

CITY OF AFTON, IOWA

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

JUNE 30, 2023

CITY OF AFTON, IOWA
Table of Contents

	<u>Page</u>
OFFICIALS	1
INDEPENDENT AUDITOR'S REPORT	2
BASIC FINANCIAL STATEMENTS:	
	<u>Exhibit</u>
Government-wide Financial Statement: Cash Basis Statement of Activities and Net Position	A 5
Governmental Fund Financial Statement: Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B 7
Proprietary Fund Financial Statement: Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C 9
Notes to Financial Statements	10
OTHER INFORMATION:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds	22
Notes to Other Information - Budgetary Reporting	23
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)	24
Schedule of City Contributions	25
Notes to Other Information - Pension Liability	26
SUPPLEMENTARY INFORMATION:	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements, and Changes in Cash Balances - Nonmajor Governmental Funds	1 27
COMMENTS AND RECOMMENDATIONS:	
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 <u>Government Auditing Standards</u>	29
Schedule of Findings and Responses	31

CITY OF AFTON, IOWA
OFFICIALS
June 30, 2023

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Michelle Burger	Mayor	January, 2024
Dave Cunningham	Mayor Pro-Tem	January, 2024
Steve Kinyon	Council Member	January, 2024
Mary Hill	Council Member	January, 2024
Jeff Burger	Council Member	January, 2026
Kristie Nixon	Council Member	January, 2026
Toni Landers	City Clerk	Indefinite
Meggen Weeks	Attorney	Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER
DUSTIN T. VEENSTRA

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Afton, Iowa, as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Afton, Iowa, as of June 30, 2023, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

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

Basis of Accounting

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

To the Honorable Mayor and
Members of the City Council

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

To the Honorable Mayor and
Members of the City Council

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Afton's basic financial statements. The supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information in Schedule 1 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in this report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) and the Schedule of City Contributions on pages 22 through 26, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2023 on our consideration of the City of Afton'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 of Afton's internal control over financial reporting and compliance.

Conner W. Bell, CPA & Co., P.C.

Atlantic, Iowa
August 28, 2023

CITY OF AFTON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2023

		<u>Program Receipts</u>	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 86,798	\$ 1,340	\$ --
Public works	255,541	71,857	120,272
Culture and recreation	258,629	48,287	114,858
Community and economic development	4,495	--	17,750
General government	103,044	8,720	--
Capital projects	61,702	--	--
Total governmental activities	<u>770,209</u>	<u>130,204</u>	<u>252,880</u>
Business type activities:			
Electric	834,232	853,414	--
Sewer	309,671	95,376	--
Nonmajor	3,376	4,070	--
Total business type activities	<u>1,147,279</u>	<u>952,860</u>	<u>--</u>
Total	<u>\$ 1,917,488</u>	<u>\$ 1,083,064</u>	<u>\$ 252,880</u>
General Receipts:			
Property and other city tax levied for:			
General purposes			
Local option sales tax			
American Rescue Plan Act			
Unrestricted interest on investments			
Miscellaneous			
Total general receipts			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			

(continued next page)

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ --	\$ (85,458)	\$ --	\$ (85,458)
--	(63,412)	--	(63,412)
--	(95,484)	--	(95,484)
--	13,255	--	13,255
--	(94,324)	--	(94,324)
<u>68,224</u>	<u>6,522</u>	<u>--</u>	<u>6,522</u>
<u>68,224</u>	<u>(318,901)</u>	<u>--</u>	<u>(318,901)</u>
--	--	19,182	19,182
--	--	(214,295)	(214,295)
<u>--</u>	<u>--</u>	<u>694</u>	<u>694</u>
<u>--</u>	<u>--</u>	<u>(194,419)</u>	<u>(194,419)</u>
<u>\$ 68,224</u>	<u>(318,901)</u>	<u>(194,419)</u>	<u>(513,320)</u>
	218,285	--	218,285
	113,859	--	113,859
	--	60,931	60,931
	4,268	4,540	8,808
	649	--	649
	<u>337,061</u>	<u>65,471</u>	<u>402,532</u>
	18,160	(128,948)	(110,788)
	<u>700,091</u>	<u>1,379,922</u>	<u>2,080,013</u>
	<u>\$ 718,251</u>	<u>\$ 1,250,974</u>	<u>\$ 1,969,225</u>

