Operating:										
Public safety	\$1,441,754	1,251,712	1,245,901	1,156,297	1,153,221	1,060,923	982,568	953,757	1,008,083	841,419
Public works	676,739	583,728	443,464	567,392	543,980	473,198	521,863	505,985	352,358	340,004
Culture and recreation	1,357,818	2,005,224	1,126,217	1,197,356	937,383	904,520	737,885	692,654	655,554	529,000
Community and economic development	95,045	59,953	147,834	86,491	100,203	91,359	78,755	67,539	145,296	110,994
General government	323,244	297,823	489,824	274,555	228,980	328,325	197,023	237,023	288,799	172,477
Debt service	844,755	1,055,055	966,004	968,368	992,771	3,051,954	981,923	914,828	2,079,458	877,907
Capital projects	213,527	6,762	151,259	679,764	1,301,061	91,687	689,989	1,406,425	741,327	3,605,883
Total	<u>\$4,952,882</u>	<u>5,260,257</u>	<u>4,570,503</u>	<u>4,930,223</u>	<u>5,257,599</u>	<u>6,001,966</u>	<u>4,190,006</u>	<u>4,778,211</u>	<u>5,270,875</u>	<u>6,477,684</u>

See accompanying independent auditor's report.

City of Adel

Schedule 3

Schedule of Expenditures of Federal Awards

Year ended June 30, 2022

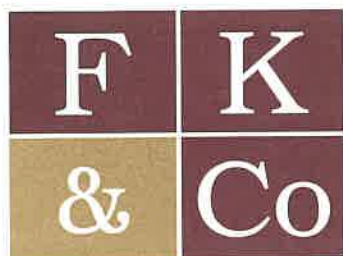
Grantor/Program	Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 12,649,984
Total U.S. Department of Agriculture			<u>12,649,984</u>
U.S. Department of the Treasury:			
COVID-19, Coronavirus State and Local Fiscal Recovery Funds	21.027	ARPA-2021-116	<u>4,456</u>
Total U.S. Department of the Treasury			<u>4,456</u>
Total			<u>\$ 12,654,440</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, 2022. 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 not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel, Iowa (City) as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 13, 2023. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 that 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 that 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in Part II of the accompanying Schedule of Findings and Questioned Costs as item 2022-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City's Responses to the Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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 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.



FALLER, KINCHELOE & CO., PLC

January 13, 2023



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

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

To the Honorable Mayor and
Members of the City Council:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Adel, Iowa (City) compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City's major federal program for the year ended June 30, 2022. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards,

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

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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



FALLER, KICHELOE & CO., PLC

January 13, 2023

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

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) A material weakness in internal control over financial reporting was 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 no audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was Assistance Listing Number 10.760 – 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, 2022

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2022-001 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's, the Friends of Adel Library Foundation's, and the Fire Association's financial statements.

Condition – Generally, one or two individuals have control over each of the following areas for the City:

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

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, signing of checks, 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.

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.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Recommendation – The City, the Library Foundation and Fire Association should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

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

Library 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 current 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 – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

Part IV: Other Findings Related to Required Statutory Reporting:

- 2022-A Certified Budget – Disbursements during the year ended June 30, 2022 did not exceed the amounts budgeted.
- 2022-B Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.
- 2022-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 2022-D Business Transactions – No business transactions between the City and City officials or employees were noted.
- 2022-E Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 2022-F Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 2022-G City Council Minutes – Transactions were found that we believe should have been approved in the City Council minutes but were not.

Some claims were not approved by the City Council nor were they published in the newspaper. Chapter 372.13(6) of the Code of Iowa requires a list of all claims allowed be published in the newspaper within fifteen days of the City Council meeting. In addition, this same Code Section requires that the City Council approve all claims.

Recommendation - The City should implement procedures to ensure that all claims paid are approved by the City Council. The City should also implement procedures to ensure all claims are included in the newspaper publications.

Response - We will implement these recommendations.

Conclusion - Response acknowledged.

- 2022-H Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the City's investment policy were noted, except that the depository resolution was exceeded by approximately \$3,300,000 in December 2021.

Recommendation – In order to be in compliance with Chapter 12C.2 of the Code of Iowa, the City should ensure the depository resolution amount exceeds the actual cash balance in the bank.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

- 2022-I Unclaimed Property – Chapter 556.11 of the Code of Iowa requires all cities to report and remit outstanding obligations, including checks, trusts and bonds held for more than two years, to the Office of Treasurer of State annually. The City did not remit all outstanding obligations held for more than two years to the Office of Treasurer of State annually.

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

Response – We will implement this recommendation.

Conclusion – Response acknowledged.

- 2022-J Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness. Chapter 403.19 of the Code of Iowa requires the date the City Council initially approved the debt be included on the TIF certification.

We noted that the TIF debt certifications to the County Auditor were overstated by approximately \$615,000.

Recommendation – The City should consult TIF legal counsel to determine the disposition of this issue. The City should ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa.

Response – The City will consult TIF legal counsel, make corrections to the TIF certification and ensure the future certifications are in compliance with the Code of Iowa requirements.

Conclusion – Response acknowledged.

- 2022-K Annual Urban Renewal Report (AURR) – The AURR report was properly approved and certified to the Iowa Department of Management on or before December 1. However, the City's ending debt balances as reported on the AURR Levy Authority Summary do not agree to the City's records.

Recommendation – The City should ensure the balances reported on the AURR Levy Authority Summary agree with the City's records.

Response – We will implement this recommendation.

Conclusion – Response acknowledged.