

NEWS RELEASE

FOR RELEASE January 2024

Roof, Gerdes, Erlbacher, PLC, Certified Public Accountants, Des Moines, Iowa today released an audit report on the City of Adel, Iowa.

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$13,862,624 for the year ended June 30, 2023, a 67.1% decrease from the prior year. Disbursements for the year ended June 30, 2023 totaled \$11,863,784, a 69.5% decrease from the prior year. The significant decrease in receipts and disbursements from the prior fiscal year is primarily due to a decrease in USDA grants and loan proceeds received to fund water and sewer improvement projects and the disbursements related to these utility projects.

AUDIT FINDINGS:

Roof, Gerdes, Erlbacher, PLC reported four findings related to the receipt and disbursement of taxpayer funds. They are found on pages 45 through 50 of this report. The findings address issues such as a lack of segregation of duties, concerns in relation to the City Council minutes, unclaimed property issues, tax increment financing concerns, and incorrect certifications of the Annual Urban Renewal report. Roof, Gerdes, Erlbacher, PLC provided the City with recommendations to address each of the findings.

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

A copy of the audit report is available for review on the Auditor of State's web site at [Audit Reports – Auditor of State](#).

CITY OF ADEL

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

YEAR ENDED JUNE 30, 2023

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City of Adel

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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



ROOF, GERDES, ERLBACHER, 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, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, 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, 2023, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

We did not audit the financial statements of the South Dallas County Landfill Agency, a component unit which represents 99.9% of the assets and net position, 97.6% of the disbursements and 99.3% 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 (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of 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 GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional 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. We 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 year ended June 30, 2022 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. Another auditor previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the eight 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 GAAS. 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 this report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 32 through 36 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 23, 2024 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.


Roof, Gerdes, Erlbacher, PLC

January 23, 2024

Basic Financial Statements

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2023

	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	\$ 1,563,501	161,747	38,881	-	(1,362,873)	-	(1,362,873)		
Public works	787,584	-	859,871	-	72,287	-	72,287		
Culture and recreation	1,633,802	348,608	90,813	-	(1,194,381)	-	(1,194,381)		
Community and economic development	156,024	-	-	-	(156,024)	-	(156,024)		
General government	290,234	350,578	69,795	-	130,139	-	130,139		
Debt service	833,205	-	-	-	(833,205)	-	(833,205)		
Capital projects	459,786	7,691	-	-	(452,095)	-	(452,095)		
Total governmental activities	5,724,136	868,624	1,059,360	-	(3,796,152)	-	(3,796,152)		
Business type activities:									
Water	2,145,020	1,951,273	100,477	395,406	-	302,136	302,136		
Sewer	3,303,393	1,770,188	2,173	1,015,643	-	(515,389)	(515,389)		
Storm Water	238,568	334,572	1,967	-	-	97,971	97,971		
Garbage/Recycling	452,667	476,716	1,949	-	-	25,998	25,998		
Total business type activities	6,139,648	4,532,749	106,566	1,411,049	-	(89,284)	(89,284)		
Total Primary Government	\$ 11,863,784	5,401,373	1,165,926	1,411,049	(3,796,152)	(89,284)	(3,885,436)		
Component Units:									
South Dallas County Landfill Agency	\$ 933,921	1,818,750	30,800	-				915,629	-
Friends of Adel Library Foundation	22,842	-	15,013	-				-	(7,829)
	<u>\$ 956,763</u>	<u>1,818,750</u>	<u>45,813</u>	<u>-</u>				<u>915,629</u>	<u>(7,829)</u>
Total component units									
General Receipts and Transfers:									
Property tax and other city tax levied for									
General purposes					2,167,731	-	2,167,731	-	-
Debt service					375,822	-	375,822	-	-
Tax increment financing					469,524	-	469,524	-	-
Local option sales and services tax					1,848,404	-	1,848,404	-	-
Hotel/Motel tax					8,207	-	8,207	-	-
Commercial/industrial tax replacement					49,741	-	49,741	-	-
American Rescue Plan Act					407,824	-	407,824	-	-
Unrestricted interest on investments					180,416	269,975	450,391	157,963	-
Rent					101,955	-	101,955	-	-
Miscellaneous					4,677	-	4,677	6,716	-
Transfers					15,000	(15,000)	-	-	-
Total general receipts and transfers					5,629,301	254,975	5,884,276	164,679	-
Change in cash basis net position					1,833,149	165,691	1,998,840	1,080,308	(7,829)
Cash basis net position beginning of year					5,741,008	7,955,634	13,696,642	10,429,733	17,461
Cash basis net position end of year					<u>\$ 7,574,157</u>	<u>8,121,325</u>	<u>15,695,482</u>	<u>11,510,041</u>	<u>9,632</u>
Cash Basis Net Position									
Restricted:									
Expendable:									
Streets					554,403	-	554,403	-	-
Urban renewal purposes					24,421	-	24,421	-	-
Debt service					170,949	894,417	1,065,366	-	-
Capital projects					-	514,726	514,726	-	-
Closure and postclosure care					-	-	-	3,092,426	-
Library Foundation					-	-	-	-	9,632
Other purposes					1,207,477	211,151	1,418,628	3,655	-
Unrestricted					5,616,907	6,501,031	12,117,938	8,413,960	-
Total cash basis net position					<u>\$ 7,574,157</u>	<u>8,121,325</u>	<u>15,695,482</u>	<u>11,510,041</u>	<u>9,632</u>

