



Financial Statements
June 30, 2022

City of Peosta, Iowa

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City of Peosta, Iowa
(Unaudited) Officials
June 30, 2022

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Russ Pfab	Mayor	December 2025
Gerry Hess	Council Member	December 2023
Justin Lau	Council Member	December 2025
John Kraft	Council Member	December 2025
Doug Hughes	Council Member	December 2023
Alexis Lundgren	Council Member	December 2025
Annette Ernst	City Administrator	Appointed
Marcie Winkleman	City Clerk	Appointed
Doug Herman	Attorney	Appointed



Independent Auditor's Report

To the Honorable Mayor and Members of the City Council
City of Peosta, Iowa

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Peosta, Iowa, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Peosta, Iowa, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with the cash basis of accounting as described in Note 1 to the financial statements.

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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City 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 used in the preparation of the financial statements. 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.

Adoption of New Accounting Standard

As discussed in Note 1 to the financial statements, the City of Peosta, Iowa, has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 judgment, 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 two 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 4 through 6, including the schedule of expenditures of federal awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in schedules 4 through 6 and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Officials, the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of IPERS Net Pension Liability, the Schedule of IPERS Contributions, and the Notes to Other Information – Pension Liability, 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 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 October 26, 2022 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 City's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, professional style.

Dubuque, Iowa
October 26, 2022

The City of Peosta provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2022. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

This discussion and analysis is intended to be an easily readable analysis of the City's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the audited financial statements.

2022 Financial Highlights

Receipts of the City's governmental activities decreased 20% or approximately \$928,000 from fiscal year 2021 to fiscal year 2022. The largest contributors to the decrease were the decrease in net bond proceeds and decreases in sales of assets related to the sale of the Endloader in 2021.

Disbursements of the City's governmental activities increased 9%, or approximately \$316,000 from fiscal year 2021 to fiscal year 2022. The increase was primarily due to capital project disbursements and increase in debt service payments.

Receipts of the City's business-type activities decreased 50% or approximately \$4,900,000 from fiscal year 2021 to fiscal year 2022. The decrease was caused by the receipt of GO debt and SRF proceeds in 2021.

Disbursements of the City's business-type activities increased 9%, or approximately \$530,000 from fiscal year 2021 to fiscal year 2022. The increase was primarily due to ongoing construction of the new wastewater treatment facility as well as increases in debt service payments.

The City's total cash basis net position decreased 25%, or approximately \$1,878,000 from June 2021 to June 2022. The decrease in cash balances is due to spending GO bond proceeds on related capital projects.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year, the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

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. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting the City's Financial Activities

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer the question.

The Cash Basis Statement of Activities and Net Position present the City's net position. Over time, increases or decreases in the City's Net Position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Governmental funds account for most of the City's basic services and are funded primarily through tax revenues. The City's proprietary funds account for the enterprise funds. Enterprise funds are used to report business-type activities.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities - Governmental Activities and Business-type (Proprietary) Activities.

Governmental Activities include:

Public Safety – includes police operations, civil service, emergency management, fire protection, ambulance service and building inspections.

Public Works – includes roads, sidewalks, equipment, street lighting, traffic safety and snow removal.

Health and Social Services – includes purchase of supplies for public health.

Culture and Recreation – includes library services, community center, and parks and recreation.

Community and Economic Development – includes community betterment, economic development and planning and zoning.

General Government – includes mayor, city council, city administrator, city clerk, elections, legal services, city hall, insurance and general administration.

Debt Service – includes general obligation and tax increment financing debt.

Capital Projects – includes sidewalks, right of way acquisition, street improvements, community services campus, storm water, and park improvement projects.

The required financial statements for governmental funds include a Statement of Cash Receipts, Disbursements, and Changes in Cash Balances.

Business-type Activities include the sewer, water, and solid waste utilities.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements, and Changes in Cash Balances.

Governmental Activities

For the year ended June 30, 2022, the City's governmental activities were funded as follows:

Receipts of the City's governmental activities decreased 20% or approximately \$928,000 from fiscal year 2021 to fiscal year 2022. The largest contributor to the decrease was the decrease in net bond proceeds and decreases in sales of assets relating to sale of the Endloader during 2021.

Disbursements of the City's governmental activities increased 9%, or approximately \$316,000 from fiscal year 2021 to fiscal year 2022. The increase was primarily due to capital project disbursements and increase in debt service payments.

Changes in Cash Basis Net Position of Governmental Activities

	Year Ended June 30,	
	2022	2021
Program Receipts:		
Charges for service	\$ 855,981	\$ 622,561
Operating grants and contributions	403,980	305,257
General Receipts:		
Property tax	1,261,899	1,284,500
Tax increment financing	592,779	301,748
Commercial/industrial tax replacement	68,487	69,053
Local option sales tax	295,434	208,683
Other City tax	63,317	56,583
Unrestricted interest on investments	47,372	35,011
Bond proceeds, net	-	1,455,423
Sale of capital assets	25	172,150
Other general receipts	59,146	65,286
Total receipts	3,648,420	4,576,255
Program Disbursements:		
Public safety	548,307	462,452
Public works	372,199	505,823
Health and social services	-	42
Culture and recreation	971,882	862,163
Community and economic development	407,670	293,677
General government	496,215	498,894
Debt service	352,184	276,751
Capital projects	698,230	631,147
Total disbursements	3,846,687	3,530,949
Change in Cash Basis Net Position Before Transfers	(198,267)	1,045,306
Transfers, Net	(137,500)	165,335
Change in Cash Basis Net Position	(335,767)	1,210,641
Cash Basis Net Position Beginning of Year	2,926,881	1,716,240
Cash Basis Net Position End of Year	\$ 2,591,114	\$ 2,926,881

Business-type Activities

For the year ended June 30, 2022, the City's business-type activities receipts and disbursements were as follows:

Changes in Cash Basis Net Position of Business-Type Activities

	Year Ended June 30,	
	2022	2021
Receipts:		
Program receipts:		
Charges for service:		
Sewer utility	\$ 834,716	\$ 594,469
Water	651,296	604,577
Solid waste	122,416	115,213
Capital grants and contributions	1,198,871	1,445,512
General receipts:		
Unrestricted interest on investments	70,872	45,170
Bond proceeds, net	1,962,015	6,931,379
Miscellaneous	561	4,311
	<u>4,840,747</u>	<u>9,740,631</u>
Total receipts		
Program Disbursements:		
Sewer	5,804,216	5,315,966
Water	588,862	550,538
Solid waste	127,680	116,878
	<u>6,520,758</u>	<u>5,983,382</u>
Total program disbursements		
Change in Cash Basis Net Position Before Transfers	(1,680,011)	3,757,249
Transfers, Net	137,500	(165,335)
	<u>137,500</u>	<u>(165,335)</u>
Change in Cash Basis Net Position	(1,542,511)	3,591,914
Cash Basis Net Position Beginning of Year	4,663,313	1,071,399
	<u>4,663,313</u>	<u>1,071,399</u>
Cash Basis Net Position End of Year	<u>\$ 3,120,802</u>	<u>\$ 4,663,313</u>

Receipts of the City's business-type activities decreased 50% or approximately \$4,900,000 from fiscal year 2021 to fiscal year 2022. The decrease was caused by the receipt of GO debt and SRF proceeds in 2021.

Disbursements of the City's business-type activities increased 9%, or approximately \$530,000 from fiscal year 2021 to fiscal year 2022. The increase was primarily due to ongoing construction of the new wastewater treatment facility as well as increases in debt service payments.

Individual Major Fund Analysis

As of June 30, 2022, the City had cash balances on hand of \$2,591,114 in governmental funds and \$3,120,802 in proprietary funds. The governmental funds decreased \$335,767 and proprietary funds decreased \$1,542,511, during fiscal year 2021-2022.

The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$309,353 from the prior year to \$1,564,884. This is a result of some cost-savings measures and decisions employed throughout the course of the year.
- The Capital Project Fund cash balance decreased \$765,958 to \$526,785. Bond proceeds were deposited in February 2021, projects are still in process.

Individual Major Business Type Fund Analysis

- The Enterprise, Sewer Utility Fund cash balance, including capital project funds, decreased \$1,660,183 to \$2,506,580. Sewer operating funds increased from \$594,469 to \$834,716. This increase is due to additional usage and rate increases to fund the new WWTF and the internal loan to support the Industrial Drive capital project. Bonds were sold to fund the Highway 20 Lift Station project during February 2021.
- The Enterprise, Water Fund cash balance increased \$122,739 to \$606,045. This increase is due to an annual increase in water rates.

Budgetary Highlights

Over the course of the year, the City amended its budget two times. The amendments were to adjust for the increase in the price of fuel, utilities, supplies and merchandise.

For the year ended June 30, 2022, total actual receipts were \$171,945 under the final budget while total actual disbursements were \$2,537,211 under the final budget. The large difference for budgeted and actual disbursements occurred because of capital utility projects that were budgeted, but not completed in the current fiscal year.

Debt Outstanding

At June 30, 2022, the City had \$12,250,214 debt outstanding compared to \$11,448,693 in 2021, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2022	2021
General Obligation Bonds:		
2013 GO Street Bond	\$ 535,000	\$ 705,000
2015 GO Water Bond	176,000	261,000
2017 GO Water, Sewer, Street	1,060,000	1,220,000
2021 GO Water, Sewer, Street, Storm, Park	<u>5,170,000</u>	<u>5,170,000</u>
Total General Obligation Bonds	<u>6,941,000</u>	<u>7,356,000</u>
Sewer Revenue Bonds:		
2020 Planning and Design Highway 20 Lift Station	-	333,800
2020 Wastewater Treatment Facility	<u>5,142,228</u>	<u>3,448,213</u>
	<u>5,142,228</u>	<u>3,782,013</u>
Other Debt:		
Lease Agreement	66,986	110,680
2019 General Building Loan	<u>100,000</u>	<u>200,000</u>
	<u>166,986</u>	<u>310,680</u>
Total	<u>\$ 12,250,214</u>	<u>\$ 11,448,693</u>

The City as of June 30, 2022 is at 54% of its bonding capacity. The City's outstanding general obligation debt limit was \$12,787,753.

Economic Factors

While property taxes are important to the City, they represent approximately 23% of revenue sources excluding other financing sources. TIF revenues comprise 11% of total revenues. Charges for services comprise 43% of total revenues. The City continues to grow and add residential housing at a robust pace. This has added to the property tax base and increased the number of utility users in the community.

Next Year's Budget and Rates

For the year ending June 30, 2022, the City will have completed the construction of three major utility capital projects: the wastewater treatment facility, extension of utility to annexed territories and the Highway 20 lift station reconstruction. The City will perform the annual review of the Capital Improvement Plan. All future plans will require the City Council and Mayor to balance the growth of the community with an appropriate tax levy and charge for services. These projects will be financed with a combination of revenue and general obligation bonds. The City had a tax levy rate of \$8.13500 in 2022. The Fiscal Year 2023 tax levy rate remains at \$8.25948.

Financial Contact

The City's financial statements are designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the City Administrator at 7896 Burds Road, Peosta, IA 52068, telephone 563-556-8755 or email aernst@cityofpeosta.org.

