

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

JUNE 30, 2023

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CITY OF UNDERWOOD

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Dennis Bardsley	Mayor	January 2026
Robert Dose	Mayor Pro-Term	January 2024
Josh Madsen	Council Member	January 2024
Jim Pingel	Council Member	January 2026
JW Tiarks	Council Member	January 2026
Royce Forbush	Council Member	January 2024
Cindy Sorlien	City Clerk/Administrator	Indefinite
Amy Kuper	Deputy City Clerk	Appointed yearly
Matthew Woods	City Attorney	Indefinite



Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

I conducted my 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. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of my report. I am required to be independent of City of Underwood, Iowa, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis of Accounting

I 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. My 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 Underwood's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Underwood'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 my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Underwood's ability to continue as a going concern for a reasonable period of time.

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

I am 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 I identified during the audit.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Underwood's basic financial statements. I previously audited, in accordance with the standards referred to in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report, the financial statements for the twelve years ended June 30, 2022 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The supplementary information included in Schedules 1 through 4, 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 my opinion, the supplementary information in Schedules 1 through 4 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in this report. The other information comprises the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 8 through 14 and 42 through 50 but does not include the basic financial statements and my auditor's report thereon. My opinions on the basic financial statements do not cover the other information, and I do not express an opinion or any form of assurance thereon.

In connection with my audit of the basic financial statements, my 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, I conclude that an uncorrected material misstatement of the other information exists, I am required to describe it in my report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated March 31, 2024 on my consideration of the City of Underwood's internal control over financial reporting and on my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Underwood's internal control over financial reporting and compliance.

Bruckman & Associates, P.C.

March 31, 2024
Harlan, Iowa

**CITY OF UNDERWOOD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

The City of Underwood provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2023. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2023 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 42.8%, or \$585,320.98 from fiscal year 2022 to fiscal year 2023. The increase was primarily due to an increase in operating grants received and note proceeds issued during the fiscal year 2023.

Disbursements of the City's governmental activities increased 22.2%, or \$237,944.58 in fiscal year 2023 from fiscal year 2022. General government and capital projects increased \$88,723.82 and \$151,813.38 while public safety decreased \$35,334.37.

The City's total cash basis net position increased \$709,501.88, from June 30, 2022 to June 30, 2023. Of this amount, the cash basis net position of the governmental activities increased \$656,705.47 and the cash basis net position of the business type activities increased \$52,796.41.

USING THIS REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as the Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Sewer and Garbage Funds. The Sewer Fund is considered a major fund of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$3,078,651.49 to \$3,735,356.96. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities			
	Year Ended June 30, 2023	Year Ended June 30, 2022	
Receipts:			
Program receipts:			
Charges for services	\$ 72,534.16	\$ 100,119.89	
Operating grants, contributions and restricted interest	649,387.43	396,373.30	
Capital grants, contributions and restricted interest	-	-	
General receipts:			
Property tax	560,893.10	523,400.43	
Tax increment financing	150,195.40	183,276.56	
Local option sales tax	168,789.16	155,762.79	
Hotel motel tax	5,506.08	4,755.39	
Miscellaneous receipts	16,123.26	4,419.25	
Note proceeds	330,000.00	-	
Total receipts	1,953,428.59	1,368,107.61	
Disbursements:			
Public safety	64,411.34	99,745.71	
Public works	172,228.57	168,925.13	
Culture and recreation	33,478.46	33,804.83	
Community and economic development	158,473.33	192,707.72	
General government	289,516.48	200,792.66	
Debt service	238,992.57	174,993.50	
Capital projects	355,033.06	203,219.68	
Total disbursements	1,312,133.81	1,074,189.23	
Change in cash basis net position before transfers	641,294.78	293,918.38	
Transfers, net	15,410.69	(38,016.71)	
Change in cash basis net position	656,705.47	255,901.67	
Cash basis net position, beginning of year	3,078,651.49	2,822,749.82	
Cash basis net position, end of year	\$ 3,735,356.96	\$ 3,078,651.49	

The City's total receipts for governmental activities increased 42.8%, or \$585,320.98. The total cost of all programs and services increased \$237,944.58 or 22.2%, with no new programs added this year. The significant increase in receipts was primarily the result of American Rescue Plan monies received and general obligation note proceeds issued.