CITY OF AFTON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2023

		<u>Program Receipts</u>
	<u>Disbursements</u>	<u>Charges for Service</u>
		<u>Operating Grants, Contributions, and Restricted Interest</u>
Cash Basis Net Position		
Restricted:		
Nonexpendable:		
Perpetual care		
Expendable:		
Streets		
Debt service		
Other purposes		
Unrestricted		
Total cash basis net position		

The accompanying notes are an integral part of these statements.

Program Receipts Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
	\$ 74,223	\$ --	\$ 74,223
	99,939	--	99,939
	--	73,629	73,629
	466,984	60,931	527,915
	<u>77,105</u>	<u>1,116,414</u>	<u>1,193,519</u>
	<u>\$ 718,251</u>	<u>\$ 1,250,974</u>	<u>\$ 1,969,225</u>

CITY OF AFTON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2023

	<u>General</u>	<u>Special Revenue</u> <u>Road Use Tax</u>
Receipts:		
Property tax	\$ 158,497	\$ --
Local option sales tax	--	--
Other city tax	36,875	--
Licenses and permits	2,433	--
Use of money and property	8,988	62
Intergovernmental	1,013	120,272
Charges for service	73,844	--
Miscellaneous	29,213	--
Total receipts	<u>310,863</u>	<u>120,334</u>
Disbursements:		
Operating:		
Public safety	72,739	--
Public works	145,485	106,549
Culture and recreation	78,379	--
Community and economic development	--	--
General government	91,979	--
Capital projects	--	--
Total disbursements	<u>388,582</u>	<u>106,549</u>
Excess (deficiency) of receipts over (under) disbursements	(77,719)	13,785
Other financing sources (uses):		
Transfers in	78,512	--
Transfers out	--	--
Total other financing sources (uses)	<u>78,512</u>	<u>--</u>
Change in cash balances	793	13,785
Cash balances beginning of year	<u>76,312</u>	<u>86,154</u>
Cash balances end of year	<u>\$ 77,105</u>	<u>\$ 99,939</u>

(continued next page)

Special Revenue			
Local Option Sales Tax	Walking Trail	Nonmajor	Total
\$ --	\$ --	\$ 22,766	\$ 181,263
113,859	--	--	113,859
--	--	147	37,022
--	--	--	2,433
999	2	1,308	11,359
--	--	68,224	189,509
--	--	37,284	111,128
--	91,000	21,583	141,796
<u>114,858</u>	<u>91,002</u>	<u>151,312</u>	<u>788,369</u>
--	--	14,059	86,798
--	--	3,507	255,541
--	143,026	37,224	258,629
--	--	4,495	4,495
--	--	11,065	103,044
--	--	61,702	61,702
<u>--</u>	<u>143,026</u>	<u>132,052</u>	<u>770,209</u>
114,858	(52,024)	19,260	18,160
--	--	9,495	88,007
(79,995)	--	(8,012)	(88,007)
<u>(79,995)</u>	<u>--</u>	<u>1,483</u>	<u>--</u>
34,863	(52,024)	20,743	18,160
<u>308,642</u>	<u>65,381</u>	<u>163,602</u>	<u>700,091</u>
<u>\$ 343,505</u>	<u>\$ 13,357</u>	<u>\$ 184,345</u>	<u>\$ 718,251</u>

CITY OF AFTON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES - Continued
GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2023

	<u>General</u>	<u>Special Revenue Road Use Tax</u>
Cash Basis Fund Balances		
Nonspendable - Perpetual care	\$ --	\$ --
Restricted:		
Streets	--	99,939
Other purposes	--	--
Unassigned	<u>77,105</u>	<u>--</u>
Total cash basis fund balances	<u>\$ 77,105</u>	<u>\$ 99,939</u>

The accompanying notes are an integral part of these statements.