Annette Ernst
City Administrator



Basic Financial Statements
June 30, 2022
City of Peosta, Iowa

City of Peosta, Iowa
Exhibit A – Statement of Activities and Net Position – Cash Basis
As of and for the Year Ended June 30, 2022

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs:							
Governmental activities:							
Public safety	\$ 548,307	\$ 68,986	\$ 152,470	\$ -	\$ (326,851)	\$ -	\$ (326,851)
Public works	372,199	-	250,510	-	(121,689)	-	(121,689)
Culture and recreation	971,882	783,215	1,000	-	(187,667)	-	(187,667)
Community and economic development	407,670	-	-	-	(407,670)	-	(407,670)
General government	496,215	3,780	-	-	(492,435)	-	(492,435)
Debt service	352,184	-	-	-	(352,184)	-	(352,184)
Capital projects	698,230	-	-	-	(698,230)	-	(698,230)
Total governmental activities	3,846,687	855,981	403,980	-	(2,586,726)	-	(2,586,726)
Business-type activities:							
Sewer	5,804,216	834,716	-	1,198,871	-	(3,770,629)	(3,770,629)
Water	588,862	651,296	-	-	-	62,434	62,434
Solid waste	127,680	122,416	-	-	-	(5,264)	(5,264)
Total business-type activities	6,520,758	1,608,428	-	1,198,871	-	(3,713,459)	(3,713,459)
Total	\$ 10,367,445	\$ 2,464,409	\$ 403,980	\$ 1,198,871	(2,586,726)	(3,713,459)	(6,300,185)
General Receipts and Transfers:							
Property tax levied for:							
General purposes					1,090,877	-	1,090,877
Debt service					171,022	-	171,022
Tax increment financing					592,779	-	592,779
Commercial/industrial tax replacement					68,487	-	68,487
Local option sales tax					295,434	-	295,434
Other City tax					63,317	-	63,317
Unrestricted interest on investments					47,372	70,872	118,244
Issuance of bonds					-	1,962,015	1,962,015
Sale of capital assets					25	-	25
Other general receipts					59,146	561	59,707
Transfers, net					(137,500)	137,500	-
Total general receipts and transfers					2,250,959	2,170,948	4,421,907
Change in Cash Basis Net Position					(335,767)	(1,542,511)	(1,878,278)
Cash Basis Net Position Beginning of Year					2,926,881	4,663,313	7,590,194
Cash Basis Net Position End of Year					\$ 2,591,114	\$ 3,120,802	\$ 5,711,916
Cash Basis Net Position							
Restricted:							
Road improvements					\$ 106,618	\$ -	\$ 106,618
Capital projects					340,402	1,990,981	2,331,383
Debt service					32,287	-	32,287
Urban renewal purposes					20,138	-	20,138
Special projects					526,785	-	526,785
Unrestricted					1,564,884	1,129,821	2,694,705
Total cash basis net position					\$ 2,591,114	\$ 3,120,802	\$ 5,711,916

City of Peosta, Iowa

Exhibit B – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2022

	Special Revenue Funds				Other Nonmajor Governmental Funds	Total
	General	Local Option Sales Tax	Tax Increment Financing (TIF)	Capital Project		
Receipts:						
Property tax	\$ 1,090,877	\$ -	\$ -	\$ -	\$ 171,022	\$ 1,261,899
Tax increment financing	-	-	592,779	-	-	592,779
Other City tax	62,816	295,434	-	-	501	358,751
Licenses and permits	72,071	-	-	-	-	72,071
Use of money and property	25,005	4,009	1,670	15,846	842	47,372
Intergovernmental	331,049	-	-	-	258,639	589,688
Charges for service	672,546	-	-	-	-	672,546
Miscellaneous	50,767	-	2,522	-	-	53,289
Total receipts	2,305,131	299,443	596,971	15,846	431,004	3,648,395
Disbursements:						
Current:						
Public safety	548,307	-	-	-	-	548,307
Public works	93,004	-	-	-	279,195	372,199
Culture and recreation	881,936	-	-	83,574	6,372	971,882
Community and economic development	43,438	-	364,232	-	-	407,670
General government	496,215	-	-	-	-	496,215
Debt service:						
Principal	-	-	-	-	230,200	230,200
Interest and fiscal charges	-	-	-	-	121,984	121,984
Capital projects	-	-	-	698,230	-	698,230
Total disbursements	2,062,900	-	364,232	781,804	637,751	3,846,687
Excess (Deficiency) of Receipts over (Under) Disbursements	242,231	299,443	232,739	(765,958)	(206,747)	(198,292)
Other Financing Sources (Uses):						
Sale of capital assets	25	-	-	-	-	25
Transfers in	72,097	-	5,000	-	191,958	269,055
Transfers out	(5,000)	(172,097)	(229,458)	-	-	(406,555)
Total other financing sources (uses)	67,122	(172,097)	(224,458)	-	191,958	(137,475)
Net Change in Cash Balances	309,353	127,346	8,281	(765,958)	(14,789)	(335,767)
Cash Balances Beginning of Year	1,255,531	213,056	11,857	1,292,743	153,694	2,926,881
Cash Balances End of Year	\$ 1,564,884	\$ 340,402	\$ 20,138	\$ 526,785	\$ 138,905	\$ 2,591,114
Cash Basis Fund Balances						
Restricted	\$ -	\$ 340,402	\$ 20,138	\$ 526,785	\$ 138,905	\$ 1,026,230
Assigned	592,875	-	-	-	-	592,875
Unassigned	972,009	-	-	-	-	972,009
Total cash basis fund balances	\$ 1,564,884	\$ 340,402	\$ 20,138	\$ 526,785	\$ 138,905	\$ 2,591,114

City of Peosta, Iowa

Exhibit C – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Proprietary Funds
As of and for the Year Ended June 30, 2022