See notes to financial statements.

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

As of and for the year ended June 30, 2023

	Special Revenue			Capital Projects	Nonmajor	Total
	General	Road Use Tax	Employee Benefits			
Receipts:						
Property tax	\$1,534,016	-	630,014	375,822	-	2,539,852
Local option sales tax	1,848,404	-	-	-	-	1,848,404
Tax increment financing	-	-	-	-	469,524	469,524
Other city tax	10,179	-	1,729	-	-	11,908
Licenses and permits	350,305	-	-	-	-	350,305
Use of money and property	264,062	17,998	-	-	311	282,371
Intergovernmental	199,792	846,722	12,354	7,349	7,544	1,481,585
Charges for service	298,637	-	-	-	-	298,637
Special assessments	-	-	-	7,691	-	7,691
Miscellaneous	182,165	13,149	4,677	-	52,017	252,008
Total receipts	4,687,560	877,869	648,774	383,171	415,515	529,396
Disbursements:						
Operating:						
Public safety	1,230,620	-	321,050	-	12,955	1,564,625
Public works	68,755	696,383	22,644	-	-	787,782
Culture and recreation	1,398,116	-	195,800	-	39,324	1,633,240
Community and economic development	141,093	-	15,720	-	-	156,813
General government	275,289	-	15,008	-	-	290,297
Debt service	-	-	-	833,205	-	833,205
Capital projects	-	-	-	-	459,786	459,786
Total disbursements	3,113,873	696,383	570,222	833,205	459,786	52,279
Excess (deficiency) of receipts over (under) disbursements	1,573,687	181,486	78,552	(450,034)	(44,271)	477,117
Other financing sources (uses):						
Transfers in	26,107	-	16,017	498,115	1,051,384	-
Transfers out	(966,017)	(101,384)	(1,107)	-	(15,571)	(492,544)
Total other financing sources (uses)	(939,910)	(101,384)	14,910	498,115	1,035,813	(492,544)
Change in cash balances	633,777	80,102	93,462	48,081	991,542	(15,427)
Cash balances beginning of year	4,150,621	474,301	345,712	122,868	553,259	90,340
Cash balances end of year	\$4,784,398	554,403	439,174	170,949	1,544,801	74,913
Cash Basis Fund Balances						
Restricted for:						
Streets	\$ -	554,403	-	-	-	554,403
Urban renewal purposes	-	-	-	-	24,421	24,421
Debt service	-	-	-	170,949	-	170,949
American Rescue Plan Act projects	-	-	-	-	717,811	717,811
Other purposes	-	-	439,174	-	50,492	489,666
Assigned	2,391,954	-	-	-	826,990	-
Unassigned	2,392,444	-	-	-	-	-
Total cash basis fund balances	\$4,784,398	554,403	439,174	170,949	1,544,801	74,913

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 -
Governmental Funds

As of and for the year ended June 30, 2023

Total governmental funds cash balances (page 10) \$ 7,568,638

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.