Special Revenue			
Local Option Sales Tax	Walking Trail	Nonmajor	Total
\$ --	\$ --	\$ 74,223	\$ 74,223
--	--	--	99,939
343,505	13,357	110,122	466,984
--	--	--	77,105
<u>\$ 343,505</u>	<u>\$ 13,357</u>	<u>\$ 184,345</u>	<u>\$ 718,251</u>

CITY OF AFTON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

As of and for the year ended June 30, 2023

	Enterprise			
	Electric	Sewer	Non-Major Meter Deposits	Total
Operating receipts:				
Charges for services	\$ 853,414	\$ 95,376	\$ 4,070	\$ 952,860
Total operating receipts	853,414	95,376	4,070	952,860
Operating disbursements:				
Business type activities	631,705	56,426	3,376	691,507
Total operating disbursements	631,705	56,426	3,376	691,507
Excess of operating receipts over operating disbursements	221,709	38,950	694	261,353
Non-operating receipts (disbursements):				
Intergovernmental	--	60,931	--	60,931
Interest on investments	3,561	897	82	4,540
Debt service	(163,530)	(37,390)	--	(200,920)
Capital projects	(38,997)	(215,855)	--	(254,852)
Net non-operating receipts (disbursements)	(198,966)	(191,417)	82	(390,301)
Excess (deficiency) of receipts over (under) disbursements and change in cash balances	22,743	(152,467)	776	(128,948)
Cash balances beginning of year	1,028,932	333,052	17,938	1,379,922
Cash balances end of year	\$ 1,051,675	\$ 180,585	\$ 18,714	\$ 1,250,974
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ --	\$ 73,629	\$ --	\$ 73,629
American Rescue Plan Act projects	--	60,931	--	60,931
Unrestricted	1,051,675	46,025	18,714	1,116,414
Total cash basis fund balances	\$ 1,051,675	\$ 180,585	\$ 18,714	\$ 1,250,974

The accompanying notes are an integral part of these statements.

CITY OF AFTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Afton, Iowa is a political subdivision of the State of Iowa located in Union County. It was first incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides sewer and electric utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Afton 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: Union County Solid Waste Commission, Southern Iowa Council of Governments, Union County Development Association, and Union County Emergency Management Commission.

B. Basis of Presentation

Government-wide Financial Statement

The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

CITY OF AFTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

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

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

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds 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 remaining enterprise fund is reported as a nonmajor enterprise fund.

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

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

Walking Trail Fund is used to account for all resources used in the construction of the walking trail project.

CITY OF AFTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The City reports the following major proprietary funds:

Enterprise:

The Electric Fund accounts for the operation and maintenance of the City's electric system.

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

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

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

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects tax asking contained in the budget certified to the City Council in March, 2022.

CITY OF AFTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

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

NOTE 2 - CASH AND POOLED INVESTMENTS

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

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

The City owns common stock with a fair value of \$26,186, which was acquired by donation. The stock is recorded on the books at \$18,064 which was the fair value of the stock at the date the City received the donation. Although this type of investment is not permitted by the Code of Iowa, it was acquired by donation, therefore the City is not in violation of Chapter 12 of the Code of Iowa. The City's investment in the stock is unrated.

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The fair value of the stock was determined using the quoted market prices. (Level 1 inputs)

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.

