

CITY OF SHELDON, IOWA
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

For the Year Ended
June 30, 2022

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**CITY OF SHELDON, IOWA
OFFICIALS**

| Name | Title | Term Expires |
|----------------|----------------|---------------------|
| Greg Geels | Mayor | December, 2023 |
| Ken Snyder | Council Member | December, 2024 |
| Wayne Barahona | Council Member | December, 2023 |
| Pete Hamill | Council Member | December, 2023 |
| Brad Hindt | Council Member | December, 2023 |
| Tom Eggers | Council Member | December, 2024 |
| Sam Kooiker | City Manager | Indefinite |
| Angela Beckman | City Clerk | Indefinite |
| Micah Schreurs | Attorney | Indefinite |



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INDEPENDENT AUDITORS' REPORT

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

Report on Audit of the Financial Statements

Adverse and Unmodified Opinions

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

Summary of Opinions

| <u>Opinion Unit</u> | <u>Type of Opinion</u> |
|--|------------------------|
| Governmental Activities | Unmodified |
| Business-Type Activities | Unmodified |
| Aggregate Discretely Presented Component Units | Adverse |
| General Fund | Unmodified |
| TIF Fund | Unmodified |
| Debt Service Fund | Unmodified |
| Capital Projects Fund | Unmodified |
| Water Utility Fund | Unmodified |
| Sewer Utility Fund | Unmodified |
| Aggregate Remaining Fund Information | Unmodified |

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Sheldon, as of June 30, 2022, or the changes in financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Unmodified Opinions on Governmental Activities, Business-Type Activities, Each Major Fund and Aggregate Remaining Fund Information

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, business-type activities, each major fund, and the aggregate remaining fund information of the City of Sheldon, as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Sheldon, 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 adverse and unmodified audit opinions.

Matters Giving Rise to Adverse Opinion on the Aggregate Discretely Presented Component Units.

The financial statements do not include financial data for the City of Sheldon's legally separate component units. Accounting principles generally accepted in the United States of America require the financial data for those

component units to be reported with the financial data of the City's primary government unless the City of Sheldon also issues financial statements for the financial reporting entity that include the financial data for its component units. The City of Sheldon has not issued such reporting entity financial statements. The effects of not including the City Sheldon's legally separate component units on the aggregate discretely presented component units have not been determined.

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.

Change in Accounting Principle

As discussed in Note 17 to the financial statements, in 2022 the City of Sheldon adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Sheldon'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.

Auditors' 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 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 of Sheldon'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 of Sheldon'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 for the year ended June 30, 2022 was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sheldon's basic financial statements. The supplementary information included on pages 35 through 38 for the year ended June 30, 2022, 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 on pages 35 through 38 is fairly stated, in all material respects in relation to the basic financial statements as a whole.

The financial statements for the nine years ended June 30, 2021, which are not presented with the accompanying financial statements, were audited by other auditors who expressed unmodified opinions on the governmental activities, the business type activities, the major funds and aggregate remaining fund information of the financial statements, which were prepared on the basis of cash receipts and disbursements. Those audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The supplementary information related to the nine years ended June 30, 2021 financial statements, are presented for purposes of additional analysis and are 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 nine years ended June 30, 2021 basic financial statements. The information has been subjected to the auditing procedures applied in the audits of those 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, based on the reports of other auditors, the nine years ended June 30, 2021 supplementary information is fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) and the Schedule of City Contributions on pages 29 through 34 but does not include the basic financial statements and our auditors' 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 November 28, 2022 on our consideration of the City of Sheldon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Sheldon's internal control over financial reporting and compliance.

Williams & Company P.C.
Certified Public Accountants

Le Mars, Iowa
November 28, 2022

BASIC FINANCIAL STATEMENTS

CITY OF SHELDON, IOWA
STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS
As of and For the Year Ended June 30, 2022

| Functions/Programs | Disbursements | Program Receipts | | |
|------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| Public Safety | \$ 1,932,708 | \$ 434,554 | \$ 62,859 | \$ - |
| Public Works | 376,332 | 93,285 | 753,866 | - |
| Culture and Recreation | 2,087,876 | 421,583 | 99,416 | 101,000 |
| Community and Economic Development | 1,268,676 | - | 184,194 | - |
| General Government | 511,285 | 9,213 | - | - |
| Capital Projects | 2,279,867 | - | - | - |
| Principal | 4,167,857 | - | - | - |
| Interest | 357,742 | - | - | - |
| Fiscal Charges | 101,930 | - | - | - |
| Total governmental activities | <u>13,084,273</u> | <u>958,635</u> | <u>1,100,335</u> | <u>101,000</u> |
| Business-Type Activities: | | | | |
| Water Utility | 1,293,446 | 1,567,007 | - | - |
| Sewer Utility | 2,092,305 | 1,665,962 | - | - |
| Total Business-Type Activities: | <u>3,385,751</u> | <u>3,232,969</u> | <u>-</u> | <u>-</u> |
| Total Primary Government | <u>\$ 16,470,024</u> | <u>\$ 4,191,604</u> | <u>\$ 1,100,335</u> | <u>\$ 101,000</u> |

General Receipts and Transfers:

Property taxes
Tax Increment Financing
Local Option Sales Tax
Hotel-Motel Tax
Commercial and industrial replacement
Special Assessments
Interest
Reimbursements
Sale of Assets
Franchise Taxes/Fees
Miscellaneous
Proceeds from Financing
Interfund Transfers
Total general receipts and transfers
Change in cash basis net position
Cash basis net position - beginning
Cash basis net position - ending

Cash Basis Net Position

Restricted:

Expendable:

Debt Service
Capital Projects
Community Betterment
TIF
Other Purposes

Unrestricted

Total Cash Basis Net Position

**Net (Disbursements) Receipts
and Changes in Cash Basis Net Position**

| Governmental Activities | Business-Type Activities | Total |
|----------------------------|-----------------------------|----------------------|
| \$ (1,435,295) | | \$ (1,435,295) |
| 470,819 | | 470,819 |
| (1,465,877) | | (1,465,877) |
| (1,084,482) | | (1,084,482) |
| (502,072) | | (502,072) |
| (2,279,867) | | (2,279,867) |
| (4,167,857) | | (4,167,857) |
| (357,742) | | (357,742) |
| (101,930) | | (101,930) |
| <u>(10,924,303)</u> | | <u>(10,924,303)</u> |
| | \$ 273,561 | 273,561 |
| | <u>(426,343)</u> | <u>(426,343)</u> |
| | <u>(152,782)</u> | <u>(152,782)</u> |
| <u>(10,924,303)</u> | <u>(152,782)</u> | <u>(11,077,085)</u> |
| 1,808,600 | - | 1,808,600 |
| 3,502,357 | - | 3,502,357 |
| 939,464 | - | 939,464 |
| 150,945 | - | 150,945 |
| 501,319 | - | 501,319 |
| 24,502 | - | 24,502 |
| 135,723 | 57,175 | 192,898 |
| 744,004 | - | 744,004 |
| 693,377 | - | 693,377 |
| 123,900 | - | 123,900 |
| 100,771 | 70,980 | 171,751 |
| 4,799,109 | - | 4,799,109 |
| 11,022 | (11,022) | - |
| <u>13,535,093</u> | <u>117,133</u> | <u>13,652,226</u> |
| 2,610,790 | (35,649) | 2,575,141 |
| 9,555,808 | 4,040,548 | 13,596,356 |
| <u>\$ 12,166,598</u> | <u>\$ 4,004,899</u> | <u>\$ 16,171,497</u> |
| \$ 277,374 | \$ 707,053 | \$ 984,427 |
| 5,606,339 | - | 5,606,339 |
| 693,866 | - | 693,866 |
| 1,035,014 | - | 1,035,014 |
| 1,068,356 | 150,844 | 1,219,200 |
| 3,485,649 | 3,147,002 | 6,632,651 |
| <u>\$ 12,166,598</u> | <u>\$ 4,004,899</u> | <u>\$ 16,171,497</u> |