5,519

Cash basis net position of governmental activities (page 9) \$ 7,574,157

Change in cash balances (page 10) \$ 1,831,537

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.

1,612

Change in cash basis net position of governmental activities (page 9) \$ 1,833,149

See notes to financial statements.

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

As of and for the year ended June 30, 2023

	Enterprise				Internal Service
	Water	Sewer	Storm Water	Nonmajor - Garbage/ Recycling	Total
Operating receipts:					
Charges for service	\$ 1,951,273	1,770,188	334,572	476,716	4,532,749
Miscellaneous	100,477	2,173	1,967	1,949	106,566
Total operating receipts	2,051,750	1,772,361	336,539	478,665	4,639,315
Operating disbursements:					
Governmental activities					
Public safety	-	-	-	-	3,124
Public works	-	-	-	-	550
Culture and recreation	-	-	-	-	601
Community and economic development	-	-	-	-	29
General government	-	-	-	-	174
Business type activities	937,170	944,421	119,665	452,667	2,453,923
Total operating disbursements	937,170	944,421	119,665	452,667	2,453,923
Excess (deficiency) of operating receipts over (under) operating disbursements	1,114,580	827,940	216,874	25,998	2,185,392
Non-operating receipts (disbursements):					
Interest on investments	125,988	112,490	31,497	-	269,975
Intergovernmental	395,406	1,015,643	-	-	1,411,049
Debt service	(741,560)	(639,888)	(118,920)	-	(1,500,368)
Capital projects	(466,586)	(1,719,523)	-	-	(2,186,109)
Net non-operating receipts (disbursements)	(686,752)	(1,231,278)	(87,423)	-	(2,005,453)
Excess (deficiency) of receipts over (under) disbursements	427,828	(403,338)	129,451	25,998	179,939
Other financing sources (uses):					
Transfers out	-	-	-	(15,000)	(15,000)
Total other financing sources (uses)	-	-	-	(15,000)	(15,000)
Change in cash balances	427,828	(403,338)	129,451	10,998	164,939
Cash balances beginning of year	3,333,896	3,713,408	860,493	49,741	7,957,538
Cash balances end of year	\$ 3,761,724	3,310,070	989,944	60,739	8,122,477
Cash Basis Fund Balances					
Restricted for:					
Debt service	\$ 243,911	227,349	423,157	-	894,417
Capital improvements	127,694	379,532	7,500	-	514,726
Water deposits	211,151	-	-	-	211,151
Unrestricted	3,178,968	2,703,189	559,287	60,739	6,502,183
Total cash basis fund balances	\$ 3,761,724	3,310,070	989,944	60,739	8,122,477

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, 2023

Total enterprise funds cash balances (page 12) \$ 8,122,477

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.

(1,152)

Cash basis net position of business type activities (page 9) \$ 8,121,325

Change in cash balances (page 12) \$ 164,939

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.

752

Change in cash basis net position of business type activities (page 9) \$ 165,691

See notes to financial statements.

Statement of Changes in Fiduciary Net Position -
Custodial Funds

As of and for the year ended June 30, 2023

	Custodial				
	Oakdale Pride	Historic Preservation Plaques	Holiday Lights	Nile Kinnick Addition	Total
Additions:					
Donations	\$ -	-	500	1,525	2,025
Deductions:					
Maintenance and repairs	-	-	2,176	751	2,927
Change in cash balance	-	-	(1,676)	774	(902)
Net position beginning of year	114	11	1,676	15,623	17,424
Net position end of of year	\$ 114	11	-	16,397	16,522

City of Adel

Notes to Financial Statements

June 30, 2023

(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, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects tax asking contained in the budget certified to the City Council in March 2022.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or 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, 2023 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, 2023, 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, 2023, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$812,699. 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, 2023 was \$9,039,688 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, 2023 was \$8,769,642 and the maturity dates ranged from November 15, 2023 to November 15, 2032.