CITY OF AFTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 - NOTES PAYABLE

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Business type activities:					
Sewer Revenue Notes	\$ 426,000	\$ --	\$ 29,000	\$ 397,000	\$ 30,000
Electric Revenue Note	<u>1,418,000</u>	<u>--</u>	<u>124,000</u>	<u>1,294,000</u>	<u>129,000</u>
Business type activities total	<u>\$1,844,000</u>	<u>\$ --</u>	<u>\$ 153,000</u>	<u>\$1,691,000</u>	<u>\$ 159,000</u>

Revenue Notes

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

<u>Year Ending June 30,</u>	<u>Sewer Issued January 30, 2015</u>			<u>Sewer Issued November 20, 2015</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2024	1.75%	\$ 17,000	\$ 3,404	1.75%	\$ 13,000	\$ 3,281
2025	1.75%	17,000	3,106	1.75%	13,000	3,054
2026	1.75%	17,000	2,809	1.75%	14,000	2,818
2027	1.75%	18,000	2,502	1.75%	14,000	2,572
2028	1.75%	18,000	2,188	1.75%	14,000	2,328
2029-2033	1.75%	96,000	6,037	1.75%	77,000	7,709
2034-2036	1.75%	<u>20,000</u>	<u>175</u>	1.75%	<u>49,000</u>	<u>1,452</u>
		<u>\$ 203,000</u>	<u>\$ 20,221</u>		<u>\$ 194,000</u>	<u>\$ 23,214</u>
<u>Year Ending June 30,</u>	<u>Electric Issued May 17, 2017</u>			<u>Total</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	2.85%	\$ 129,000	\$ 35,967	\$ 159,000	\$ 42,652	\$ 201,652
2025	2.85%	132,000	32,262	162,000	38,422	200,422
2026	2.85%	136,000	28,472	167,000	34,099	201,099
2027	2.85%	139,000	24,581	171,000	29,655	200,655
2028	2.85%	143,000	20,591	175,000	25,107	200,107
2029-2033	2.85%	615,000	40,113	788,000	53,859	841,859
2034-2036		<u>--</u>	<u>--</u>	<u>69,000</u>	<u>1,627</u>	<u>70,627</u>
		<u>\$1,294,000</u>	<u>\$ 181,986</u>	<u>\$1,691,000</u>	<u>\$ 225,421</u>	<u>\$1,916,421</u>

CITY OF AFTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 - NOTES PAYABLE - Continued

Sewer Revenue Notes - Direct Borrowing

On January 30, 2015 and November 20, 2015, the City entered into agreements with the Iowa Finance Authority (IFA) for the total issuance of \$580,000 of sewer revenue capital loan notes with interest at 1.75% per annum, and are payable through 2036. The notes were issued pursuant to Chapters 384.24A and 384.83 of the Code of Iowa to provide financing for the repair and improvement of the sewer system. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue notes or the agreements and to take whatever action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreements or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreements. During the year ended June 30, 2023, the City paid total principal of \$29,000 and interest of \$7,341 on the notes.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$580,000 in sewer revenue notes issued in January, 2015, and November, 2015. The notes are payable solely from sewer customer net receipts. Annual principal and interest payments on the notes are expected to require approximately 93 percent of the net receipts. The total principal and interest remaining to be paid on the notes is \$440,435. For the current year, principal and interest paid and total customer net receipts were \$36,341 and \$38,950, respectively.

Electric Revenue Note - Direct Borrowing

On May 17, 2017, the City entered into an agreement with Central Bank for the total issuance of \$1,985,000 of electric revenue refunding capital loan notes with interest at 2.85% per annum, and is payable through 2032. The notes were issued in pursuant to Chapters 384.24A and 384.83 of the Code of Iowa to refund previous debt obligations. In the event of a default, the issuer shall have the right to take any action authorized under the regulations, the revenue note or the agreement and to take whatever action at law or equity may appear necessary or desirable to collect the amounts then due and thereafter to become due under the agreements or to enforce the performance and observance of any duty, covenant, obligation or agreement of the participant under the agreements. During the year ended June 30, 2023, the City paid total principal of \$124,000 and interest of \$39,530 on the notes.