The cost of all governmental activities this year was \$1,312,133.81 compared to \$1,074,189.23 last year. However, as shown in the Statement of Activities and Net Position on pages 15 and 16, the amount taxpayers ultimately financed for these activities was \$590,212.22 because some of the cost was paid by those directly benefiting from the programs (\$72,534.16) or by other governments and organizations which subsidized certain programs with grants, contributions, and restricted interest (\$694,387.43). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2023 from \$496,493.19 to \$721,921.59, primarily due to federal grants received and American Rescue Plan monies received.

Total business type activities receipts for the fiscal year were \$361,989.07 compared to \$348,526.72 last year. Disbursements decreased \$94,249.48 due to major sewer lift station improvements and engineering costs in fiscal year 2022. The cash basis net position increased \$52,796.41 from the prior year, or 9.6%.

Changes in Cash Basis Net Position of Business Type Activities		
	Year Ended June 30, 2023	Year Ended June 30, 2022
Receipts:		
Program receipts:		
Charges for services and sales:		
Sewer	\$ 306,955.43	\$ 294,681.70
Garbage	55,033.64	53,845.02
Operating grants, contributions and restricted interest	-	-
Capital grants, contributions and restricted interest	-	-
Total receipts	<u>361,989.07</u>	<u>348,526.72</u>
Disbursements:		
Sewer	249,533.96	341,402.36
Garbage	44,248.01	46,629.09
Total disbursements	<u>293,781.97</u>	<u>388,031.45</u>
Change in cash basis net position before transfers	68,207.10	(39,504.73)
Bond proceeds	-	53,730.00
Transfers, net	(15,410.69)	38,016.71
Change in cash basis net position	<u>52,796.41</u>	<u>52,241.98</u>
Cash basis net position, beginning of year	<u>548,400.47</u>	<u>496,158.49</u>
Cash basis net position, end of year	\$ <u><u>601,196.88</u></u>	\$ <u><u>548,400.47</u></u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Underwood completed the year, its governmental funds reported a combined fund balance of \$3,735,356.96, an increase of \$656,705.47 from last year's total of \$3,078,651.49. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance increased \$154,239.56 from the prior year to \$1,582,019.23 at year end. General Fund receipts increased \$83,267.78 and disbursements increased \$25,497.64.

The Special Revenue, Road Use Tax Fund cash balance decreased by \$64,680.67 to \$767,056.84. \$126,591.85 of local option sales tax was receipted into the Road Use Tax Fund this fiscal year and this money will be used to maintain and upgrade City streets.

The Special Revenue Fund, Urban Renewal Tax Increment Fund was established to account for the Fieldcrest Addition, the Eagle Landing Subdivision, the finance agreement with Links Snacks, Inc. and the City's housing assistance program. The fund's cash balance increased by \$23,659.30 to \$391,231.06 at year end.

The Special Revenue, Local Option Sales Tax Fund, receipted \$168,789.16 in local option tax and transferred 75% to the Road Use Tax Fund and 25% to the Sewer Fund.

The Debt Service Fund cash balance increased by \$217,812.94 from the prior year to \$243,129.62. Principal and interest payments were \$238,992.57, tax receipts were \$167,932.94, transfers from general, sewer, and the road use tax fund were \$111,312.38, \$57,608.00 and \$119,952.19, respectively.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise Fund, Sewer Fund cash balance increased by \$42,010.78 to \$514,869.09 from the prior year. Overall, Sewer Fund receipts increased \$12,273.73 primarily due increased usage. Disbursements decreased by \$91,868.40 due to lift station improvements and engineering fees funded during fiscal year 2022.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended the budget once. The City's receipts were \$157,277.34 less than budgeted primarily due to receiving less Tax Increment Financing receipts than anticipated.

The City's disbursements were \$893,049.22 less than amounts budgeted. For the year ended June 30, 2023, disbursements did not exceed the budget in any function.

DEBT ADMINISTRATION

At June 30, 2023, the City had \$1,787,419.50 in bonds and notes outstanding, compared to \$1,705,944.65 last year, a 5% increase, as shown below.