	Enterprise Funds			Total
	Sewer	Water	Non-major Solid Waste	
Operating Receipts:				
Charges for service	\$ 834,716	\$ 651,296	\$ 122,416	\$ 1,608,428
Use of money and property	60,650	10,025	197	70,872
Miscellaneous	281	280	-	561
Total operating receipts	<u>895,647</u>	<u>661,601</u>	<u>122,613</u>	<u>1,679,861</u>
Operating Disbursements:				
Business-type activities:				
Salaries and wages	96,615	67,929	5,099	169,643
Employee benefits and costs	48,448	32,900	3,297	84,645
Staff development	956	1,339	-	2,295
Repair, maintenance, and utilities	133,208	98,242	1,255	232,705
Contractual services	100,076	82,213	108,571	290,860
Commodities	12,361	51,941	9,458	73,760
Capital outlay	4,638,139	13,971	-	4,652,110
Total operating disbursements	<u>5,029,803</u>	<u>348,535</u>	<u>127,680</u>	<u>5,506,018</u>
Excess of Operating Receipts over (under) Operating Disbursements	(4,134,156)	313,066	(5,067)	(3,826,157)
Non-Operating Disbursements:				
Debt service	(774,413)	(240,327)	-	(1,014,740)
Excess of Receipts over (under) Disbursements	(4,908,569)	72,739	(5,067)	(4,840,897)
Bond Proceeds	1,962,015	-	-	1,962,015
Intergovernmental Grants	1,198,871	-	-	1,198,871
Transfers In	87,500	50,000	-	137,500
Net Change in Cash Balances	(1,660,183)	122,739	(5,067)	(1,542,511)
Cash Balances Beginning of Year	<u>4,166,763</u>	<u>483,306</u>	<u>13,244</u>	<u>4,663,313</u>
Cash Balances End of Year	<u>\$ 2,506,580</u>	<u>\$ 606,045</u>	<u>\$ 8,177</u>	<u>\$ 3,120,802</u>
Cash Basis Fund Balances				
Restricted for capital projects	\$ 1,990,981	\$ -	\$ -	\$ 1,990,981
Unrestricted	515,599	606,045	8,177	1,129,821
Total cash basis fund balances	<u>\$ 2,506,580</u>	<u>\$ 606,045</u>	<u>\$ 8,177</u>	<u>\$ 3,120,802</u>

Note 1 - Significant Accounting Policies

The City of Peosta, Iowa, is a political subdivision of the State of Iowa located in Dubuque County. It was first incorporated in 1933 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, and general government services. The City also provides water, sewer, and solid waste utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City of Peosta, Iowa, has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dubuque County Joint E911 Service Board and DMATS Policy Committee.

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 two categories:

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. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of assets not meeting the definition of the preceding category. Unrestricted net position often has constraints on resources imposed by management, which can be removed or modified.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue

The Local Option Sales Tax Fund is used to account for property tax relief, capital projects, and major equipment purchases.

The Tax Increment Financing Fund is used to account for projects financed by tax increment financing.

Capital Project

Capital Project funds are used to account for receipts that finance capital improvements.

The City reports the following major proprietary funds:

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

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

Measurement Focus and Basis of Accounting

The City maintains its financial records on the cash basis of accounting, 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 accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

When both restricted or unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

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

Property Tax Receipts

Property taxes are levied as of July 1 on property values assessed as of January 1 of the previous year. The tax levy is divided into two billings. The first billing is mailed on July 1 and the second billing is mailed on January 1. The billings are considered due upon receipt by the taxpayer; however, the actual due date is based on a period ending three months after the tax bill mailing. On these dates (September 30 and March 31), the bill becomes delinquent, and penalties and interest may be assessed by the government.

Fund Equity

The City classifies fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable - The non-spendable classification contains amounts legally or contractually required to be maintained intact.

Restricted - Restricted amounts contain restraints on their use externally imposed by creditors, grantors, contributors, or laws or regulation of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed - Committed amounts can only be used for specific purposes imposed by formal action of the government's highest level of decision-making authority. The highest level of decision-making authority is the City Council and it takes an ordinance to establish a fund balance commitment.

Assigned - Amounts intended to be used for specific purposes are assigned as needed by the City Administrator. Assignments should not cause deficits in the unassigned fund balance.

Unassigned - Unassigned fund balance is the residual classification for the general fund.

When committed, assigned, and unassigned resources are available for use, it is the government's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

Implementation of GASB Statement No. 87

As of July 1, 2021, the City adopted GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

Note 2 - Cash and Investments

The City's deposits in banks at June 30, 2022, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no investments during the year ended June 30, 2022.

Interest Rate Risk

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Note 3 - Bonds and Notes Payable

Changes in long-term debt obligations for the year ended June 30, 2022, are as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 5,529,024	\$ -	\$ 130,069	\$ 5,398,955	\$ 283,915
Direct borrowings					
Lease agreement	110,680	-	43,694	66,986	44,462
General building loan	200,000	-	100,000	100,000	100,000
Total	<u>\$ 5,839,704</u>	<u>\$ -</u>	<u>\$ 273,763</u>	<u>\$ 5,565,941</u>	<u>\$ 428,377</u>
Business-type Activities					
General obligation bonds	\$ 1,565,976	\$ -	\$ 199,931	\$ 1,366,045	\$ 216,085
Direct borrowings					
General obligation bonds	261,000	-	85,000	176,000	87,000
Sewer revenue bonds	3,782,013	1,962,015	601,800	5,142,228	273,000
Total	<u>\$ 5,608,989</u>	<u>\$ 1,962,015</u>	<u>\$ 886,731</u>	<u>\$ 6,684,273</u>	<u>\$ 576,085</u>

Annual debt service requirements to maturity for general obligation bonds and direct borrowings and placements are as follows:

Years Ending June 30,	Governmental activities		Governmental activities		Business-type activities	
	General Obligation Bonds		General Building Loan-Direct		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 283,915	\$ 94,064	\$ 100,000	\$ -	\$ 216,085	\$ 36,750
2024	382,406	88,269	-	-	217,594	30,897
2025	483,118	80,314	-	-	231,882	24,931
2026	362,816	70,150	-	-	182,184	18,505
2027	368,172	62,766	-	-	186,828	13,190
2028-2032	2,298,528	230,147	-	-	276,472	15,528
2033-2037	1,220,000	35,597	-	-	55,000	1,522
	<u>\$ 5,398,955</u>	<u>\$ 661,307</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 1,366,045</u>	<u>\$ 141,323</u>

Years Ending June 30,	Business-type activities		Business-type activities		Total	
	General Obligation Bonds-Direct		Sewer Revenue Notes-Direct		Principal Interest	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 87,000	\$ 3,960	\$ 273,000	\$ 85,603	\$ 960,000	\$ 220,377
2024	89,000	2,002	278,000	82,500	967,000	203,668
2025	-	-	284,000	78,651	999,000	183,896
2026	-	-	290,000	74,719	835,000	163,374
2027	-	-	295,000	70,704	850,000	146,660
2028-2032	-	-	1,900,000	335,510	4,475,000	581,185
2033-2037	-	-	1,822,228	169,556	3,097,228	206,675
	<u>\$ 176,000</u>	<u>\$ 5,962</u>	<u>\$ 5,142,228</u>	<u>\$ 897,243</u>	<u>\$ 12,183,228</u>	<u>\$ 1,705,835</u>

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$6,500,000 of a sewer revenue bond issued October 2020. Proceeds from the bonds provided financing for the construction of the Wastewater Treatment Facility. The bond is payable solely from sewer customer net receipts and the final payment is due 2039. A sewer rate covenant is in effect for the City in which net revenues of the Sewer Fund will need to exceed 110% of the debt service requirements of the fund. For the current year, principal and interest paid and due and total customer net receipts were \$352,725 and \$503,983 respectively.