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$1,985,000 in an electric revenue note issued May, 2017. The note is payable solely from electric customer net receipts. Annual principal and interest payments on the note are expected to require approximately 74 percent of net receipts. The total principal and interest remaining to be paid on the note is \$1,475,986. For the current year, principal and interest paid and total customer net receipts were \$163,530 and \$221,709, respectively.

CITY OF AFTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 3 - NOTES PAYABLE - Continued

The resolutions providing for the issuance of the sewer and electric revenue notes include the following provisions.

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to a separate sewer and electric revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- c. Additional monthly transfers shall be made to a separate sewer revenue reserve account within the Enterprise Funds until a specific minimum balance has been accumulated. These accounts are restricted for the purpose of paying principal at maturity or interest in the note when insufficient money is available in the sewer revenue note sinking account.
- d. Additional monthly transfers shall be made to a sewer improvement account within the Enterprise Funds, after first making the required payments to the sewer revenue note sinking and reserve accounts, until a specific minimum balance has been accumulated. This account shall be used solely for the purpose of paying principal or interest on the note when there is insufficient money in the sewer revenue note sinking and reserve accounts; and to the extent not required for the foregoing, to pay the cost of extraordinary maintenance expenses or repairs, renewals and replacements, payments of rentals on any part of the system and for capital improvements.

NOTE 4 - PENSION PLAN

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

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

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, 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.

CITY OF AFTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - PENSION PLAN - Continued

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

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

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

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

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

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

In fiscal year 2023, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.21% of covered payroll and the City contributed 9.31% of covered payroll, for a total rate of 15.52%.

The City's contributions to IPERS for the year ended June 30, 2023 were \$16,525.

CITY OF AFTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - PENSION PLAN - Continued

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the City reported a liability of \$40,602 for its proportionate share of the collective net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the City's proportion was 0.001075%, which was a decrease of 0.009407% over its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City's pension expense (income), deferred outflows of resources and deferred inflows of resources totaled \$(1,588), \$85,577 and \$91,029, respectively.

There were no non-employer contributing entities to IPERS.

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

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of a quadrennial experience study covering the period of July 1, 2017 through June 30, 2021.

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

CITY OF AFTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 4 - PENSION PLAN - Continued

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
Total	<u>100%</u>	

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

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

	<u>1% Decrease (6.00%)</u>	<u>Discount Rate (7.00%)</u>	<u>1% Increase (8.00%)</u>
City's proportionate share of the net pension liability (asset)	\$ 108,385	\$ 40,602	\$(19,038)

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.

CITY OF AFTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 5 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and comp time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and comp time payable to employees at June 30, 2023, primarily relating to the General and Enterprise funds is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 12,679
Comp time	26
	<u>\$ 12,705</u>

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

NOTE 6 - RISK MANAGEMENT

The City of Afton 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 7 - INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 70,500
	Emergency	147
	Tyler Cemetery Fund	<u>7,865</u>
		78,512
Special Revenue:	Special Revenue:	
Economic Development	Local Option Sales Tax	4,495
Special Revenue:	Special Revenue:	
Capital Equipment	Local Option Sales Tax	<u>5,000</u>
		<u>\$ 88,007</u>

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

CITY OF AFTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 8 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$59,166 during the year ended June 30, 2023.

NOTE 9 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2023, the City contributed \$23,222 and plan members eligible for benefits contributed \$ - 0 - to the plan. At June 30, 2023, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>3</u>
Total	<u><u>3</u></u>

NOTE 10 - SUBSEQUENT EVENTS

The City has evaluated all subsequent events through August 28, 2023, the date the financial statements were available to be issued.