Outstanding Debt at Year-End			
	Year Ended June 30, 2023		Year Ended June 30, 2022
General obligation notes	\$	1,099,419.50	\$ 976,944.65
Sewer revenue notes		688,000.00	729,000.00
Total	\$	1,787,419.50	\$ 1,705,944.65

Outstanding principal was reduced by \$248,525.15. Interest costs for the fiscal year were \$36,824.92.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,099,419.50 is below its constitutional debt limit of approximately \$4.0 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Underwood's elected and appointed officials and citizens considered many factors when setting the fiscal year 2024 budget, tax rates and fees charged for various City activities. One of those factors is the economy. As a bedroom community of a major metropolitan area, housing continues to move as new families take up residence in the Community.

These factors were taken into account when adopting the budget for fiscal year 2024. The mill levy remained the same at 12.85003. Disbursements are expected to increase by approximately \$17,684.00. Receipts are expected to increase by approximately \$103,901.00.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$107,378.00 by the end of fiscal year 2024.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Cindy Sorlien, City Clerk/Administrator, or Mayor Dennis Bardsley, at 241 3rd Street, Underwood, Iowa 51576.

BASIC FINANCIAL STATEMENTS

CITY OF UNDERWOOD

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

	Disbursements	Charges for Services	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 64,411.34	\$ 55,261.66	\$ 298,001.25	\$ -
Public works	172,228.57	100.00	131,281.13	-
Cultures and recreation	33,478.46	1,800.00	-	-
Community and economic development	158,473.33	-	81.42	-
General government	289,516.48	15,372.50	23,551.66	-
Debt service	238,992.57	-	-	-
Capital Projects	355,033.06	-	196,471.97	-
Total governmental activities	<u>1,312,133.81</u>	<u>72,534.16</u>	<u>649,387.43</u>	<u>-</u>
Business type activities:				
Sewer	249,533.96	306,955.43	-	-
Garbage	44,248.01	55,033.64	-	-
Total business type activities	<u>293,781.97</u>	<u>361,989.07</u>	<u>-</u>	<u>-</u>
Total	\$ <u>1,605,915.78</u>	\$ <u>434,523.23</u>	\$ <u>649,387.43</u>	\$ <u>-</u>
Property taxes levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Hotel motel tax				
Miscellaneous				
Bond proceeds				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets, beginning of year				
Cash basis net assets, end of year				
Cash basis net position				
Restricted:				
Expendable:				
Urban renewal				
Debt service				
Streets				
Other purposes				
Unrestricted				
Total cash basis net position				

EXHIBIT A

Net (Disbursements), Receipts and Changes in Net Position				
	Governmental Activities	Business Type Activities		Total
\$	288,851.57	\$ -	\$	288,851.57
	(40,847.44)	-		(40,847.44)
	(31,678.46)	-		(31,678.46)
	(158,391.91)	-		(158,391.91)
	(250,592.32)	-		(250,592.32)
	(238,992.57)	-		(238,992.57)
	(158,561.09)	-		(158,561.09)
	(590,212.22)	-		(590,212.22)
	-	57,421.47		57,421.47
	-	10,785.63		10,785.63
	-	68,207.10		68,207.10
	(590,212.22)	68,207.10		(522,005.12)
	397,606.14	-		397,606.14
	163,286.96	-		163,286.96
	150,195.40	-		150,195.40
	168,789.16	-		168,789.16
	5,506.08	-		5,506.08
	16,123.26	-		16,123.26
	330,000.00	-		330,000.00
	15,410.69	(15,410.69)		-
	1,246,917.69	(15,410.69)		1,231,507.00
	656,705.47	52,796.41		709,501.88
	3,078,651.49	548,400.47		3,627,051.96
\$	<u>3,735,356.96</u>	<u>\$ 601,196.88</u>	\$	<u>4,336,553.84</u>
\$	391,231.06	\$ -	\$	391,231.06
	243,129.62	-		243,129.62
	767,056.84	2,950.00		770,006.84
	464,579.40	-		464,579.40
	1,869,360.04	598,246.88		2,467,606.92
\$	<u>3,735,356.96</u>	<u>\$ 601,196.88</u>	\$	<u>4,336,553.84</u>

See notes to financial statements.