At June 30, 2022, the City had approximately \$1,100,000 of sewer revenue bond funds available. These funds are available to the City by filing a disbursement request with the State of Iowa. The City expects to use remaining funds in fiscal year 2023.

Lease Agreement

On January 12, 2021, the City entered into a noncancelable lease agreement for library space. An initial lease liability was recorded in the amount of \$110,680. The agreement requires semi-annual payments of \$22,721 over 3 years, with an implicit interest rate of 1.75% and a final payment on June 1, 2023.

<u>Years Ending June 30,</u>	<u>Governmental activities</u>	
	<u>Library Lease</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ 44,462	\$ 979
2024	22,524	197
	<u>\$ 66,986</u>	<u>\$ 1,176</u>

Note 4 - Pension and Retirement Benefits

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 7401 Register Drive, 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, any time after reaching age 62 with 20 or more years of covered employment or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member’s first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

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

Protection occupation members may retire at normal retirement age, which is generally at age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member’s monthly IPERS benefit includes:

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

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

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

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

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

In fiscal year 2022, pursuant to the required rate, Regular members contributed 6.29% of payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2022 were \$83,728.

Collective Net Pension Liabilities

At June 30, 2022, the City reported a liability for its proportionate share of the collective net pension liability (asset) totaling (\$145,893). The collective net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) used to calculate the collective net pension liability (asset) was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2021, the City's proportion was 0.04226%, which was an increase of 0.034796% from its proportion measured as of June 30, 2020.

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

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

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

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

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real rate of Return</u>
Core Plus Fixed Income	26.00%	0.29%
Domestic Equity	22.00%	4.43%
International Equity	17.50%	6.01%
Private Equity/Debt	13.00%	9.51%
Private Real Assets	7.50%	4.63%
Global Smart Beta Equity	6.00%	5.10%
Public Credit	4.00%	2.08%
Private Credit	3.00%	2.87%
Cash	1.00%	-0.25%
	<u>100%</u>	

Discount Rate

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00% percent, 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-percent lower (6.00%) or 1-percent higher (8.00%) than the current rate.

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
City's proportionate share of the net pension liability (asset)	\$ 337,104	\$ (145,893)	\$ (550,520)

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.

Note 5 - Other Postemployment Benefits (OPEB)

Plan Description – The City provides a fully insured single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members range from \$758 for single coverage to \$1,926 for family coverage. For the year ended June 30, 2022, the City contributed approximately \$265,000 and the plan members eligible for benefits contributed approximately \$8,500 to the plan. At June 30, 2022, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service.

Note 6 - Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue Local Option Sales Tax	\$ 72,097
Tax Increment Financing	General Fund	5,000
Nonmajor Governmental Funds	Special Revenue Tax Increment Financing Local Option Sales Tax	91,958 100,000 191,958
Sewer	Special Revenue Tax Increment Financing	87,500
Water	Special Revenue Tax Increment Financing	50,000
		\$ 406,555

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

Note 7 - Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 8 - Litigation

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Note 9 - Commitments

The City had active construction projects at June 30, 2022. At year end the City's commitments with contractors are as follows:

Project	Total Contract	Payments-to- Date	Remaining Commitment
Wastewater Treatment Engineering Contract	\$ 1,267,000	\$ 1,259,290	\$ 7,710
Wastewater Treatment Facility Construction	7,694,357	6,938,946	755,411
Highway 20 Lift Station Upgrades (Contract 1)	984,943	927,317	57,626
Highway 20 Lift Station Upgrades (Contract 2)	892,360	520,349	372,011

Note 10 - Tax Abatements

Tax Abatements – Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promise to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

City Tax Abatements – The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2022, the City abated \$75,769 of property tax under the urban renewal and economic development projects.

Note 11 - Urban Renewal Development Agreements

The City has entered into tax increment financing agreements. The City agreed to assist in urban renewal projects by rebating incremental taxes paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. The City has agreed to provide tax increment payments in a total amount not exceeding \$1,500,000.

Note 12 - Fund Balance Reporting

The detail of the City's cash basis governmental fund balances at June 30, 2022, is as follows:

	General	Local Option Sales Tax	Tax Increment Financing (TIF)	Capital Project	Nonmajor	Total
Restricted For						
Road improvements	\$ -	\$ -	\$ -	\$ -	\$ 106,618	\$ 106,618
Urban renewal purposes	-	-	20,138	-	-	20,138
Capital projects	-	340,402	-	-	-	340,402
Debt service	-	-	-	-	32,287	32,287
Special projects	-	-	-	526,785	-	526,785
Total restricted	-	340,402	20,138	526,785	138,905	1,026,230
Assigned To						
Electric Generator	139,668	-	-	-	-	139,668
Parks	152,938	-	-	-	-	152,938
Community center	235,269	-	-	-	-	235,269
Police	65,000	-	-	-	-	65,000
Total assigned	592,875	-	-	-	-	592,875
Unassigned	972,009	-	-	-	-	972,009
Total Fund Balances	<u>\$ 1,564,884</u>	<u>\$ 340,402</u>	<u>\$ 20,138</u>	<u>\$ 526,785</u>	<u>\$ 138,905</u>	<u>\$ 2,591,114</u>

Note 13 - Prospective Accounting Changes

The Governmental Accounting Standards Board (GASB) has issued the following statements not yet implemented by the City. The statements which might impact the City are as follows:

GASB Statement No. 91, *Conduit Debt Obligations*, issued May 2019, will be effective for the City beginning with its fiscal year ending June 30, 2023. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020, will be effective for the City beginning with its fiscal year ending June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued in May 2020, will be effective for fiscal year ending June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

GASB Statement No. 99, *Omnibus 2022*, issued April 2022, the requirements are effective for the City at issuance of the Statement, and with fiscal years ending after June 30, 2023 and June 30, 2024, respectively. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62, issued June 2022 will be effective for the City beginning with its fiscal year ending after June 30, 2024. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

GASB Statement No. 101, *Compensated Absences*, issued June 2022 will be effective for the City beginning with its fiscal year ending after June 30, 2025. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

Note 14 - Contingency

On March 11, 2020, the World Health Organization proclaimed the Coronavirus (COVID-19) to be a pandemic. In an effort to lessen the risk of transmission of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19, affecting business activities and impacting global, state and local commerce and financial markets, including that of the City of Peosta. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Management believes the City is taking appropriate actions to mitigate any negative impact on its projected operations and financial results. However, due to the uncertainties surrounding the pandemic, the City is not able to predict and makes no representations as to the economic impact of the COVID-19 pandemic on the City or its financial position.



Other Information
June 30, 2022

City of Peosta, Iowa

City of Peosta, Iowa

Schedule 1 – Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Cash Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information
Year Ended June 30, 2022

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
Receipts:						
Property tax	\$ 1,261,899	\$ -	\$ 1,261,899	\$ 1,261,878	\$ 1,261,878	\$ 21
Tax increment financing	592,779	-	592,779	603,000	597,776	(4,997)
Other City tax	358,751	-	358,751	258,273	353,663	5,088
Licenses and permits	72,071	-	72,071	38,640	65,385	6,686
Use of money and property	47,372	70,872	118,244	35,011	103,708	14,536
Intergovernmental	589,688	1,198,871	1,788,559	1,748,877	2,047,430	(258,871)
Charges for service	672,546	1,608,428	2,280,974	2,154,745	2,198,288	82,686
Miscellaneous	53,289	561	53,850	9,336	70,944	(17,094)
Total receipts	3,648,395	2,878,732	6,527,127	6,109,760	6,699,072	(171,945)
Disbursements:						
Public safety	548,307	-	548,307	517,489	613,489	65,182
Public works	372,199	-	372,199	241,576	398,677	26,478
Culture and recreation	971,882	-	971,882	902,757	1,114,844	142,962
Community and economic development	407,670	-	407,670	290,537	373,874	(33,796)
General government	496,215	-	496,215	400,944	518,464	22,249
Debt service	352,184	-	352,184	353,516	686,767	334,583
Capital projects	698,230	-	698,230	441,648	1,223,764	525,534
Business-type activities	-	6,520,758	6,520,758	8,920,610	7,974,777	1,454,019
Total disbursements	3,846,687	6,520,758	10,367,445	12,069,077	12,904,656	2,537,211
Excess (Deficiency) of Receipts over (Under) Disbursements	(198,292)	(3,642,026)	(3,840,318)	(5,959,317)	(6,205,584)	2,365,266
Other Financing Sources, Net	(137,475)	2,099,515	1,962,040	2,908,756	2,908,781	(946,741)
Excess (Deficiency) of Receipts and Other Financing Sources over (under) Disbursements and Other Financing Uses	(335,767)	(1,542,511)	(1,878,278)	(3,050,561)	(3,296,803)	1,418,525
Balances Beginning of Year	2,926,881	4,663,313	7,590,194	5,602,970	7,590,193	1
Balances End of Year	\$ 2,591,114	\$ 3,120,802	\$ 5,711,916	\$ 2,552,409	\$ 4,293,390	\$ 1,418,526

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. In addition, several reclass adjustments, from the amounts reported in Exhibits B and C, were needed to report expenditures within the functions budgeted. During the year, two budget amendments increased budgeted disbursements by \$835,579. The budget amendments are reflected in the final budgeted amounts.

Disbursements at June 30, 2022 exceeded the amended budget amounts within the community and economic development function.

City of Peosta, Iowa
 Schedule 2 - City's Proportionate Share of IPERS Net Pension Liability
 Schedule 3 - IPERS Contributions
 For Year Ended June 30, 2022

Fiscal Year Ended	City's proportion of the net pension liability	City's proportionate share of the net pension liability (asset)	City's covered-payroll	City's proportionate share of the net pension liability as a percentage of its covered-payroll	Plan fiduciary net position as a percentage of the total pension liability
2022	0.042260%	\$ (145,893)	\$ 805,006	-18.12%	100.81%
2021	0.007464%	524,343	735,936	71.25%	82.90%
2020	0.007491%	433,788	749,404	57.88%	85.45%
2019	0.006842%	432,967	682,191	63.47%	83.62%
2018	0.006468%	430,864	631,028	68.28%	82.21%
2017	0.006654%	418,760	629,827	66.49%	81.82%
2016	0.006021%	297,464	597,240	49.81%	85.19%
2015	0.006195%	213,763	595,937	35.87%	87.61%

The amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

GASB 68 requires reporting of the 10 most recent years of data to be presented. The City will present information for periods as they become available.

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered-Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 83,728	\$ 83,728	\$ -	\$ 889,677	9.41%
2021	76,300	76,300	-	805,006	9.48%
2020	70,219	70,219	-	735,936	9.54%
2019	71,988	71,988	-	749,404	9.61%
2018	62,439	62,439	-	682,191	9.15%
2017	57,782	57,782	-	631,028	9.16%
2016	57,733	57,733	-	629,827	9.17%
2015	55,220	55,220	-	597,240	9.25%
2014	55,461	55,461	-	595,937	9.31%
2013	41,445	41,445	-	449,511	9.22%

Changes of Benefit Terms:

There are no significant changes in benefit terms.