* * *

OTHER INFORMATION

CITY OF AFTON, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL
FUNDS AND PROPRIETRY FUNDS
OTHER INFORMATION

Year ended June 30, 2023

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total</u>
Receipts:			
Property tax	\$ 181,263	\$ --	\$ 181,263
Other city tax	150,881	--	150,881
Licenses and permits	2,433	--	2,433
Use of money and property	11,359	4,540	15,899
Intergovernmental	189,509	60,931	250,440
Charges for service	111,128	952,860	1,063,988
Miscellaneous	141,796	--	141,796
Total receipts	<u>788,369</u>	<u>1,018,331</u>	<u>1,806,700</u>
Disbursements:			
Public safety	86,798	--	86,798
Public works	255,541	--	255,541
Culture and recreation	258,629	--	258,629
Community and economic development	4,495	--	4,495
General government	103,044	--	103,044
Capital projects	61,702	--	61,702
Business type activities	--	1,147,279	1,147,279
Total disbursements	<u>770,209</u>	<u>1,147,279</u>	<u>1,917,488</u>
Excess (deficiency) of receipts over (under) disbursements and change in cash balances	18,160	(128,948)	(110,788)
Balances beginning of year	<u>700,091</u>	<u>1,379,922</u>	<u>2,080,013</u>
Balances end of year	<u>\$ 718,251</u>	<u>\$ 1,250,974</u>	<u>\$ 1,969,225</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
\$ 212,473	\$ 212,473	\$ (31,210)
147,198	147,198	3,683
1,090	1,090	1,343
13,621	13,621	2,278
820,162	820,162	(569,722)
1,094,575	1,094,575	(30,587)
19,513	19,513	122,283
<u>2,308,632</u>	<u>2,308,632</u>	<u>(501,932)</u>
82,852	87,852	1,054
360,409	360,409	104,868
242,832	262,832	4,203
5,000	5,000	505
108,652	108,652	5,608
580,000	580,000	518,298
1,051,820	1,191,820	44,541
<u>2,431,565</u>	<u>2,596,565</u>	<u>679,077</u>
(122,933)	(287,933)	177,145
<u>2,088,626</u>	<u>2,088,626</u>	<u>(8,613)</u>
<u>\$ 1,965,693</u>	<u>\$ 1,800,693</u>	<u>\$ 168,532</u>

CITY OF AFTON, IOWA
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING

June 30, 2023

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Permanent Fund, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$165,000. The budget amendment is reflected in the final budgeted amounts.

See accompanying independent auditor's report.

CITY OF AFTON, IOWA
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (ASSET)

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST NINE FISCAL YEARS*

OTHER INFORMATION

	<u>2023</u>	<u>2022</u>	<u>2021</u>
City's proportion of the net pension liability	0.001075%	0.010482%	0.001425%
City's proportionate share of the net pension liability (asset)	\$ 40,600	\$(36,200)	\$ 100,100
City's covered payroll	\$ 165,300	\$ 157,100	\$ 149,300
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	24.56%	(23.04%)	67.05%
IPERS' net position as a percentage of the total pension liability	91.40%	100.81%	82.90%

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

Note: Amounts are rounded.

See accompanying independent auditor's report.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.001337%	0.001311%	0.001317%	0.001565%	0.001330%	0.001151%
\$ 77,400	\$ 83,000	\$ 87,700	\$ 98,500	\$ 65,700	\$ 45,600
\$ 145,600	\$ 152,700	\$ 145,900	\$ 159,600	\$ 147,400	\$ 145,000
53.15%	54.35%	60.11%	61.72%	44.57%	31.45%
85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

CITY OF AFTON, IOWA
SCHEDULE OF CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST NINE FISCAL YEARS

OTHER INFORMATION

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Statutorily required contribution	\$ 16,500	\$ 15,500	\$ 14,900
Contributions in relation to the statutorily required contribution	<u>(16,500)</u>	<u>(15,500)</u>	<u>(14,900)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered payroll	\$ 175,700	\$ 165,300	\$ 157,100
Contributions as a percentage of covered payroll	9.39%	9.38%	9.48%

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Note: Amounts are rounded.