See Accompanying Notes to Financial Statements

CITY OF SHELDON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
Governmental Funds
As of and For the Year Ended June 30, 2022

| | <u>Special Revenue</u> | | |
|---|------------------------|---------------------|---------------------|
| | <u>General</u> | <u>TIF</u> | <u>Debt Service</u> |
| Receipts: | | | |
| Property Taxes | \$ 1,001,790 | \$ - | \$ 196,249 |
| Tax Increment Financing | - | 3,502,357 | - |
| Other City Taxes | 229,045 | - | 3,478 |
| Licenses and Permits | 20,722 | - | - |
| Intergovernmental | 408,690 | 18,193 | 6,731 |
| Charges for Services | 578,379 | - | - |
| Special Assessments | 24,502 | - | - |
| Rental of City Property | 198,624 | - | - |
| Interest on Investments | 38,739 | 29,899 | 8,120 |
| Miscellaneous | 702,325 | 3,400 | - |
| Total Receipts | 3,202,816 | 3,553,849 | 214,578 |
| Disbursements: | | | |
| Public Safety | 1,575,313 | - | - |
| Public Works | 213,637 | - | - |
| Culture and Recreation | 1,006,674 | - | - |
| Community and Economic Development | 314,858 | 882,084 | - |
| General Government | 270,487 | - | - |
| Capital Projects | - | - | - |
| Debt Service: | - | - | - |
| Principal Retirement | - | - | 4,167,857 |
| Interest | - | - | 357,742 |
| Fiscal Charges | 29,055 | - | - |
| Total Disbursements | 3,410,024 | 882,084 | 4,525,599 |
| Excess (Deficiency) of Receipts to Disbursements | (207,208) | 2,671,765 | (4,311,021) |
| Other financing sources (uses): | | | |
| Loan Proceeds | 1,000,000 | - | - |
| Bond Premium | 46,162 | - | - |
| Sale of Capital Assets | - | - | - |
| Transfers In | 506,472 | - | 4,311,744 |
| Transfers Out | (15,783) | (4,311,744) | - |
| Total other financing sources | 1,536,851 | (4,311,744) | 4,311,744 |
| Change in Cash Balances | 1,329,643 | (1,639,979) | 723 |
| Cash Balances - Beginning of Year | 1,870,045 | 2,674,993 | 276,651 |
| Cash Balances - End of Year | \$ 3,199,688 | \$ 1,035,014 | \$ 277,374 |
| Cash Basis Fund Balances | | | |
| Restricted for: | | | |
| Debt Service | \$ - | \$ - | \$ 277,374 |
| Capital Projects | - | - | - |
| Streets | - | - | - |
| TIF | - | 1,035,014 | - |
| Employee Benefits | - | - | - |
| Disaster Purposes | - | - | - |
| Community and Economic Development | - | - | - |
| Community Betterment | - | - | - |
| Police | - | - | - |
| Committed for: | | | |
| Library Purposes | 62,081 | - | - |
| Airport Purposes | 224,565 | - | - |
| Park Purposes | 121,669 | - | - |
| Museum Purposes | 129,771 | - | - |
| Assigned for: | | | |
| Equipment Purchases | 23,797 | - | - |
| Public Safety Purposes | 1,571,784 | - | - |
| Recreation Trails Maintenance | 583,010 | - | - |
| Cemetery Purposes | 4,291 | - | - |
| Unassigned | 478,720 | - | - |
| Total Cash Basis Fund Balances | \$ 3,199,688 | \$ 1,035,014 | \$ 277,374 |

See Accompanying Notes to Financial Statements

| | Nonmajor | | |
|----|----------|--------------|--------------|
| | Capital | Other | Total |
| | Projects | Governmental | Governmental |
| | | Funds | Funds |
| \$ | - | \$ 610,561 | \$ 1,808,600 |
| | - | - | 3,502,357 |
| | - | 961,064 | 1,193,587 |
| | - | - | 20,722 |
| | - | 1,172,270 | 1,605,884 |
| | - | - | 578,379 |
| | - | - | 24,502 |
| | - | - | 198,624 |
| | 22,496 | 36,469 | 135,723 |
| | 415,216 | 49,275 | 1,170,216 |
| | 437,712 | 2,829,639 | 10,238,594 |

| | | | |
|--|-------------|-----------|-------------|
| | - | 293,614 | 1,868,927 |
| | - | 139,315 | 352,952 |
| | - | 1,049,236 | 2,055,910 |
| | - | 64,080 | 1,261,022 |
| | - | 234,777 | 505,264 |
| | 2,080,637 | 199,230 | 2,279,867 |
| | - | - | 4,167,857 |
| | - | - | 357,742 |
| | 72,875 | - | 101,930 |
| | 2,153,512 | 1,980,252 | 12,951,471 |
| | (1,715,800) | 849,387 | (2,712,877) |

| | | | |
|----|-----------|--------------|---------------|
| | 3,600,000 | - | 4,600,000 |
| | 152,947 | - | 199,109 |
| | 646,338 | - | 646,338 |
| | 20,624 | 101,595 | 4,940,435 |
| | - | (727,508) | (5,055,035) |
| | 4,419,909 | (625,913) | 5,330,847 |
| | 2,704,109 | 223,474 | 2,617,970 |
| | 2,902,230 | 1,538,748 | 9,262,667 |
| \$ | 5,606,339 | \$ 1,762,222 | \$ 11,880,637 |

| | | | | | |
|----|-----------|----|-----------|----|------------|
| \$ | - | \$ | - | \$ | 277,374 |
| | 5,606,339 | | - | | 5,606,339 |
| | - | | 388,303 | | 388,303 |
| | - | | - | | 1,035,014 |
| | - | | 173,856 | | 173,856 |
| | - | | 394,753 | | 394,753 |
| | - | | 103,878 | | 103,878 |
| | - | | 693,866 | | 693,866 |
| | - | | 7,566 | | 7,566 |
| | - | | - | | 62,081 |
| | - | | - | | 224,565 |
| | - | | - | | 121,669 |
| | - | | - | | 129,771 |
| | - | | - | | 23,797 |
| | - | | - | | 1,571,784 |
| | - | | - | | 583,010 |
| | - | | - | | 4,291 |
| | - | | - | | 478,720 |
| \$ | 5,606,339 | \$ | 1,762,222 | \$ | 11,880,637 |

**CITY OF SHELDON, IOWA
RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES TO THE STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS -
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

Total Governmental Funds Cash Balances (Page 8) \$ 11,880,637

Amounts reported for governmental activities in the statement of activities and net position cash basis are different because:

The internal service fund is used by the City to charge the cost of funding the City's health insurance benefit plan to the individual funds. A portion of the cash balance of the internal service fund is included in governmental activities in the Statement of Activities and Net Position - Cash Basis. 285,961

Cash Basis Net Position of Governmental Activities (Page 6) 12,166,598

Net Change in Cash Balances (page 8) 2,617,970

Amounts reported for governmental activities in the cash basis statement of activities and net position are different because:

The internal service fund is used by the City to charge the cost of funding the City's health insurance benefit plan to the individual funds. A portion of the change in the cash balance of the internal service fund is reported with governmental activities in the Statement of Activities and Net Position - Cash Basis. (7,180)