CITY OF UNDERWOOD

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES - GOVERNMENTAL FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

	Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment
Receipts:			
Property tax	\$ 376,639.40	\$ -	\$ -
Tax increment financing	-	-	150,195.40
Other city tax	15,986.27	-	-
Licenses and permits	28,676.97	-	-
Use of money and property	25,129.71	-	81.42
Intergovernmental	149,268.37	131,281.13	-
Charges for services	29,380.69	-	-
Miscellaneous	16,123.26	-	-
Total receipts	<u>641,204.67</u>	<u>131,281.13</u>	<u>150,276.82</u>
Disbursements:			
Operating:			
Public safety	59,339.66	4,717.30	-
Public works	1,332.66	159,844.01	-
Culture and recreation	25,703.54	-	-
Community and economic development	31,825.93	-	126,617.52
General government	262,547.63	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>380,749.42</u>	<u>164,561.31</u>	<u>126,617.52</u>
Excess (deficiency) of receipts over (under) disbursements	260,455.25	(33,280.18)	23,659.30
Other financing sources (uses):			
Debt proceeds	-	-	-
Operating transfers in	10,481.69	126,591.85	-
Operating transfers out	(116,697.38)	(157,992.34)	-
Total other financing sources (uses)	<u>(106,215.69)</u>	<u>(31,400.49)</u>	<u>-</u>
Net change in cash balances	154,239.56	(64,680.67)	23,659.30
Cash balances, beginning of year	<u>1,427,779.67</u>	<u>831,737.51</u>	<u>367,571.76</u>
Cash balances, end of year	<u>\$ 1,582,019.23</u>	<u>\$ 767,056.84</u>	<u>\$ 391,231.06</u>
Cash Basis Fund Balances			
Restricted for:			
Urban renewal purposes	\$ -	\$ -	\$ 391,231.06
Debt Service	-	-	-
Streets	-	767,056.84	-
Other purposes	-	-	-
Unassigned	<u>1,582,019.23</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 1,582,019.23</u>	<u>\$ 767,056.84</u>	<u>\$ 391,231.06</u>

EXHIBIT B

Capital Projects 22/23 Streets		Debt Service	Other Non-major Governmental Funds	Total
\$	-	\$ 163,286.96	\$ 10,178.74	\$ 550,105.10
	-	-	-	150,195.40
	-	2,713.17	168,996.22	187,695.66
	-	-	-	28,676.97
	-	-	-	25,211.13
	-	1,932.81	353,558.07	636,040.38
	-	-	-	29,380.69
	-	-	-	16,123.26
	-	167,932.94	532,733.03	1,623,428.59
	-	-	354.38	64,411.34
	-	-	11,051.90	172,228.57
	-	-	7,774.92	33,478.46
	-	-	29.88	158,473.33
	-	-	26,968.85	289,516.48
	-	238,992.57	-	238,992.57
	355,033.06	-	-	355,033.06
	355,033.06	238,992.57	46,179.93	1,312,133.81
	(355,033.06)	(71,059.63)	486,553.10	311,294.78
	330,000.00	-	-	330,000.00
	25,033.06	288,872.57	95,460.77	546,439.94
	-	-	(256,339.53)	(531,029.25)
	355,033.06	288,872.57	(160,878.76)	345,410.69
	-	217,812.94	325,674.34	656,705.47
	-	25,316.68	426,245.87	3,078,651.49
\$	-	\$ 243,129.62	\$ 751,920.21	\$ 3,735,356.96
\$	-	\$ -	\$ -	\$ 391,231.06
	-	243,129.62	-	243,129.62
	-	-	-	767,056.84
	-	-	464,579.40	464,579.40
	-	-	287,340.81	1,869,360.04
\$	-	\$ 243,129.62	\$ 751,920.21	\$ 3,735,356.96

See notes to financial statements.