(3) **Notes Payable**

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

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental activities:					
General Obligation Notes	\$ 5,845,000	-	695,000	5,150,000	710,000
Business type activities:					
Direct Borrowings:					
Water revenue notes	\$20,604,230	-	485,155	20,119,075	429,728
Sewer revenue notes	18,069,943	-	355,614	17,714,329	361,338
Stormwater revenue notes	1,198,194	-	93,821	1,104,373	37,717
Business-type activities total	\$39,872,367	-	934,590	38,937,777	828,783

General Obligation Notes

A summary of the City's June 30, 2023 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
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	2.50%	290,000	36,405	2.00%	250,000	32,955
2029-2032	2.60-3.00%	1,040,000	69,220	2.10-2.30%	1,255,000	78,020
		<u>\$2,460,000</u>	<u>320,670</u>		<u>\$2,690,000</u>	<u>296,095</u>
Year Ending June 30,	Total					
	Principal	Interest	Total			
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	540,000	69,360	609,360			
2029-2032	2,295,000	147,240	2,442,240			
	<u>\$5,150,000</u>	<u>616,765</u>	<u>5,766,765</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, 2023, the City paid \$275,000 of principal and \$72,050 of interest on the notes.

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, 2023, the City paid \$420,000 of principal and \$65,054 of interest on the notes.

Revenue Notes

A summary of the City's June 30, 2023 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
2024	1.125%	\$ 144,179	73,381	1.25%	\$ 193,930	111,446
2025	1.125%	145,810	71,750	1.25%	196,368	109,008
2026	1.125%	147,459	70,101	1.25%	198,837	106,539
2027	1.125%	149,126	68,434	1.25%	201,337	104,039
2028	1.125%	150,812	66,748	1.25%	203,868	101,508
2029-2033	1.125%	780,032	307,768	1.25%	1,058,435	468,445
2034-2038	1.125%	825,145	262,655	1.25%	1,126,661	400,219
2039-2043	1.125%	872,866	214,934	1.25%	1,199,286	327,594
2044-2048	1.125%	923,348	164,452	1.25%	1,276,591	250,289
2049-2053	1.125%	976,749	111,051	1.25%	1,358,880	168,000
2054-2058	1.125%	1,033,239	54,561	1.25%	1,446,473	80,407
2059-2061	1.125%	439,909	5,291	1.25%	543,687	6,430
		<u>\$6,588,674</u>	<u>1,471,126</u>		<u>\$9,004,353</u>	<u>2,233,924</u>

Year Ending June 30,	Water			Total		
	Issued May 2, 2022					
	Interest Rates	Principal	Interest	Principal	Interest	Total
2024	1.375%	\$ 91,619	61,657	429,728	246,484	676,212
2025	1.375%	92,887	60,389	435,065	241,147	676,212
2026	1.375%	94,172	59,104	440,468	235,744	676,212
2027	1.375%	95,475	57,801	445,938	230,274	676,212
2028	1.375%	96,796	56,480	451,476	224,736	676,212
2029-2033	1.375%	504,445	261,935	2,342,912	1,038,148	3,381,060
2034-2038	1.375%	540,324	226,056	2,492,130	888,930	3,381,060
2039-2043	1.375%	578,755	187,625	2,650,907	730,153	3,381,060
2044-2048	1.375%	619,920	146,460	2,819,859	561,201	3,381,060
2049-2053	1.375%	664,012	102,368	2,999,641	381,419	3,381,060
2054-2058	1.375%	711,241	55,139	3,190,953	190,107	3,381,060
2059-2061	1.375%	436,402	9,029	1,419,998	20,750	1,440,748
		<u>\$4,526,048</u>	<u>1,284,043</u>	<u>20,119,075</u>	<u>4,989,093</u>	<u>25,108,168</u>