Change in Cash Basis Net Position of Governmental Activities (Page 6) \$ 2,610,790

CITY OF SHELDON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
AND CHANGES IN CASH BALANCES
Proprietary Funds
As of and For the Year Ended June 30, 2022

| | Enterprise | |
|--|---------------------|---------------------|
| | Water Utility | Sewer Utility |
| Operating Receipts: | | |
| Charges for Services | \$ 1,567,007 | \$ 1,665,962 |
| Total Operating Receipts | <u>1,567,007</u> | <u>1,665,962</u> |
| Operating Disbursements: | | |
| Operating Disbursements | 1,032,555 | 1,036,276 |
| Total Operating Disbursements | <u>1,032,555</u> | <u>1,036,276</u> |
| Excess (Deficiency) of Receipts Over Disbursements | <u>534,452</u> | <u>629,686</u> |
| Non-Operating Receipts (Disbursements): | | |
| Interest Income | 20,899 | 36,276 |
| Miscellaneous | 50,666 | 20,314 |
| Capital Outlay | (68,350) | (541,467) |
| Interest Expense | (3,071) | (322,425) |
| Principal Payments | (165,536) | (165,000) |
| Total Non-Operating Receipts (Disbursements) | <u>(165,392)</u> | <u>(972,302)</u> |
| Excess (Deficiency) of Receipts Over (Under) Disbursements | <u>369,060</u> | <u>(342,616)</u> |
| Other financing sources (uses): | | |
| Transfers In | - | - |
| Transfers Out | (42,400) | (42,400) |
| Total other financing sources (uses) | <u>(42,400)</u> | <u>(42,400)</u> |
| Change in Cash Balances | 326,660 | (385,016) |
| Cash Balances - Beginning of Year | 913,689 | 2,954,084 |
| Cash Balances - End of Year | <u>\$ 1,240,349</u> | <u>\$ 2,569,068</u> |
| Cash Basis Net Position | | |
| Restricted for Water Deposits | 150,844 | - |
| Restricted for Debt Service | - | 707,053 |
| Unrestricted | 1,089,505 | 1,862,015 |
| Total Cash Basis Net Position | <u>\$ 1,240,349</u> | <u>\$ 2,569,068</u> |

See Accompanying Notes to Financial Statements

| Internal Service | |
|-------------------------|-----------------------|
| Total | Self Insurance |
| \$ 3,232,969 | \$ 32,298 |
| <u>3,232,969</u> | <u>32,298</u> |
| 2,068,831 | 228,390 |
| <u>2,068,831</u> | <u>228,390</u> |
| 1,164,138 | (196,092) |
| 57,175 | 7,860 |
| 70,980 | 4,359 |
| (609,817) | - |
| (325,496) | - |
| (330,536) | - |
| <u>(1,137,694)</u> | <u>12,219</u> |
| 26,444 | (183,873) |
| - | 199,400 |
| (84,800) | - |
| <u>(84,800)</u> | <u>199,400</u> |
| (58,356) | 15,527 |
| 3,867,773 | 465,916 |
| <u>\$ 3,809,417</u> | <u>\$ 481,443</u> |
| 150,844 | - |
| 707,053 | - |
| 2,951,520 | 481,443 |
| <u>\$ 3,809,417</u> | <u>\$ 481,443</u> |

See Accompanying Notes to Financial Statements

CITY OF SHELDON, IOWA
RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES
IN CASH BALANCES TO THE STATEMENT OF ACTIVITIES AND NET POSITION - CASH BASIS -
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022

| | | |
|--|----|-----------|
| Total Enterprise Funds Cash Balances (page 11) | \$ | 3,809,417 |
|--|----|-----------|

Amounts reported for Business Type activities in the statement of activities and net position cash basis are different because:

| | | |
|--|--|---------|
| The internal service fund is used by the City to charge the cost of funding the City's health insurance benefit plan to the individual funds. A portion of the cash balance of the internal service fund is included in Business - type activities in the Statement of Activities and Net Position - Cash Basis. | | 195,482 |
|--|--|---------|

| | | |
|--|--|-----------|
| Cash Basis Net Position of Business Type Activities (Page 6) | | 4,004,899 |
|--|--|-----------|

| | | |
|--|--|----------|
| Net Change in Cash Balances - Enterprise Funds (Page 11) | | (58,356) |
|--|--|----------|

Amounts reported for Business - type activities in the statement of activities and net position cash basis are different because:

| | | |
|--|--|--------|
| The internal service fund is used by the City to charge the cost of funding the City's health insurance benefit plan to the individual funds. A portion of the change in the cash balance of the internal service fund is reported with Business - type activities in the Statement of Activities and Net Position - Cash Basis. | | 22,707 |
|--|--|--------|

| | | |
|--|----|----------|
| Change in Cash Basis Net Position of Business Type Activities (Page 6) | \$ | (35,649) |
|--|----|----------|

CITY OF SHELDON, IOWA
STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FIDUCIARY CASH BALANCES
Fiduciary Funds
As of and for the Year Ended June 30, 2022

| | Custodial Fund |
|----------------------------------|---------------------------|
| Receipts: | |
| Charges for Services | \$ 2,635 |
| Total Receipts | <u>2,635</u> |
| Disbursements: | |
| Agency Remittances: | |
| Benefits Paid | <u>2,633</u> |
| Total Disbursements | <u>2,633</u> |
| Change in Cash Balances | 2 |
| Cash Balances, beginning of year | <u>141</u> |
| Cash Balances, end of year | <u><u>\$ 143</u></u> |
| Cash Basis Net Position | |
| Restricted For: | |
| Individuals | <u>\$ 143</u> |
| Total Cash Basis Net Position | <u><u>\$ 143</u></u> |

CITY OF SHELDON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Sheldon is a political subdivision of the State of Iowa located in O'Brien and Sioux Counties. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council- Manager form of government with the Mayor and Council Members elected on a non- partisan basis. The City of Sheldon provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. It also provides water and sewer utilities services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City is considered a primary government and has excluded the financial data of its component units, Sheldon Public Library Foundation, Sheldon Volunteer Fire Company, Sheldon Community Ambulance Team, and Sheldon Historical Society. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. A component unit is a legally separate entity for which the City is financially accountable. 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. Since these financial statements do not include the City's component units, they do not purport to be prepared in conformity with accounting principles generally accepted in the United States of America as they relate to the exclusion of the component units.

Sheldon Public Library Foundation, Sheldon Volunteer Fire Company, Sheldon Community Ambulance Team, and Sheldon Historical Society are considered component units of the City of Sheldon since these entities provide fundraising activities to benefit programs and projects of the City. Financial statements of these entities are not separately prepared.

Jointly Governed Organizations

The City also 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.

B. Basis of Presentation

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

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

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in restricted net position.

CITY OF SHELDON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted net position consists of cash balances that do not meet the definition of the preceding category. Unrestricted net position often has constraints on cash balances 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, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide statements. Major individual governmental and proprietary 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 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 Tax Increment Financing Fund is used to account for receipts from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

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

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

The City reports the following major proprietary funds:

Enterprise:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

Additionally, the City reports the following funds:

CITY OF SHELDON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fiduciary Fund - A Custodial Fund is used to account for assets held by the City as an agent for individuals.

C. Measurement Focus and Basis of Accounting

The City of Sheldon 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 accounting principles generally accepted in the United States of America.

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. Governmental Cash Basis Fund Balances

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

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

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year-end. Those committed amounts cannot be used for any other purposes unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

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

Unassigned - All amounts not included in the preceding classifications.