EXHIBIT C

CITY OF UNDERWOOD

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS**

AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

	<u>Enterprise Funds</u>		
	<u>Sewer</u>	<u>Garbage</u>	<u>Total</u>
Operating receipts:			
Charges for services	\$ 223,190.00	\$ 55,033.64	\$ 278,223.64
Miscellaneous	-	-	-
Total receipts	<u>223,190.00</u>	<u>55,033.64</u>	<u>278,223.64</u>
Operating disbursements:			
Business type activities	<u>191,341.46</u>	<u>44,248.01</u>	<u>235,589.47</u>
Total disbursements	<u>191,341.46</u>	<u>44,248.01</u>	<u>235,589.47</u>
Operating income (loss)	31,848.54	10,785.63	42,634.17
Non-operating receipts (disbursements):			
Interest	131.25	-	131.25
Intergovernmental	83,634.18	-	83,634.18
Debt service	(49,880.00)	-	(49,880.00)
Capital Project	<u>(8,312.50)</u>	<u>-</u>	<u>(8,312.50)</u>
Total non-operating receipts (disbursements)	<u>25,572.93</u>	<u>-</u>	<u>25,572.93</u>
Excess (deficiency) of receipts over disbursements	57,421.47	10,785.63	68,207.10
Other financing sources (uses):			
Bond Proceeds	-	-	-
Operating transfer in	92,077.31	-	92,077.31
Operating transfer out	<u>(107,488.00)</u>	<u>-</u>	<u>(107,488.00)</u>
Other financing sources (uses)	<u>(15,410.69)</u>	<u>-</u>	<u>(15,410.69)</u>
Net change in cash balance	42,010.78	10,785.63	52,796.41
Cash balances, beginning of year	<u>472,858.31</u>	<u>75,542.16</u>	<u>548,400.47</u>
Cash balances, end of year	\$ <u>514,869.09</u>	\$ <u>86,327.79</u>	\$ <u>601,196.88</u>
Cash Basis Fund Balances			
Restricted	-	-	-
Reserved for Debt Service	2,950.00	-	2,950.00
Unrestricted	\$ <u>511,919.09</u>	\$ <u>86,327.79</u>	\$ <u>598,246.88</u>
Total cash basis fund balances	\$ <u>514,869.09</u>	\$ <u>86,327.79</u>	\$ <u>601,196.88</u>

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(1) Summary of Significant Accounting Policies

The City of Underwood is a political subdivision of the State of Iowa and located in Pottawattamie County. It was first incorporated in 1902 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides sewer and garbage utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following board and commissions: Pottawattamie County Assessor's Conference Board, City Assessor's Conference Board and Pottawattamie County Emergency Management Commission.

B. Basis of Presentation

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

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation - Continued

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

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

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

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

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

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

The 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 that are not paid from other funds.

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(1) Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation - Continued

Special Revenue:

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

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Option Sales Tax Fund is used to account for local option sales taxes which are transferred 25% to the Sewer Fund and 75% to the Road Use Tax Fund.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(1) Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects tax asking contained in the budget certified to the City Council in March 2022.

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(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, 2023, disbursements did not exceed amounts budgeted in any function.

(2) Cash and Pooled Investments

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

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

The City's cash, which consists of cash on hand, cash in bank, and certificates of deposit, held at two local institutions in the City's name totaled \$4,336,553.84 as of June 30, 2023.

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

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	174,419.50	32,777.88	41,000.00	6,640.00	215,419.50	39,417.88
2025	165,000.00	28,425.00	41,000.00	6,222.50	206,000.00	34,647.50
2026	170,000.00	24,070.00	42,000.00	5,805.00	212,000.00	29,875.00
2027	135,000.00	19,205.00	43,000.00	5,370.00	178,000.00	24,575.00
2028	135,000.00	14,737.50	43,000.00	4,927.50	178,000.00	19,665.00
2029	135,000.00	10,270.00	43,000.00	4,485.00	178,000.00	14,755.00
2030	135,000.00	5,885.00	43,000.00	4,042.50	178,000.00	9,927.50
2031	50,000.00	1,500.00	45,000.00	3,600.00	95,000.00	5,100.00
2032	-	-	45,000.00	3,132.50	45,000.00	3,132.50
2033	-	-	45,000.00	2,665.00	45,000.00	2,665.00
2034	-	-	45,000.00	2,197.50	45,000.00	2,197.50
2035	-	-	46,000.00	1,730.00	46,000.00	1,730.00
2036	-	-	33,000.00	1,245.00	33,000.00	1,245.00
2037	-	-	33,000.00	997.50	33,000.00	997.50
2038	-	-	33,000.00	750.00	33,000.00	750.00
2039	-	-	33,000.00	502.50	33,000.00	502.50
2040	-	-	34,000.00	255.00	34,000.00	255.00
Total	\$ 1,099,419.50	\$ 136,870.38	\$ 688,000.00	\$ 54,567.50	\$ 1,787,419.50	\$ 191,437.88

General Obligation Street Improvement Note, 2013

On July 9, 2013, the City issued a general obligation street improvement note with a local bank. The \$190,000.00 note bears interest at 2.82%, requires semi-annual principal and interest installments of \$12,025.50, and matured June 1, 2023.