See accompanying independent auditor's report.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 14,500	\$ 14,100	\$ 14,100	\$ 13,500	\$ 14,700	\$ 13,700
<u>(14,500)</u>	<u>(14,100)</u>	<u>(14,100)</u>	<u>(13,500)</u>	<u>(14,700)</u>	<u>(13,700)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 149,300	\$ 145,600	\$ 152,700	\$ 145,900	\$ 159,600	\$ 147,400
9.71%	9.68%	9.23%	9.25%	9.21%	9.29%

CITY OF AFTON, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

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

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

* * *

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

CITY OF AFTON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2023

	Special Revenue				
	Employee Benefits	Emergency	Economic Development	Tyler Cemetery	Huss Cemetery
Receipts:					
Property tax	\$ 22,766	\$ --	\$ --	\$ --	\$ --
Other city tax	--	147	--	--	--
Use of money and property	69	--	--	1,163	10
Intergovernmental	--	--	--	--	--
Charges for service	--	--	--	--	--
Miscellaneous	--	--	--	--	--
Total receipts	<u>22,835</u>	<u>147</u>	<u>--</u>	<u>1,163</u>	<u>10</u>
Disbursements:					
Operating:					
Public safety	14,059	--	--	--	--
Public works	3,507	--	--	--	--
Culture and recreation	70	--	--	--	--
Community and economic development	--	--	4,495	--	--
General government	11,065	--	--	--	--
Capital projects	--	--	--	--	--
Total disbursements	<u>28,701</u>	<u>--</u>	<u>4,495</u>	<u>--</u>	<u>--</u>
Excess (deficiency) of receipts over (under) disbursements	(5,866)	147	(4,495)	1,163	10
Other financing sources (uses):					
Transfers in	--	--	4,495	--	--
Transfers out	--	(147)	--	(7,865)	--
Total other financing sources (uses)	<u>--</u>	<u>(147)</u>	<u>4,495</u>	<u>(7,865)</u>	<u>--</u>
Change in cash balances	(5,866)	--	--	(6,702)	10
Cash balances beginning of year	<u>28,357</u>	<u>--</u>	<u>--</u>	<u>24,794</u>	<u>11,834</u>
Cash balances end of year	<u>\$ 22,491</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 18,092</u>	<u>\$ 11,844</u>

(continued next page)

Special Revenue			Capital Projects	Permanent		Total
Recreation	Sick Leave	Capital Equipment		Perpetual Care		
\$ --	\$ --	\$ --	\$ --	\$ --	\$	22,766
--	--	--	--	--		147
42	19	5	--	--		1,308
--	--	--	68,224	--		68,224
37,284	--	--	--	--		37,284
20,300	--	--	--	1,283		21,583
<u>57,626</u>	<u>19</u>	<u>5</u>	<u>68,224</u>	<u>1,283</u>		<u>151,312</u>
--	--	--	--	--		14,059
--	--	--	--	--		3,507
37,154	--	--	--	--		37,224
--	--	--	--	--		4,495
--	--	--	--	--		11,065
--	--	--	61,702	--		61,702
<u>37,154</u>	<u>--</u>	<u>--</u>	<u>61,702</u>	<u>--</u>		<u>132,052</u>
20,472	19	5	6,522	1,283		19,260
--	--	5,000	--	--		9,495
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>		<u>(8,012)</u>
<u>--</u>	<u>--</u>	<u>5,000</u>	<u>--</u>	<u>--</u>		<u>1,483</u>
20,472	19	5,005	6,522	1,283		20,743
<u>19,159</u>	<u>5,837</u>	<u>7,203</u>	<u>(6,522)</u>	<u>72,940</u>		<u>163,602</u>
<u>\$ 39,631</u>	<u>\$ 5,856</u>	<u>\$ 12,208</u>	<u>\$ --</u>	<u>\$ 74,223</u>	<u>\$</u>	<u>184,345</u>