CITY OF SHELDON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development, general government, and debt service functions.

2. CASH AND INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit 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's cash and investments consisted of the following at June 30, 2022.

| | | |
|--|----|------------|
| Cash on hand | \$ | 160 |
| Demand deposits | | 6,392,893 |
| Certificates of deposit/savings accounts | | 9,778,587 |
| Total cash and investments | | 16,171,640 |
| Less: Custodial cafeteria funds | | 143 |
| City's cash and investments | \$ | 16,171,497 |

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) in 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.

3. BONDS, NOTES, AND LEASE PAYABLE

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

| | <u>Beginning Of Year, Restated</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> | <u>Due Within One Year</u> |
|--------------------------------|--|------------------|------------------|----------------------------|--------------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 8,604,286 | \$ 4,600,000 | \$ 4,167,857 | \$ 9,036,429 | \$ 1,017,857 |
| Lease Payable | 15,993 | - | 10,089 | 5,904 | 5,904 |
| Governmental activities total: | \$ 8,620,279 | \$ 4,600,000 | \$ 4,177,946 | \$ 9,042,333 | \$ 1,023,761 |
| Business type activities: | | | | | |
| Water revenue notes | \$ 165,536 | \$ - | \$ 165,536 | \$ - | \$ - |
| Sewer revenue notes | 7,580,000 | - | 165,000 | 7,415,000 | 170,000 |
| Business type activities total | \$ 7,745,536 | \$ - | \$ 330,536 | \$ 7,415,000 | \$ 170,000 |

**CITY OF SHELDON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

3. BONDS, NOTES, AND LEASE PAYABLE (CONTINUED)

General Obligation Bonds

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

| Year Ending June 30, | Interest Rates | Capital Loan Series 2013 | | Interest Rates | Capital Loan Series 2017 (June) | | Interest Rates | Capital Loan Series 2017 (Nov) | |
|----------------------------|-------------------|-----------------------------|----------|-------------------|------------------------------------|-----------|-------------------|-----------------------------------|--------------|
| | | Principal | Interest | | Principal | Interest | | Principal | Interest |
| 2023 | 1.75% | \$ 95,000 | \$ 1,663 | 2.00% | \$ 280,000 | \$ 19,975 | 1.75% | \$ 235,000 | \$ 127,795 |
| 2024 | | - | - | 2.50 | 285,000 | 14,375 | 2.00 | 240,000 | 123,863 |
| 2025 | | - | - | 2.50 | 290,000 | 7,250 | 2.00 | 245,000 | 119,062 |
| 2026 | | - | - | | - | - | 2.00 | 250,000 | 114,163 |
| 2027 | | - | - | | - | - | 2.75 | 255,000 | 109,162 |
| 2028-2032 | | - | - | | - | - | 2.75-3.00 | 1,375,000 | 433,250 |
| 2033-2037 | | - | - | | - | - | 3.50-4.00 | 1,615,000 | 194,200 |
| Total | | \$ 95,000 | \$ 1,663 | | \$ 855,000 | \$ 41,600 | | \$ 4,215,000 | \$ 1,221,495 |

| Year Ending June 30, | Interest Rates | Capital Loan Series 2019 | | Interest Rates | Capital Loan Series 2021 | | Total | | |
|----------------------------|-------------------|-----------------------------|-----------|-------------------|-----------------------------|------------|--------------|--------------|---------------|
| | | Principal | Interest | | Principal | Interest | Principal | Interest | Total |
| 2023 | 2.70% | \$ 92,857 | \$ 10,028 | 2.00% | \$ 315,000 | \$ 69,000 | \$ 1,017,857 | \$ 228,461 | \$ 1,246,318 |
| 2024 | 2.70 | 92,857 | 7,522 | 2.00 | 325,000 | 62,700 | 942,857 | 208,460 | 1,151,317 |
| 2025 | 2.70 | 92,857 | 5,002 | 2.00 | 330,000 | 56,200 | 957,857 | 187,514 | 1,145,371 |
| 2026 | 2.70 | 92,858 | 2,508 | 2.00 | 335,000 | 49,600 | 677,858 | 166,271 | 844,129 |
| 2027 | | - | - | 2.00 | 350,000 | 42,900 | 605,000 | 152,062 | 757,062 |
| 2028-2032 | | - | - | 2.00 | 1,530,000 | 107,400 | 2,905,000 | 540,650 | 3,445,650 |
| 2033-2037 | | - | - | 2.00-1.50 | 315,000 | 12,700 | 1,930,000 | 206,900 | 2,136,900 |
| Total | | \$ 371,429 | \$ 25,060 | | \$ 3,500,000 | \$ 400,500 | \$ 9,036,429 | \$ 1,690,318 | \$ 10,726,747 |

On May 29, 2013, the City issued \$5,350,000 of general obligation bonds with interest rates ranging from 0.30% to 1.90% for various capital projects including projects within an urban renewal area. A large portion of this bond issue was redeemed in June 2019 by transfers from the tax increment financing fund. During the year ended June 30, 2022, the City paid \$90,000 of principal and \$3,013 of interest on the bonds.

On July 1, 2016, the City issued \$3,400,000 of taxable general obligation bonds with interest rates ranging from 2.00-3.25%. The bonds were used for the construction of an event center. The bond issue was redeemed in December 2021 by transfers from the tax increment financing fund. During the year ended June 30, 2022, the City paid \$2,385,000 of principal and \$126,343 of interest on the bonds.

On June 20, 2017, the City issued \$2,395,000 of general obligation bonds with interest rates ranging from 2.00% to 2.50%. The bonds were used to refund a bond issue and to partially fund a street reconstruction project, an industrial park extension, and engineering fees on a wastewater treatment plant. During the year ended June 30, 2022, the City paid \$270,000 of principal and \$25,375 of interest on the bonds.

On November 30, 2017, the City issued \$4,445,000 of general obligation bonds with interest rates ranging from 1.75% to 4.00%. The bonds were used to partially fund a street reconstruction project, an industrial park extension, and construction of a wastewater treatment plant. During the year ended June 30, 2022, the City paid \$230,000 of principal and \$132,575 of interest on the bonds.

**CITY OF SHELDON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

3. BONDS, NOTES, AND LEASE PAYABLE (CONTINUED)

On October 24, 2019, the City issued \$650,000 of general obligation bonds with an interest rate of 2.70%. The bonds were used to purchase a fire truck and two new police cars. During the year ended June 30, 2022, the City paid \$92,857 of principal and \$12,536 of interest on the bonds.

On September 1, 2021 the City issued \$3,500,000 of general obligation bonds with interest rates ranging from 1.50% to 2.00%. The bonds were used to partially fund infrastructure and a fire truck. During the year ended June 30, 2022, the City paid \$51,750 of interest on the bonds.

On July 7, 2021, the City issued \$1,100,000 of short-term general obligation bonds with an interest rate of 3.25%. The bonds were used for various capital projects within urban renewal areas. The bond issue was redeemed in August 2021 by transfers from the tax increment financing fund. During the year ended June 30, 2022, the City paid \$1,100,000 of principal and \$14,300 of interest on the bonds.

Revenue Notes

The City has pledged future water customer net receipts, net of specific operating expenses, to repay the \$1,900,000 water revenue capital loan notes issued in March 2007. Proceeds from the notes provided financing for the prepayment of the City's obligation to Lewis and Clark Regional Water System. The notes are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payments are expected to require less than 80% of net revenues. The note was paid off during the year ended June 30, 2022. For the current year, principal and interest paid on the notes and net customer receipts net of specific operating disbursements were \$168,607 and \$534,452, respectively.