General Obligation Corporate Purpose Bonds, Series 2015

On March 31, 2015, the City issued bonds to finance the purchase of a fire truck and the 4th Street Extension project. The \$610,000.00 bonds bear interest ranging from 2.0% to 2.75%, require semi-annual installments of interest and annual installments of principal of \$63,113.00, and mature June 1, 2026.

General Obligation Corporate Purpose Loan Agreement

On June 17, 2019, the City entered into a loan agreement and received an advance of \$5,150.00 in anticipation of the issuance of \$515,000.00 of General Obligation Corporate Purpose Bonds, Series 2019, dated July 1, 2019. The \$515,000.00 bonds bear interest ranging from 2.0% to 3.0%, require semi-annual installments of interest and annual installments of principal of \$51,870.00 and mature in June 2031.

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(3) Bonds and Notes Payable (Continued)

General Obligation Corporate Purpose Notes, Series 2020

On July 22, 2020, the City issued bonds to finance the construction of flood mitigation, storm water drainage, sidewalk, sanitary sewer and waterworks system improvements. The \$340,000.00 bonds bear interest ranging from 0.9% to 1.60%, require semi-annual installments of interest and annual installments of principal of \$35,000.00, and mature June 1, 2030.

General Obligation Corporate Purpose Bonds, Series 2022

On December 20, 2022, the City issued bonds to finance the construction of street and storm water drainage system improvements. The \$330,000.00 bonds bear interest ranging from 4.35% to 4.65%, require semi-annual installments of interest and annual installments of principal of \$35,000.00, and mature June 1, 2030.

Ambulance Power Loader Equipment Note

On August 27, 2021, the City issued an equipment note to Stryker Flex Financial for the purchase of an ambulance power loader. The three-year note requires annual payments of \$14,879.88, bears interest at 3.19% and matures August 1, 2024.

Sewer Revenue Loan and Disbursement Agreement

In June 2015, the City entered into a Sewer Revenue Loan and Disbursement Agreement in an amount not to exceed \$313,000.00 to finance one half of the cost of the sanitary sewer lift project. In August 2015, the City qualified for Clean Water State Revolving Fund participation and to date has drew \$247,936.00 and repaid \$99,936.00 as of June 30, 2023. The interest rate is 1.75%, requires semi-annual installments of interest and annual installments of principal of \$11,000.00, matures June 1, 2035 and is payable solely from the net receipts of the sanitary sewer utility.

Sewer Revenue Loan and Disbursement Agreement

In July 2020, the City entered into a Sewer Revenue Loan and Disbursement Agreement in an amount not to exceed \$727,000.00 (amount was later amended to \$629,542.38 in November 2021) to finance sanitary sewer system improvements and extensions. The City qualified for Clean Water State Revolving Fund participation and to date has drew \$629,542.38 and repaid \$89,542.38 as of June 30, 2023. The interest rate is .75%, requires semi-annual installments of interest and annual installments of principal of approximately \$30,000.00, matures June 1, 2040 and is payable solely from the net receipts of the sanitary sewer utility.

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(3) Bonds and Notes Payable (Continued)

Forgivable Promissory Note – Pottawattamie County, Iowa

On April 11, 2023, the City entered into a \$125,000.00 forgivable promissory note agreement with Pottawattamie County, Iowa (County) as a result of the County wanting to share a portion of American Rescue Plan Act funds with various municipalities located in the County. The City was approved by the County for a list of projects for these funds to finance, which include to develop a pickleball court and bike trail with restrooms. The note is forgivable by the County provided the funds are spent in full by October 31, 2024 and the City provides satisfactory documentation that the funds were directed to the approved projects as listed in the note agreement. If the criteria for note forgiveness is not met by the City, ten equal installments of \$12,500.00 are due beginning on March 28, 2025, with the remaining payments being due on the same date for the ensuing nine years. The note does not require any payment of interest. The City's intention is to complete the projects and apply for note forgiveness once the projects are complete, thus not having any repayment obligation of the funds to the County.