A summary of the City's June 30, 2023 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
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	2.00%	23,143	19,145	1.75%	128,364	81,864
2029-2033	2.00%	122,915	88,525	1.75%	676,597	374,543
2034-2038	2.00%	135,831	75,609	1.75%	738,420	312,720
2039-2043	2.00%	150,104	61,336	1.75%	805,891	245,249
2044-2048	2.00%	165,877	45,563	1.75%	879,528	171,612
2049-2053	2.00%	183,307	28,133	1.75%	959,893	91,247
2054-2058	2.00%	186,627	8,920	1.75%	547,890	13,297
2059-2062	2.00%	-	-		-	-
		<u>\$ 1,055,888</u>	<u>408,299</u>		<u>\$5,228,170</u>	<u>1,639,857</u>

Year Ending June 30,	Sewer			Total		
	Issued May 27, 2022					
	Interest Rates	Principal	Interest	Principal	Interest	Total
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%	226,863	160,509	373,052	266,836	639,888
2027	1.125-1.50%	230,229	157,143	379,053	260,835	639,888
2028	1.125-1.50%	233,644	153,728	385,151	254,737	639,888
2029-2033	1.125-1.50%	1,221,252	715,608	2,020,764	1,178,676	3,199,440
2034-2038	1.125-1.50%	1,314,592	622,268	2,188,843	1,010,597	3,199,440
2039-2043	1.125-1.50%	1,415,097	521,763	2,371,092	828,348	3,199,440
2044-2048	1.125-1.50%	1,523,320	413,540	2,568,725	630,715	3,199,440
2049-2053	1.125-1.50%	1,639,856	297,004	2,783,056	416,384	3,199,440
2054-2058	1.125-1.50%	1,765,345	171,515	2,499,862	193,732	2,693,594
2059-2062	1.125-1.50%	1,416,244	40,517	1,416,244	40,517	1,456,761
		<u>\$11,430,271</u>	<u>3,584,510</u>	<u>17,714,329</u>	<u>5,632,666</u>	<u>23,346,995</u>

A summary of the City's June 30, 2023 sewer revenue notes payable is as follows:

Year Ending June 30,	Storm Water			
	Issued December 11, 2018			
	Interest Rates	Principal	Interest	Total
2024	2.00%	\$ 37,717	21,743	59,460
2025	2.00%	38,478	20,982	59,460
2026	2.00%	39,255	20,205	59,460
2027	2.00%	40,047	19,413	59,460
2028	2.00%	40,856	18,604	59,460
2029-2033	2.00%	216,986	80,314	297,300
2034-2038	2.00%	239,787	57,513	297,300
2039-2043	2.00%	264,983	32,317	297,300
2044-2047	2.00%	186,264	6,252	192,516
		<u>\$ 1,104,373</u>	<u>277,343</u>	<u>1,381,716</u>

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, 2023, the City paid principal of \$77,217 and interest of \$74,995 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, 2023, the City paid principal of \$317,666 and interest of \$118,406 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, 2023, the City paid principal of \$90,272 and interest of \$63,004 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 67% of the net receipts. The principal and interest remaining to be paid on the notes is \$25,108,168. For the current year, principal and interest paid and total customer net receipts were \$741,560 and \$1,114,580.

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, 2023, the City paid principal of \$20,941 and interest of \$21,346 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, 2023, the City paid principal of \$117,614 and interest of \$92,614 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, 2023, the City paid principal of \$217,059 and interest of \$170,314 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 77% of the net receipts. The principal and interest remaining to be paid on the notes is \$23,346,995. For the current year, principal and interest paid and total customer net receipts were \$639,888 and \$827,940.

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, 2023, the City paid principal of \$93,821 and interest of \$25,099 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 55% of the net receipts. The principal and interest remaining to be paid on the notes is \$1,381,716. For the current year, principal and interest paid and total customer net receipts were \$118,920 and \$216,874.

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.

(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 2023, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. 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, 2023 totaled \$211,584.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the City reported a liability of \$351,810 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the City's proportion was 0.009312%, which was a decrease of 0.135199% under its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$(20,058), \$1,020,130 and \$1,082,317, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Rate of Inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (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, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

Mortality rates used in the 2022 valuation were based on the PubG-2010 mortality tables with future mortality improvements modeled using Scale MP-2021.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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 %	3.57 %
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
Total	100.0 %	

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed 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.