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

| Year Ending June 30, | Interest Rates | Sewer Revenue Capital Loan Notes | | Total |
|----------------------------|-------------------|-------------------------------------|---------------------|---------------------|
| | | Principal | Interest | |
| 2023 | 3.00% | \$ 170,000 | \$ 317,475 | \$ 487,475 |
| 2024 | 3.00 | 175,000 | 312,375 | 487,375 |
| 2025 | 3.00 | 180,000 | 307,125 | 487,125 |
| 2026 | 3.00 | 190,000 | 301,725 | 491,725 |
| 2027 | 3.00 | 195,000 | 296,025 | 491,025 |
| 2028-2032 | 4.00 | 1,085,000 | 1,357,725 | 2,442,725 |
| 2033-2037 | 4.00 | 1,325,000 | 1,122,125 | 2,447,125 |
| 2038-2042 | 4.25-4.50 | 1,610,000 | 830,125 | 2,440,125 |
| 2043-2047 | 4.50-5.00 | 2,020,000 | 427,425 | 2,447,425 |
| 2048 | 5.00 | 465,000 | 23,250 | 488,250 |
| Total | | <u>\$ 7,415,000</u> | <u>\$ 5,295,375</u> | <u>\$12,710,375</u> |

The City also has pledged future wastewater customer net receipts, net of specific operating disbursements, to repay the \$7,840,000 sewer revenue capital loan notes issued in June 2018. Proceeds from the notes will provide financing for the construction of wastewater improvements. The notes are payable solely from wastewater customer net receipts and are payable through 2048. Annual principal and interest payments are expected to require less than 85% of net revenues. The total principal and interest payments remaining to be paid on the notes are \$12,710,375. For the current year, principal and interest paid on the notes and

**CITY OF SHELDON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

3. BONDS, NOTES, AND LEASE PAYABLE (CONTINUED)

net customer receipts net of specific operating disbursements were \$487,425 and \$629,686, respectively.

The resolution providing for the issuance of the sewer revenue capital loan notes include the following provisions:

- (A) The notes will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate sewer revenue sinking account for the purpose of making the principal and interest payments when due.
- (C) Additional monthly transfers shall be made to a separate sewer reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying principal and interest payments when insufficient money is available in the sinking account.
- (D) User rates shall be established at a level which produces and maintains net receipts at a level not less than 115% of the amount of principal and interest on the notes falling due in the same year.

The City was in compliance with the sewer revenue note provisions for the year ended June 30, 2022.

Leases

Postage Machine Lease

On November 30, 2017, the City, as lessee, entered into a lease agreement involving a postage machine. An initial lease liability was recorded in the amount of \$15,993. The agreement requires monthly payments of \$845 over 60 months, with an implicit interest rate of 0.49% and a final payment in January 2023. The future lease payments under this lease agreement are as follows:

| Year Ending June 30, 2023 | Postage Machine | | |
|------------------------------------|------------------------|----------|----------------|
| | Principal | Interest | Total Payments |
| | \$ 5,904 | \$ 10 | \$ 5,914 |

4. LEASES RECEIVABLE

Land Leases

On October 7, 2020 the City, as lessor, entered into a lease agreement involving 14 acres of farm land near the City's cemetery. The agreement requires payments of \$1,050, semi-annually over four years, with an implicit interest rate of 0.89% and a final payment in December 2024.

On December 2, 2020 the City, as lessor, entered into a lease agreement involving 103.7 acres of farm land near the City's airport. The agreement requires payments of \$13,481,

**CITY OF SHELDON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

4. LEASES RECEIVABLE (CONTINUED)

semi-annually over three years, with an implicit interest rate of 0.68% and a final payment in December 2023. The future lease payments under these lease agreements are as follows:

| Year Ending June 30, | Land | | Total Payments |
|----------------------------|------------------|---------------|------------------|
| | Principal | Interest | |
| 2023 | \$ 28,776 | \$ 286 | \$ 29,062 |
| 2024 | 15,495 | 86 | 15,581 |
| 2025 | 1,044 | 6 | 1,050 |
| | <u>\$ 45,315</u> | <u>\$ 378</u> | <u>\$ 45,693</u> |

5. DUE FROM SHELDON CHAMBER AND DEVELOPMENT CORPORATION

The City has granted the Sheldon Community and Development Corporation (SCDC) land and also financed SCDC's purchase of land. The land is being held for development and resale. The SCDC has agreed to pay a portion of the sales price back to the City as the land is sold.

6. INTERFUND TRANSFERS

| Transfers In | Transfer Out | | | | | |
|-----------------------|------------------|--------------------|------------------|------------------|--------------------------|---------------------|
| | General | TIF | Water | Sewer | Nonmajor Governmental | Total |
| General | \$ - | \$ - | \$ 42,400 | \$ 42,400 | \$ 421,672 | \$ 506,472 |
| Debt Service | - | 4,311,744 | - | - | - | 4,311,744 |
| Capital Projects | 15,783 | - | - | - | 4,841 | 20,624 |
| Internal Service | - | - | - | - | 199,400 | 199,400 |
| Nonmajor Governmental | - | - | - | - | 101,595 | 101,595 |
| Total | <u>\$ 15,783</u> | <u>\$4,311,744</u> | <u>\$ 42,400</u> | <u>\$ 42,400</u> | <u>\$ 727,508</u> | <u>\$ 5,139,835</u> |

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

7. 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 PO Box 9117, Des Moines, IA 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code chapter 978 and the administrative rules thereunder. Chapter 978 and the administrative rules are the official plan documents. The following brief description is provided for general information 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

CITY OF SHELDON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

7. PENSION PLAN (CONTINUED)

member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

Protection occupation members may retire at normal retirement age, which is generally age 55, 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 starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

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

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

Contributions - Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires 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.

CITY OF SHELDON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

7. PENSION PLAN (CONTINUED)

In fiscal year 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll for a total rate of 15.73%. Protective 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 \$202,000.

Net Pension Liability (Asset), Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2022, the City reported an asset of \$(462,347) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of June 30, 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City's proportion was (.1339255%) which was an increase of .1520432% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City pension expense, deferred outflows of resources, and deferred inflows of resources totaled \$(66,622), \$490,932, and \$1,348,890, respectively. There were no non-employer contributing entities to IPERS.

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

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

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

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

**CITY OF SHELDON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

7. PENSION PLAN (CONTINUED)

| <u>Asset Class</u> | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------------|-------------------------|---|
| Domestic equity | 22.0% | 4.43% |
| International equity | 17.5 | 6.01 |
| Global smart beta equity | 6.0 | 5.10 |
| Core plus fixed income | 26.0 | 0.29 |
| Public credit | 4.0 | 2.08 |
| Cash | 1.0 | (0.25) |
| Private equity | 13.0 | 9.51 |
| Private real assets | 7.5 | 4.63 |
| Private credit | <u>3.0</u> | 2.87 |
| Total | <u>100.0%</u> | |

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments 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 (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

| | 1% Decrease <u>(6.00%)</u> | Discount Rate <u>(7.00%)</u> | 1% Increase <u>(8.00%)</u> |
|---|----------------------------------|------------------------------------|----------------------------------|
| City's proportionate share of the net pension liability (asset) | \$ 748,226 | \$ (462,347) | \$ (1,476,397) |

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

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer health plan which provides medical, dental, and prescription drug benefits for employees, retirees, and their eligible dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2022, the City contributed \$413,802 and plan members eligible for benefits contributed \$32,298 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.