CITY OF AFTON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS - Continued

As of and for the year ended June 30, 2023

	Special Revenue				
	<u>Employee Benefits</u>	<u>Emergency</u>	<u>Economic Development</u>	<u>Tyler Cemetery</u>	<u>Huss Cemetery</u>
Cash Basis Fund Balances					
Nonspendable - perpetual care	\$ --	\$ --	\$ --	\$ --	\$ --
Restricted					
Other purposes	<u>22,491</u>	<u>--</u>	<u>--</u>	<u>18,092</u>	<u>11,844</u>
Total cash basis fund balances	<u>\$ 22,491</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 18,092</u>	<u>\$ 11,844</u>

See accompanying independent auditor's report.

<u>Special Revenue</u>				<u>Permanent</u>	
<u>Recreation</u>	<u>Sick Leave</u>	<u>Capital Equipment</u>	<u>Capital Projects</u>	<u>Perpetual Care</u>	<u>Total</u>
\$ --	\$ --	\$ --	\$ --	\$ 74,223	\$ 74,223
<u>39,631</u>	<u>5,856</u>	<u>12,208</u>	<u>--</u>	<u>--</u>	<u>110,122</u>
<u>\$ 39,631</u>	<u>\$ 5,856</u>	<u>\$ 12,208</u>	<u>\$ --</u>	<u>\$ 74,223</u>	<u>\$ 184,345</u>

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

CERTIFIED PUBLIC ACCOUNTANTS • BUSINESS AND FINANCIAL CONSULTANTS

1910 EAST 7th STREET BOX 369
ATLANTIC, IOWA 50022-0369
(712) 243-1800
FAX (712) 243-1265
CPA@GBKCO.COM

KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER
DUSTIN T. VEENSTRA

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

To the Honorable Mayor and
Members of the City Council

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the 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 Afton, Iowa, as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 28, 2023. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

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

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

To the Honorable Mayor and
Members of the City Council

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in Part I of the accompanying Schedule of Findings and Responses as item 2023-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Afton's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2023 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Afton's Response to Finding

Governmental Auditing Standards requires the auditor to perform limited procedures on the City of Afton's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Responses. The City of Afton's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

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

Bremwald, Ben. Kohn & Co. P.C.

Atlantic, Iowa
August 28, 2023

CITY OF AFTON, IOWA
Schedule of Findings and Responses
Year ended June 30, 2023

PART I: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

2023-001 Segregation of Duties:

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

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The City has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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

Recommendation: We recognize that it may not be economically feasible for the City to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Mayor and Council be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Mayor and Council are aware of this lack of segregation of duties, but it is not economically feasible for the City to employ additional personnel for this reason. The Mayor and Council will continue to act as an oversight group.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

* * *

CITY OF AFTON, IOWA
Schedule of Findings and Responses
Year ended June 30, 2023

PART II: Other Findings Related to Required Statutory Reporting

2023-A Certified Budget: Disbursements during the year ended June 30, 2023 did not exceed the amounts budgeted.

2023-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

2023-C Travel Expense: No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2023-D Business Transactions: Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Allen Landers, spouse of City Clerk, insurance agent of Hometown Insurance	Insurance, per bid	\$ 58,523
Michelle Burger, Mayor Jeff Burger, Council Member, Owner of J & J Plumbing	Heating and cooling maintenance	143
Toni Landers, City Clerk, recipient of exterior beautification grant	Exterior beautification grant, per application	500

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction for insurance and the exterior beautification grant does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa. In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction for heating and cooling maintenance does not appear to represent a conflict of interest since the total transaction with the individual was less than \$6,000 during the fiscal year.

2023-E Restricted Donor Activity: No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

2023-F Bond Coverage: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

2023-G Council Minutes: No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF AFTON, IOWA
Schedule of Findings and Responses
Year ended June 30, 2023

PART II: Other Findings Related to Required Statutory Reporting - Continued

2023-H Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

2023-I Revenue Notes: No instances of non-compliance with the revenue note resolutions were noted.

* * *