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	\$ 1,144,438	351,810	(345,274)

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, dental and vision benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2023, the City contributed \$357,670 and plan members eligible for benefits contributed \$78,637 to the plan. At June 30, 2023, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City 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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>28</u>
Total	<u><u>28</u></u>

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2023 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 1,107
	Urban Renewal Tax Increment	10,000
	Enterprise:	
	Garbage/Recycling	<u>15,000</u>
		<u>26,107</u>
Special Revenue:		
Employee Benefits	General	<u>16,017</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	482,544
	Capital Projects	<u>15,571</u>
		<u>498,115</u>
Capital Projects	General	950,000
	Special Revenue:	
	Road Use Tax	<u>101,384</u>
		<u>1,051,384</u>
Total		<u><u>\$ 1,591,623</u></u>

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

(7) 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, 2023, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 97,855
Compensatory time	19,462
Total	<u>\$ 117,317</u>

This liability has been computed based on rates of pay in effect at June 30, 2023.

(8) Interfund Loans

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, 2023, the Special Revenue, Urban Renewal Tax Increment Fund repaid \$10,000 to the General Fund. The amount due to the General Fund at June 30, 2023 is \$0.

On October 11, 2022, 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 821 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, 2023, no transfers were made to repay this loan. The amount due to the General Fund at June 30, 2023 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 risksharing pool whose 800 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, employment practices liability, public officials liability, cyber liability, law enforcement liability, and property. 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, 2023 were \$166,788.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, law enforcement, cyber 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 risksharing 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, 2023, 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 in the amount of \$5,000,000 each accident, \$5,000,000 memorandum limit and \$5,000,000 each employee. 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) Development 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 fifteen 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, 2023, 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, 2023 consists of the following:

Purpose	Amount
Special Reserve	\$ 452,004
Local Option Sales Tax	1,752,162
Hotel/Motel	43,896
Police	8,635
Fire	9,897
Park and Recreation	6,891
Industrial Park	118,469
Total	<u>\$ 2,391,954</u>

(12) Commitments

The City has entered into contracts for various construction projects. The total remaining to be paid on these projects was approximately \$561,000 at June 30, 2023. These projects are expected to be completed in fiscal year 2024. The costs of these projects will be primarily financed with a grant from the U.S. Department of Agriculture.

The City has entered into an agreement for the purchase of a snow plow truck. The total cost of this equipment is approximately \$151,000. It is anticipated this equipment will be paid for over fiscal years 2024 and 2025 and received in fiscal year 2025. The City intends to pay for these costs from existing cash reserves.

The City has entered into a contract for the purchase of two fire trucks. The total remaining to be paid on these fire trucks was approximately \$659,000 at June 30, 2023. These fire trucks are expected to be received and paid for in fiscal year 2024. The costs of these fire trucks will be primarily financed with American Rescue Plan Act funding.

(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) Subsequent Events

The City has evaluated all subsequent events through January 23, 2024, the date the financial statements were available to be issued.

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, 2023

	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	\$ 2,539,852	-	-	2,539,852	2,493,552	2,493,552	46,300
Tax increment financing	469,524	-	-	469,524	492,544	492,544	(23,020)
Other city tax	1,860,312	-	-	1,860,312	1,379,857	1,459,728	400,584
Licenses and permits	350,305	-	-	350,305	162,400	288,501	61,804
Use of money and property	282,371	269,975	311	552,035	84,980	184,980	367,055
Intergovernmental	1,481,585	1,411,049	-	2,892,634	5,117,738	5,121,843	(2,229,209)
Charges for service	298,637	4,532,749	-	4,831,386	4,884,054	4,947,393	(116,007)
Special assessments	7,691	-	-	7,691	8,059	8,059	(368)
Miscellaneous	252,008	106,566	30,511	328,063	84,875	154,165	173,898
Total receipts	7,542,285	6,320,339	30,822	13,831,802	14,708,059	15,150,765	(1,318,963)
Disbursements:							
Public safety	1,564,625	-	11,855	1,552,770	1,504,782	1,664,687	111,917
Public works	787,782	-	-	787,782	861,749	861,749	73,967
Culture and recreation	1,633,240	-	-	1,633,240	1,592,511	1,763,454	130,214
Community and economic development	156,813	-	-	156,813	99,814	199,814	43,001
General government	290,297	-	-	290,297	362,479	401,857	111,560
Debt service	833,205	-	-	833,205	833,205	833,205	-
Capital projects	459,786	-	-	459,786	2,453,500	2,453,500	1,993,714
Business type activities	-	6,140,400	-	6,140,400	7,326,486	7,461,525	1,321,125
Total disbursements	5,725,748	6,140,400	11,855	11,854,293	15,034,526	15,639,791	3,785,498
Excess (deficiency) of receipts over (under) disbursements	1,816,537	179,939	18,967	1,977,509	(326,467)	(489,026)	2,466,535
Other financing sources, net	15,000	(15,000)	-	-	-	-	-
Change in balances	1,831,537	164,939	18,967	1,977,509	(326,467)	(489,026)	2,466,535
Balances beginning of year	5,737,101	7,957,538	17,765	13,676,874	11,844,189	13,676,873	1
Balances end of year	\$ 7,568,638	8,122,477	36,732	15,654,383	11,517,722	13,187,847	2,466,536