**CITY OF SHELDON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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, 2022, the following employees were covered by the benefit terms:

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

9. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. In addition, employees over age 55 have accumulated earned but unused sick pay which is payable upon retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2022 is as follows:

| | |
|--------------------------------|-----------------------|
| Governmental activities: | |
| General fund | \$110,715 |
| Special revenue: | |
| Road use tax | <u>50,268</u> |
| Total governmental activities | <u>160,983</u> |
| Business type activities: | |
| Proprietary: | |
| Enterprise: | |
| Water | 71,168 |
| Sewer | <u>39,306</u> |
| Total business type activities | <u>110,474</u> |
| TOTAL | <u>\$ 271,457</u> |

10. RELATED PARTY TRANSACTIONS

The City has business transactions between the City and City officials, totaling \$29,588 during the year ended June 30, 2022.

11. SUBSEQUENT EVENTS

In August 2022, the City authorized the issuance of \$3,500,000 in general obligation capital loan notes for street improvements and equipment purchases.

12. RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 794 members include various governmental entities

CITY OF SHELDON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

12. RISK MANAGEMENT (CONTINUED)

throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2022 were \$204,447.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss, or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2022, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

CITY OF SHELDON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

12. RISK MANAGEMENT (CONTINUED)

The City has established a partial self-insurance health insurance fund (an internal service fund) to account for group insurance risks. The City has agreed to pay a portion of the employees' deductible and health savings account.

The City has workmen's compensation coverage through the Iowa Municipalities Workers' Compensation Association. In addition, the City purchases employee blanket bond coverage from other insurers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

13. COLLECTIVE BARGAINING AGREEMENT

All employees, except for the office personnel and management, are covered by collective bargaining agreements which expire June 30, 2026.

14. DEVELOPER AGREEMENTS

The City has entered into various development agreements related to improvements made in tax increment financing districts. The properties are subject to minimum assessed values. The agreements call for annual payments from five to ten years based on a percentage of the taxes collected. During the year ended June 30, 2022, the City rebated \$413,462 of the incremental property taxes to the developers. The exact amount of the balance to be paid on the agreements has not been determined. Most of the agreements are subject to annual appropriation by the City Council.

15. 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 promises 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 as 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 \$197,714 of property tax under the urban renewal and economic development projects.

Tax Abatements of Other Entities

Property tax revenues of the City were not reduced for the year ended June 30, 2022 under agreements entered into by other entities.

CITY OF SHELDON, IOWA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

16. COVID-19

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

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

17. CHANGE IN ACCOUNTING PRINCIPLE

For 2022, the City implemented Governmental Account Standards Board (GASB) Statement No. 87, Leases. GASB Statement No. 87 enhances the relevance and consistency of information of the government’s leasing activities. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City financials are on the cash basis and the implementation of this standard is only reflected in the notes to the financial statements. Information regarding the City’s Lessee agreement can be found in Note 3, and Lessor agreements can be found in Note 4.

18. PROSEPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No, 96, Subscription-based Information Technology Arrangements. This statement will be implemented for the fiscal year ending June 30, 2023. The revised requirements of this statement will require reporting of certain potentially significant subscription-based information technology arrangements that are not currently reported.

OTHER INFORMATION

CITY OF SHELDON, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS,
DISBURSEMENTS AND CHANGES IN BALANCES BUDGET AND ACTUAL
(CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
For the Year Ended June 30, 2022

| | Governmental Funds Actual | Proprietary Funds Actual | Total Actual |
|---|---------------------------------|--------------------------------|-----------------|
| Receipts: | | | |
| Taxes | \$ 1,808,600 | \$ - | \$ 1,808,600 |
| Other city taxes | 1,193,587 | - | 1,193,587 |
| Licenses and Permits | 20,722 | - | 20,722 |
| Intergovernmental | 1,605,884 | - | 1,605,884 |
| Charges for Services | 578,379 | 3,232,969 | 3,811,348 |
| Special Assessments | 24,502 | - | 24,502 |
| TIF Revenue | 3,502,357 | - | 3,502,357 |
| Rental of City Property | 198,624 | - | 198,624 |
| Interest | 135,723 | 57,175 | 192,898 |
| Miscellaneous | 1,170,216 | 70,980 | 1,241,196 |
| Total Receipts | 10,238,594 | 3,361,124 | 13,599,718 |
| Disbursements | | | |
| Public Safety | 1,868,927 | - | 1,868,927 |
| Public Works | 352,952 | - | 352,952 |
| Culture and Recreation | 2,055,910 | - | 2,055,910 |
| Community and Economic Development | 1,261,022 | - | 1,261,022 |
| General Government | 505,264 | - | 505,264 |
| Capital Projects | 2,279,867 | - | 2,279,867 |
| Debt Service | 4,627,529 | - | 4,627,529 |
| Business Type / Enterprises | - | 3,334,680 | 3,334,680 |
| Total Disbursements | 12,951,471 | 3,334,680 | 16,286,151 |
| Excess (deficiency) of receipts over disbursements | (2,712,877) | 26,444 | (2,686,433) |
| Other financing sources (uses): | | | |
| Loan Proceeds | 4,600,000 | - | 4,600,000 |
| Bond Premium | 199,109 | - | 199,109 |
| Sale of Capital Assets | 646,338 | - | 646,338 |
| Transfers In | 4,940,435 | - | 4,940,435 |
| Transfers (Out) | (5,055,035) | (84,800) | (5,139,835) |
| Total other financing sources | 5,330,847 | (84,800) | 5,246,047 |
| Excess of receipts and other financing sources over disbursements and other financing uses | 2,617,970 | (58,356) | 2,559,614 |
| Balances Beginning of Year | 9,262,667 | 3,867,773 | 13,130,440 |
| Balances End of Year | \$ 11,880,637 | \$ 3,809,417 | \$ 15,690,054 |

See Accompanying Independent Auditors' Report

| Budgeted Amount | | Variance with Final Budget Positive (Negative) |
|-----------------|---------------|--|
| Original | Final | |
| \$ 1,818,881 | \$ 1,818,881 | \$ (10,281) |
| 936,459 | 936,459 | 257,128 |
| 15,300 | 15,300 | 5,422 |
| 1,217,405 | 1,599,002 | 6,882 |
| 3,689,729 | 3,689,729 | 121,619 |
| 13,902 | 14,348 | 10,154 |
| 3,541,075 | 3,541,075 | (38,718) |
| 442,582 | 446,582 | (247,958) |
| - | - | 192,898 |
| 659,980 | 1,215,391 | 25,805 |
| 12,335,313 | 13,276,767 | 322,951 |
| 1,702,495 | 2,106,495 | 237,568 |
| 1,332,763 | 1,526,233 | 1,173,281 |
| 1,190,992 | 1,212,942 | (842,968) |
| 1,129,341 | 1,129,341 | (131,681) |
| 472,138 | 492,138 | (13,126) |
| 3,114,424 | 4,605,192 | 2,325,325 |
| 3,369,500 | 4,525,077 | (102,452) |
| 2,814,696 | 4,497,383 | 1,162,703 |
| 15,126,349 | 20,094,801 | 3,808,650 |
| (2,791,036) | (6,818,034) | 4,131,601 |
| - | 4,697,179 | (97,179) |
| - | - | 199,109 |
| - | - | 646,338 |
| 5,216,653 | 6,368,371 | (1,427,936) |
| (5,216,653) | (6,368,371) | 1,228,536 |
| - | 4,697,179 | 548,868 |
| (2,791,036) | (2,120,855) | 4,680,469 |
| 13,621,485 | 13,621,485 | (491,045) |
| \$ 10,830,449 | \$ 11,500,630 | \$ 4,189,424 |

See Accompanying Independent Auditors' Report

CITY OF SHELDON, IOWA
NOTES TO OTHER INFORMATION – BUDGETARY REPORTING
JUNE 30, 2022

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds 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, two budget amendments increased budgeted disbursements by \$4,968,452. The budget amendment is reflected in the final budgeted amount.