Changes of Assumptions:

The 2018 valuation implemented the following refinements after 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.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- 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
June 30, 2022

City of Peosta, Iowa

City of Peosta, Iowa

Schedule 4 – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2022

	<u>Special Revenue Fund</u>		
	<u>Road Use Tax</u>	<u>Debt Service</u>	<u>Total</u>
Receipts:			
Property tax	\$ -	\$ 171,022	\$ 171,022
Other City tax	-	501	501
Use of money and property	-	842	842
Intergovernmental	<u>250,510</u>	<u>8,129</u>	<u>258,639</u>
Total receipts	<u>250,510</u>	<u>180,494</u>	<u>431,004</u>
Disbursements:			
Current:			
Public works	279,195	-	279,195
Culture and recreation	-	6,372	6,372
Debt service			
Principal	-	230,200	230,200
Interest and fiscal charges	<u>-</u>	<u>121,984</u>	<u>121,984</u>
Total disbursements	<u>279,195</u>	<u>358,556</u>	<u>637,751</u>
Deficiency of Receipts Under Disbursements	<u>(28,685)</u>	<u>(178,062)</u>	<u>(206,747)</u>
Other Financing Sources:			
Transfers in	<u>-</u>	<u>191,958</u>	<u>191,958</u>
Net Change in Cash Balances	(28,685)	13,896	(14,789)
Cash Balances Beginning of Year	<u>135,303</u>	<u>18,391</u>	<u>153,694</u>
Cash Balances End of Year	<u>\$ 106,618</u>	<u>\$ 32,287</u>	<u>\$ 138,905</u>
Cash Basis Fund Balances			
Restricted	<u>\$ 106,618</u>	<u>\$ 32,287</u>	<u>\$ 138,905</u>

City of Peosta, Iowa
Schedule 5 – Schedule of Indebtedness
June 30, 2022

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds:									
2013 GO Street Bond	4/15/2013	2.00%-2.30%	775,000	\$ 705,000	\$ -	\$ 170,000	\$ 535,000	\$ 14,570	\$ -
2015 GO Water Bond	11/19/2015	2.25%	700,000	261,000	-	85,000	176,000	2,936	-
2017 GO Water, Sewer, Street	11/29/2017	3.00%	1,795,000	1,220,000	-	160,000	1,060,000	35,000	-
2021 GO Water, Sewer, Street, Storm, Park	2/9/2021	1.45-2.00%	5,170,000	5,170,000	-	-	5,170,000	112,893	-
Total General Obligation Bonds				7,356,000	-	415,000	6,941,000	165,399	-
Sewer Revenue Bonds:									
2020 Planning & Design Hwy 20 Lift Station	9/18/2020	0.00%	440,000	333,800	-	333,800	-	-	-
2020 Sewer Revenue Bond - WWTF	10/9/2020	1.75%	6,500,000	3,448,213	1,962,015	268,000	5,142,228	84,725	-
Total Sewer Revenue Bonds				3,782,013	1,962,015	601,800	5,142,228	84,725	-
Other Debt:									
Lease Agreement	1/12/2021	1.75%	110,680	110,680	-	43,694	66,986	1,747	-
2019 General Building Loan	2/15/2019	0.00%	400,000	200,000	-	100,000	100,000	-	-
Total Other Debt				310,680	-	143,694	166,986	1,747	-
Total				\$ 11,448,693	\$ 1,962,015	\$ 1,160,494	\$ 12,250,214	\$ 251,871	\$ -

City of Peosta, Iowa
Schedule 6 – Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds
For the Last Ten Years

	2022	2021	2020	2019*	2018*	2017*	2016*	2015*	2014*	2013*
Receipts:										
Property tax	\$ 1,261,899	\$ 1,284,500	\$ 1,242,164	\$ 1,181,794	\$ 1,082,054	\$ 1,020,441	\$ 959,022	\$ 945,410	\$ 906,774	\$ 838,024
Delinquent property taxes	-	-	-	-	250	575	322	180	647	315
Tax increment financing	592,779	301,748	152,305	156,002	245,968	228,171	294,535	348,722	332,400	276,031
Other City tax	358,751	265,266	233,909	223,129	211,025	195,370	177,660	162,040	158,004	165,031
Licenses and permits	72,071	62,917	39,608	47,689	41,478	45,220	26,484	23,959	32,377	18,831
Use of money and property	47,372	35,011	28,026	26,070	28,709	15,992	8,204	1,023	4,945	6,070
Intergovernmental	589,688	394,146	253,812	261,534	251,015	244,281	249,882	183,041	469,039	138,989
Charges for service	672,546	580,490	573,678	670,490	660,335	630,630	602,012	561,897	554,149	580,578
Miscellaneous	53,289	24,604	14,634	23,391	22,993	27,235	8,284	11,409	36,500	48,765
Total receipts	\$ 3,648,395	\$ 2,948,682	\$ 2,538,136	\$ 2,590,099	\$ 2,543,827	\$ 2,407,915	\$ 2,326,405	\$ 2,237,681	\$ 2,494,835	\$ 2,072,634
Disbursements:										
Current										
Public safety	\$ 548,307	\$ 462,452	\$ 406,433	\$ 447,694	\$ 407,531	\$ 349,578	\$ 367,449	\$ 351,001	\$ 377,764	\$ 343,281
Public works	372,199	505,823	281,430	230,118	305,093	316,121	165,907	155,372	335,916	196,224
Health and social services	-	42	-	560	550	550	550	550	250	250
Culture and recreation	971,882	862,163	826,787	797,192	742,052	688,512	681,825	655,844	640,140	648,220
Community and economic development	407,670	293,677	185,717	158,821	135,912	155,710	149,394	172,034	343,161	152,859
General government	496,215	498,894	381,177	323,500	212,870	196,558	196,322	193,752	178,453	177,219
Debt service	352,184	276,751	323,284	501,290	550,598	405,330	457,143	402,655	1,950,133	403,120
Capital projects	698,230	631,147	342,217	487,840	957,894	82,251	-	20,576	500,858	365,004
Total disbursements	\$ 3,846,687	\$ 3,530,949	\$ 2,747,045	\$ 2,947,015	\$ 3,312,500	\$ 2,194,610	\$ 2,018,590	\$ 1,951,784	\$ 4,326,675	\$ 2,286,177

* Unaudited



**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
City of Peosta, Iowa

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Peosta, Iowa (City), as of and for the year ended June 30, 2022, and the related notes to financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated October 26, 2022. 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 accounting principles generally accepted in the United States of America.