See accompanying independent auditor's report.

City of Adel

Notes to Other Information - Budgetary Reporting

June 30, 2023

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds 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 \$605,265. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2023, disbursements did not exceed the amounts budgeted.

City of Adel

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

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

Other Information

	2023	2022	2021	2020	2019	2018	2017	2016	2015
City's proportion of the net pension liability (asset)	0.009312%	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)	\$ 352	(499)	963	722	743	739	685	434	291
City's covered payroll	\$ 1,925	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	18.29%	-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)	91.40%	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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 212	181	163	151	143	126	118	106	103	100
Contributions in relation to the statutorily required contribution	(212)	(181)	(163)	(151)	(143)	(126)	(118)	(106)	(103)	(100)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-	-	-
City's covered payroll	\$ 2,252	1,925	1,718	1,568	1,477	1,362	1,269	1,100	1,100	1,070
Contributions as a percentage of covered payroll	9.41%	9.40%	9.49%	9.63%	9.68%	9.25%	9.30%	9.64%	9.36%	9.35%

See accompanying independent auditor's report.

City of Adel

Notes to Other Information – Pension Liability

Year ended June 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

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

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

Supplementary Information

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

As of and for the year ended June 30, 2023

	Special Revenue						Total
	Library Memorial	Police DARE	Library Friends/ Foundation	Fire Association	Urban Renewal Tax Increment	Police Forfeiture	
Receipts:							
Tax increment financing	\$ -	-	-	-	469,524	-	469,524
Use of money and property	-	-	-	311	-	-	311
Intergovernmental	7,544	-	-	-	-	-	7,544
Miscellaneous	5,551	470	11,380	30,511	-	4,105	52,017
Total receipts	13,095	470	11,380	30,822	469,524	4,105	529,396
Disbursements:							
Operating:							
Public safety	-	279	-	11,855	-	821	12,955
Culture and recreation	20,554	-	18,770	-	-	-	39,324
Total disbursements	20,554	279	18,770	11,855	-	821	52,279
Excess (deficiency) of receipts over (under) disbursements	(7,459)	191	(7,390)	18,967	469,524	3,284	477,117
Other financing sources (uses):							
Transfers out	-	-	-	-	(492,544)	-	(492,544)
Total other financing sources (uses)	-	-	-	-	(492,544)	-	(492,544)
Change in cash balances	(7,459)	191	(7,390)	18,967	(23,020)	3,284	(15,427)
Cash balances beginning of year	14,631	2,663	7,727	17,765	47,441	113	90,340
Cash balances end of year	\$ 7,172	2,854	337	36,732	24,421	3,397	74,913
Cash Basis Fund Balances							
Restricted for:							
Urban renewal purposes	\$ -	-	-	-	24,421	-	24,421
Other purposes	7,172	2,854	337	36,732	-	3,397	50,492
Total cash basis fund balances	\$ 7,172	2,854	337	36,732	24,421	3,397	74,913