During the year ended June 30, 2022, disbursements exceeded amounts budgeted in the culture and recreation, community and economic development, general government, and debt service.

CITY OF SHELDON, IOWA
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST EIGHT FISCAL YEARS
(IN THOUSANDS)

OTHER INFORMATION

| | 2022 | 2021 | 2020 | 2019 |
|---|--------------|------------|-----------|-----------|
| City's proportion of the net pension liability (asset) | (0.1339255%) | 0.0181177% | 0.017232% | 0.017663% |
| City's proportionate share of the net pension liability (asset) | \$ (462) | \$ 1,273 | \$ 998 | \$ 1,118 |
| City's covered payroll | \$ 2,010 | \$ 1,910 | \$ 1,897 | \$ 1,837 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | (22.99%) | 66.65% | 50.10% | 60.86% |
| Plan fiduciary net pension as a percentage of the total pension liability (asset) | 100.81% | 82.90% | 85.45% | 83.62% |
| | 2018 | 2017 | 2016 | 2015 |
| City's proportion of the net pension liability (asset) | 0.016251% | 0.016617% | 0.015290% | 0.013740% |
| City's proportionate share of the net pension liability (asset) | \$ 1,083 | \$ 1,046 | \$ 755 | \$ 545 |
| City's covered payroll | \$ 1,671 | \$ 1,590 | \$ 1,550 | \$ 1,464 |
| City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 64.81% | 65.79% | 48.71% | 37.23% |
| Plan fiduciary net pension as a percentage of the total pension liability (asset) | 82.21% | 81.82% | 85.19% | 87.61% |

* In accordance with GASB 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.

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.

CITY OF SHELDON, IOWA
SCHEDULE OF CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
LAST TEN FISCAL YEARS
(IN THOUSANDS)

OTHER INFORMATION

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|----------|----------|----------|----------|----------|
| Statutorily required contribution | \$ 202 | \$ 191 | \$ 183 | \$ 184 | \$ 169 |
| Contributions in relation to the statutorily required contribution | (202) | (191) | (183) | (184) | (169) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 2,132 | \$ 2,010 | \$ 1,910 | \$ 1,897 | \$ 1,837 |
| Contributions as a percentage of covered payroll | 9.47% | 9.50% | 9.58% | 9.70% | 9.20% |
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| Statutorily required contribution | \$ 154 | \$ 146 | \$ 144 | \$ 136 | \$ 129 |
| Contributions in relation to the statutorily required contribution | (154) | (146) | (144) | (136) | (129) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 1,671 | \$ 1,590 | \$ 1,550 | \$ 1,464 | \$ 1,417 |
| Contributions as a percentage of covered payroll | 9.22% | 9.18% | 9.29% | 9.29% | 9.10% |

See accompanying independent Auditor's Report

CITY OF SHELDON, IOWA
NOTES TO OTHER INFORMATION – PENSION LIABILITY (ASSET)
FOR THE YEAR ENDED JUNE 30, 2022

Changes of Benefit Terms:

There is no significant changes in benefit terms.

Changes of Assumptions

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

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjust 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 2.6%.
- 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 beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

SUPPLEMENTARY INFORMATION

CITY OF SHELDON, IOWA
COMBINING SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
AND CHANGES IN CASH BALANCES
Governmental Nonmajor Funds
As of and For the Year Ended June 30, 2022

| | Special Revenue Funds | | |
|--|------------------------------|-----------------------------------|-----------------------|
| | Road Use Tax | Local Option Sales Tax | LHAP Reuse |
| Receipts: | | | |
| Property Taxes | \$ - | \$ - | \$ - |
| Other City Taxes | - | 939,464 | - |
| Intergovernmental | 753,866 | - | - |
| Interest on Investments | 12,108 | 15,976 | 1,366 |
| Miscellaneous | - | 49,072 | - |
| Total Receipts | <u>765,974</u> | <u>1,004,512</u> | <u>1,366</u> |
| Disbursements: | | | |
| Public Safety | - | - | - |
| Public Works | - | - | - |
| Culture and Recreation | 940,325 | - | - |
| Community and Economic Development | - | 30,564 | - |
| General Government | - | 211,275 | - |
| Capital Projects | - | 199,230 | - |
| Total Disbursements | <u>940,325</u> | <u>441,069</u> | <u>-</u> |
| Excess (Deficiency) of Receipts over Disbursements | <u>(174,351)</u> | <u>563,443</u> | <u>1,366</u> |
| Other financing sources (uses): | | | |
| Transfers In | - | - | - |
| Transfers Out | - | (406,206) | - |
| Total other financing sources | <u>-</u> | <u>(406,206)</u> | <u>-</u> |
| Change in Cash Balances | (174,351) | 157,237 | 1,366 |
| Cash Balances - Beginning of Year | 562,654 | 536,629 | 80,349 |
| Cash Balances - End of Year | <u>\$ 388,303</u> | <u>\$ 693,866</u> | <u>\$ 81,715</u> |
| Cash Basis Fund Balances | | | |
| Restricted For: | | | |
| Streets | \$ 388,303 | \$ - | \$ - |
| Community Betterment | - | 693,866 | - |
| Employee Benefits | - | - | - |
| Community and Economic Development | - | - | 81,715 |
| Disaster Purposes | - | - | - |
| Police | - | - | - |
| Total Cash Basis Fund Balances | <u>\$ 388,303</u> | <u>\$ 693,866</u> | <u>\$ 81,715</u> |

See Accompanying Independent Auditors' Report

| Employee Benefits | | LMI | FEMA | Seizure | Total Nonmajor Governmental Funds |
|-------------------|-----------|-----------|------------|----------|-----------------------------------|
| \$ | 610,561 | \$ - | \$ - | \$ - | \$ 610,561 |
| | 21,600 | - | - | - | 961,064 |
| | 35,540 | - | 382,864 | - | 1,172,270 |
| | 3,621 | 346 | 2,901 | 151 | 36,469 |
| | 203 | - | - | - | 49,275 |
| | 671,525 | 346 | 385,765 | 151 | 2,829,639 |
| | 293,614 | - | - | - | 293,614 |
| | 139,315 | - | - | - | 139,315 |
| | 108,911 | - | - | - | 1,049,236 |
| | 33,516 | - | - | - | 64,080 |
| | 23,502 | - | - | - | 234,777 |
| | - | - | - | - | 199,230 |
| | 598,858 | - | - | - | 1,980,252 |
| | 72,667 | 346 | 385,765 | 151 | 849,387 |
| | 101,595 | - | - | - | 101,595 |
| | (199,400) | - | (121,902) | - | (727,508) |
| | (97,805) | - | (121,902) | - | (625,913) |
| | (25,138) | 346 | 263,863 | 151 | 223,474 |
| | 198,994 | 21,817 | 130,890 | 7,415 | 1,538,748 |
| \$ | 173,856 | \$ 22,163 | \$ 394,753 | \$ 7,566 | \$ 1,762,222 |
| \$ | - | \$ - | \$ - | \$ - | \$ 388,303 |
| | - | - | - | - | 693,866 |
| | 173,856 | - | - | - | 173,856 |
| | - | 22,163 | - | - | 103,878 |
| | - | - | 394,753 | - | 394,753 |
| | - | - | - | 7,566 | 7,566 |
| \$ | 173,856 | \$ 22,163 | \$ 394,753 | \$ 7,566 | \$ 1,762,222 |