Report on 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility a material misstatement of the City’s financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2022-002 to be a significant deficiency.

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, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters which are disclosed in Part IV of the accompanying schedule of findings and questioned costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2022, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City and are reported in Part IV of the accompanying schedule of findings and questioned costs. 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 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 results of that testing and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dubuque, Iowa
October 26, 2022



Independent Auditor’s Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Honorable Mayor and
Members of the City Council
City of Peosta, Iowa

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the City of Peosta’s (City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the City’s major federal program for the year ended June 30, 2022. The City’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on the 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 (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the 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 program.

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 the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City'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.



Dubuque, Iowa
October 26, 2022

City of Peosta, Iowa
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal Financial Assistance Listing/ Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>	<u>Amounts Passed Through to Subrecipients</u>
<u>U.S. Department of Commerce</u>				
Direct program				
Economic Development Cluster				
Economic Adjustment Assistance	11.307		\$ 780,194	\$ -
<u>U.S. Department of Transportation</u>				
Pass-through program from				
Highway Safety Cluster				
Iowa Department of Public Safety				
State and Community Highway Safety	20.600	402-MOPT, Task 71-90-00-Peosta PD 2022 STEP	2,638	-
<u>U.S. Department of Treasury</u>				
Pass-through program from				
Iowa Department of Revenue				
COVID-19 - Coronavirus Relief Fund	21.019	Fitness Center Relief	129,221	-
Total Federal Financial Assistance			\$ 912,053	\$ -

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Peosta, Iowa, (City) under programs of the federal government for the year ended June 30, 2022. The information 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, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting – when they become a demand on current available financial resources in the governmental fund types and on the full accrual basis of accounting – when expenditures are incurred in the proprietary fund types. 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. The City received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient. There was no assistance provided to subrecipients during the year ended June 30, 2022.

Note 1 of the financial statements describes the basis of accounting used in the preparation of the financial statements. 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. The schedule of expenditures of federal awards does not present any incurred expenditures which have not been reimbursed to the City as of June 30, 2022.

Note 3 - Indirect Cost Rate

The City has not elected to use the 10% de minimis cost rate.

Part I: Summary of the Independent Auditor’s Results

Financial Statements

Type of auditor’s report issued	Unmodified
Internal control over financial reporting	
Material weakness identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted	No

Federal Awards

Internal control over major programs	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor’s report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

Identification of major program

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Economic Development Cluster	
Economic Adjustment Assistance	11.307
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee	No

Part II: Findings Related to the Financial Statements:

Material Weakness

2022-001 Preparation of Financial Statements and Schedule of Expenditures of Federal Awards and Adjusting Journal Entry

Criteria: A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements, schedule of expenditures of federal awards, and accompanying notes by internal personnel of the entity.

Condition: As auditors, we were requested to draft the financial statements, schedule of expenditures of federal awards, and accompanying notes. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations. We also proposed a material journal entry as part of our audit procedures.

Cause: We recognize that with a limited number of office employees, accurate preparation of the financial statements and schedule of expenditures of federal awards is difficult.

Effect: The effect of this condition is that the year-end financial reporting is prepared by a party outside of the City. The outside party does not have the constant contact with ongoing financial transactions that internal staff have. Furthermore, a material journal entry was proposed as part of the financial statement preparation process.

Recommendation: We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and schedule of expenditures of federal awards internally.

Views of Responsible Officials: The City agrees with the finding.

Significant Deficiency

2022-002 Segregation of Duties

Criteria: Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

Condition: The City is unable to fully segregate receipt and posting functions, disbursement preparation and posting functions and reconciliation functions from receipt and disbursement functions.

Cause: The City has limited time and staffing constraints.

Effect: Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

Recommendation: We recommend that City staff review operating procedures in order to obtain the maximum internal controls possible.

Views of Responsible Officials: The City agrees with the finding.

Part III: Findings and Questioned Costs for Federal Awards

There were no findings and questioned costs to report.

Part IV: Other Findings Related to Statutory Reporting:

2022-IA-A Certified Budget – Disbursements during year ended June 30, 2022 exceeded the amounts budgeted in the community and economic development function during the year and at year end. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Views of Responsible Officials – The city agrees with the finding. All future amendments to the budget will be processed in the correct order.

2022-IA-B Questionable Disbursements – We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

2022-IA-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2022-IA-D Business Transactions – No business transactions between the City and City officials or employees were noted.

2022-IA-E Restricted Donor Activity – No transactions were noted between the City, City officials, City employees, and restricted donors in compliance with Chapter 68B of the Code of Iowa.

2022-IA-F Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

2022-IA-G Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

2022-IA-H Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

2022-IA-I Revenue Bonds and Notes – The Sewer Utility revenue bonds with Iowa Finance Authority (IFA) include a requirement for the Utility to produce net revenues of at least 110% of the current year debt service requirement. The City met this requirement in fiscal year 2022.

2022-IA-J Annual Urban Renewal Report – The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1, 2021. However, we noted instances in which TIF debt balances did not reconcile with City records.

Recommendation – The City should implement additional preparation and review procedures relating to the Annual Urban Renewal Report.

Views of Responsible Officials –The city agrees with the finding. We agree and the annual TIF Debt Certification to the County and the Annual UR Report will be prepared at the same time.

2022-IA-K Tax Increment Financing – The Special Revenue Tax Increment Financing Fund properly disbursed payments for TIF loans and rebates. Also, the City properly completed the Tax Increment Debt Certificate forms to request TIF property taxes.

2022-IA-L Interfund Transfers – Section 545-2 of the City Finance Committee Rule requires “A fund transfer resolution must be completed for all transfers between funds.”

Transfers from the Local Option Sales Tax fund to the General fund were not entirely approved by Resolutions of the City Council.

Recommendation – All transfers should be approved by resolutions of the City Council as required by Section 545-2 of the City Finance Committee Rules.

Views of Responsible Officials – The city agrees with the finding. We will ensure that transfers resolutions will include the appropriate calculations and information moving forward.