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Receipts:										
Property tax	\$2,539,852	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
Local option sales tax	1,848,404	1,547,233	1,020,206	910,971	742,152	476,425	539,776	474,195	441,965	422,345
Tax increment financing	469,524	491,365	496,961	558,406	661,815	633,628	641,589	641,828	535,382	488,325
Other city tax	11,908	26,392	14,275	9,031	2,489	113,877	111,150	111,337	92,116	-
Licenses and permits	350,305	304,656	232,739	252,525	295,343	625,038	438,980	323,835	226,345	158,078
Use of money and property	282,371	99,925	80,013	104,878	150,162	90,934	71,563	65,676	52,308	57,055
Intergovernmental	1,481,585	1,454,765	1,043,693	750,051	670,446	625,025	635,487	921,402	696,892	651,655
Charges for service	298,637	273,757	260,892	144,606	214,295	276,472	293,010	287,947	216,148	234,828
Special assessments	7,691	19,602	23,761	36,710	37,152	113,311	42,259	99,632	123,670	29,388
Miscellaneous	252,008	214,373	203,432	177,603	315,700	97,912	83,056	123,488	106,969	158,029
Total	\$7,542,285	6,739,254	5,555,844	4,964,084	4,991,595	4,795,066	4,521,938	4,719,473	4,109,195	3,888,591
Disbursements:										
Operating:										
Public safety	\$1,564,625	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
Public works	787,782	676,739	583,728	443,464	567,392	543,980	473,198	521,863	505,985	352,358
Culture and recreation	1,633,240	1,357,818	2,005,224	1,126,217	1,197,356	937,383	904,520	737,885	692,654	655,554
Community and economic development	156,813	95,045	59,953	147,834	86,491	100,203	91,359	78,755	67,539	145,296
General government	290,297	323,244	297,823	489,824	274,555	228,980	328,325	197,023	237,023	288,799
Debt service	833,205	844,755	1,055,055	966,004	968,368	992,771	3,051,954	981,923	914,828	2,079,458
Capital projects	459,786	213,527	6,762	151,259	679,764	1,301,061	91,687	689,989	1,406,425	741,327
Total	\$5,725,748	4,952,882	5,260,257	4,570,503	4,930,223	5,257,599	6,001,966	4,190,006	4,778,211	5,270,875

See accompanying independent auditor's report.

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Grantor/Program	Assistance Listings Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 1,483,064
Total U.S. Department of Agriculture			<u>1,483,064</u>
U.S. Department of the Treasury:			
Coronavirus State and Local Fiscal			
Recovery Funds	21.027	FY 2023	97,837
Total U.S. Department of the Treasury			<u>97,837</u>
Total			<u>\$ 1,580,901</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, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of 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.



ROOF, GERDES, ERLBACHER, 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, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 23, 2024. 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 2023-001 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, 2023 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


City'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.


ROOF, GERDES, ERLBACHER, PLC

January 23, 2024



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, 2023. The City's major federal program is identified in Part I 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, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of the City 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 GAAS, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material

noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence 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 GAAS, 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.

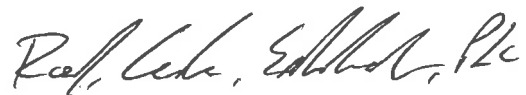
Report on Internal Control Over Compliance

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.



ROOF, GERDES, ERLBACHER, PLC

January 23, 2024

City of Adel
Schedule of Findings and Questioned Costs
Year ended June 30, 2023

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

- (a) Unmodified opinions were issued on the financial statements prepared on the cash of accounting, 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.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2023-001 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City's, 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, 2023

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, 2023

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, 2023

Part IV: Other Findings Related to Required Statutory Reporting:

- 2023-A Certified Budget – Disbursements during the year ended June 30, 2023 did not exceed the amounts budgeted.
- 2023-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.
- 2023-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 2023-D Business Transactions – No business transactions between the City and City officials or employees were noted.
- 2023-E Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- 2023-F Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 2023-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 – The recommendations were implemented midway through the year ended June 30, 2023.

Conclusion - Response acknowledged.

- 2023-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.

- 2023-I 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.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

2023-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 \$765,000.

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.