See Accompanying Independent Auditors' Report

CITY OF SHELDON, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE TEN YEARS ENDED
June 30, 2022

| | 2022 | 2021 | 2020 | 2019 |
|------------------------------------|----------------------|----------------------|---------------------|---------------------|
| Receipts: | | | | |
| Property tax | \$ 1,808,600 | \$ 1,791,923 | \$ 1,725,367 | \$ 1,659,908 |
| Tax increment financing revenue | 3,502,357 | 3,003,402 | 2,891,045 | 2,422,334 |
| Other city tax | 1,193,587 | 961,134 | 1,009,618 | 941,628 |
| Licenses and permits | 20,722 | 12,027 | 16,570 | 11,693 |
| Use of money and property | 334,347 | 367,375 | 369,803 | 248,818 |
| Intergovernmental | 1,605,884 | 1,727,176 | 945,304 | 1,709,701 |
| Charges for service | 578,379 | 611,794 | 539,793 | 480,318 |
| Special Assessments | 24,502 | 24,036 | 15,413 | 15,676 |
| Miscellaneous | 1,170,216 | 945,719 | 610,635 | 1,122,275 |
| Total | <u>\$ 10,238,594</u> | <u>\$ 9,444,586</u> | <u>\$ 8,123,548</u> | <u>\$ 8,612,351</u> |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | \$ 1,868,927 | \$ 1,480,989 | \$ 2,250,730 | \$ 1,345,587 |
| Public works | 352,952 | 1,107,784 | 1,080,992 | 1,503,828 |
| Health and Social Services | - | - | 20,000 | 20,000 |
| Culture and recreation | 2,055,910 | 987,191 | 978,788 | 1,005,647 |
| Community and economic development | 1,261,022 | 907,779 | 443,083 | 396,333 |
| General government | 505,264 | 470,004 | 447,768 | 441,572 |
| Debt service | 4,627,529 | 3,908,639 | 1,356,175 | 4,093,105 |
| Capital projects | 2,279,867 | 1,447,056 | 1,266,843 | 1,075,153 |
| Total | <u>\$ 12,951,471</u> | <u>\$ 10,309,442</u> | <u>\$ 7,844,379</u> | <u>\$ 9,881,225</u> |

See accompanying independent auditor's report

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|-----------|------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ | 1,639,247 | \$ 1,617,926 | \$ 1,489,134 | \$ 1,477,922 | \$ 1,501,872 | \$ 1,432,048 |
| | 2,609,759 | 2,386,756 | 2,108,134 | 1,878,277 | 1,878,787 | 1,839,228 |
| | 860,077 | 961,387 | 825,701 | 719,792 | 700,968 | 701,949 |
| | 16,030 | 15,433 | 12,180 | 15,353 | 14,816 | 12,447 |
| | 191,690 | 124,868 | 93,029 | 98,081 | 109,418 | 117,492 |
| | 1,495,196 | 1,776,747 | 1,208,509 | 1,367,642 | 3,364,788 | 854,341 |
| | 454,541 | 385,561 | 399,857 | 469,954 | 371,215 | 395,800 |
| | 19,649 | 17,159 | 26,470 | 35,631 | 18,485 | 2,227 |
| | 526,602 | 917,831 | 815,266 | 233,645 | 185,928 | 168,519 |
| \$ | 7,812,791 | \$ 8,203,668 | \$ 6,978,280 | \$ 6,296,297 | \$ 8,146,277 | \$ 5,524,051 |

| | | | | | | |
|-----------|------------------|----------------------|---------------------|---------------------|----------------------|---------------------|
| \$ | 1,242,463 | \$ 1,519,675 | \$ 1,211,302 | \$ 986,414 | \$ 1,145,638 | \$ 1,128,661 |
| | 1,202,854 | 964,039 | 945,830 | 1,184,090 | 1,386,304 | 1,013,510 |
| | - | - | 10,000 | 16,500 | 26,500 | 16,500 |
| | 835,891 | 556,802 | 487,846 | 495,255 | 477,045 | 503,533 |
| | 529,413 | 430,132 | 456,391 | 444,411 | 394,121 | 501,782 |
| | 413,273 | 883,875 | 449,864 | 342,415 | 407,858 | 423,095 |
| | 1,454,401 | 3,010,128 | 1,171,193 | 3,113,168 | 1,281,730 | 1,088,690 |
| | 2,227,833 | 5,013,994 | 1,071,872 | 1,651,939 | 6,648,345 | 1,390,607 |
| \$ | 7,906,128 | \$ 12,378,645 | \$ 5,804,298 | \$ 8,234,192 | \$ 11,767,541 | \$ 6,066,378 |

See accompanying independent auditor's report



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INDEPENDENT AUDITORS' 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 Sheldon
Sheldon, Iowa

We have audited, in accordance with the 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 City of Sheldon, Iowa, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Sheldon, Iowa's basic financial statements and have issued our report thereon dated November 28, 2022. Our report expressed unmodified opinions on the primary government's financial statements which were prepared on the cash basis, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the aggregate discretely presented component units because the financial data for the legally separate component units was not presented.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Sheldon's internal control over financial reporting (internal control) as a basis for designing the 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 Sheldon's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Sheldon's internal control.

A *deficiency in internal control* exists when the design or operation of the 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City of Sheldon'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 charges with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
November 28, 2022

**CITY OF SHELDON, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

Part I – Summary of the Independent Auditors’ Results:

- (a) Unmodified opinions were issued on the primary government’s financial statements which were prepared on the cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States. An adverse opinion was issued on Aggregate Discretely Presented Component Units.
- (b) The audit of the financial statements did not disclose any material weaknesses in internal control over financial reporting.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II – Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES:

No matters were noted.

Part III – Other Findings Related to Statutory Reporting:

2022-001 Certified Budget – Disbursements during the year ended June 30, 2022 exceeded the amounts budgeted in the culture and recreation, community and economic development, general government, and debt service.

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

Response – The budget will be amended in the future, if applicable.

2022-002 Questionable Disbursement – We noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General’s Opinion dated April 25, 1979.

2022-003 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2022-004 Business Transactions – Business transactions between the City and City officials and/or employees are detailed as follows:

**CITY OF SHELDON, IOWA
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

Part III – Other Findings Related to Statutory Reporting (Continued):

| <u>Name, Title and Business Connection</u> | <u>Transaction/Description</u> | | | |
|---|---------------------------------------|----|--------|-----|
| Downtown Hardware, owned by Council Member, Brad Hindt | Supplies | \$ | 8,090 | (1) |
| Super Hi Tech, owned by Council Member, Wayne Barahona | IT Services | \$ | 20,353 | (1) |
| Vogel Paint & Glass, owned by Mayor, Greg Geels | Paint & Supplies | \$ | 1,145 | (2) |

(1) This transaction may represent a conflict of interest and the City should contact legal counsel for determination as per Chapter 331.342 (j) of the Code of Iowa. Per City management it was noted that the City's board did approve the transactions.

(2) In accordance with Chapter 362.5(3)(j) of the Code of Iowa, this transaction does not appear to represent a conflict of interest since the total transaction was less than \$6,000 during the fiscal year.

2022-005 Restricted Donor Activity - No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 688 of the Code of Iowa.

2022-006 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.

2022-007 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

2022-008 Deposits and Investments – We noted 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 policies.

2022-009 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

2022-010 Urban Renewal Annual Report – The urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1.

2022-011 Annual Financial Report – The annual financial report was filed by December 1.