Revenue Note Resolutions

The resolutions providing for the issuance of the Iowa Finance Authority notes include the following provisions:

- a) The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$942,542.38 sewer revenue note(s) issued October 15, 2015 and November 5, 2021. Note proceeds provided financing for sewer system improvements. The note(s) are payable solely from sewer customer net receipts and are payable through 2040. Annual net revenues are to be maintained at a level of not less than 110% of the amount of annual principal and interest due on the revenue note(s). The total principal and interest remaining to be paid on the note(s) are \$742,567.50. For the current year, principal and interest paid were \$41,000.00 and \$7,057.50, respectively. Total annual net revenues were \$218,810.61 or approximately 455% of the annual principal and interest due on the note.
- b) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- c) Sufficient monthly transfers shall be made to separate revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.

Additional monthly transfers shall be made to separate reserve accounts within the Enterprise Funds for the purpose of paying for any additional improvements, extensions or repairs to the system.

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(4) Pension Plan

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

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

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

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 that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(4) Pension Plan (Continued)

Pension Benefits (Continued)

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 lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

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

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

The City's contributions to IPERS for the year ended June 30, 2023 were \$19,142.78.

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023 the City reported a liability of \$79,075 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the City's proportion was 0.001992%, which was an increase of 0.000017% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City's pension expense, deferred outflows and deferred inflows totaled \$(1,135.00), \$80,135.00, and \$86,113.00, respectively.

There were no non-employer contributing entities to IPERS.

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(4) Pension Plan (Continued)

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

Rate of inflation (effective June 30, 2017)	2.6% per annum
Rates of salary increase (effective June 30, 2017)	3.25% to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

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

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

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
Total	<u>100.0%</u>	

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(4) Pension Plan (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rates 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.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$147,327.00	\$79,075.00	\$18,927.00

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

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. For the year ended June 30, 2023, the City contributed \$35,185.77 and plan members eligible for benefits contributed \$7,185.11 to the plan. At June 30, 2023, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

There are 3 active and no retired members in the plan. Participants must be age 55 or older at retirement.

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. At June 30, 2023, City employees had accumulated 200 earned vacation hours and the City's liability is reported as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2023</u>
Vacation	\$ <u>6,642.40</u>

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

(7) Interfund Transfers

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

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
Emergency Fund	General Fund	\$ 10,481.69
General Fund	Permanent Fund- Perpetual Care	5,005.00
General Fund	Permanent Fund- Perpetual Care	380.00
Special Revenue - Local Option	Special Revenue - Road Use	126,591.85
Special Revenue - Local Option	Enterprise - Sewer	42,197.31
Special Revenue - Road Use	Capital Project -- 2019 Streets	13,007.09
Special Revenue - Road Use	Capital Project -- 22/23 Streets	25,033.06
Capital Project -- Mosquito Creek	Capital Project -- Watershed	77,068.68
Enterprise - Sewer	Enterprise -- Sewer Sinking	29,096.69
Enterprise - Sewer	Enterprise -- Sewer Sinking	20,783.31
Special Revenue - Road Use	Debt Service Fund	119,952.19
General Fund - Fire	Debt Service Fund	56,992.50
Enterprise - Sewer	Debt Service Fund	57,608.00
General Fund	Debt Service Fund	39,440.00
General Fund - Ambulance	Debt Service Fund	14,879.88
Total		\$ <u>638,517.25</u>

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

(8) Related Party Transactions

There were no business transactions between the City and City officials during the year ended June 30, 2023.

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(9) 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 800 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

The Pool also provides property coverage. Members who elect such coverage make annual 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, 2023 were \$39,377.00.

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 shall be the obligation of the

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(9) Risk Management (Continued)

respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2023, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation and public officials' bond in the amount of \$6,723.00 and \$244.00, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Urban Renewal Tax Increment Financing Agreements

Field Crest Development Agreement - Phase One

On December 10, 2003, the City entered into a development agreement with McKee Contracting with respect to the development of the Field Crest Phase One housing subdivision, including the construction of public infrastructure and new housing units within the Urban Renewal Area. The original developer started but did not complete the performance obligations under the original agreement and the original agreement was rendered null and void.

On November 23, 2010, the City entered into a development agreement with Shiloh Properties, LLC which had acquired the property and the rights to undertake its development from McKee Contracting. Shiloh Properties requested, and the City agreed to provide, tax increment financing assistance to the developer to assist in paying the cost of the project improvements such as street repairs and storm sewer/drainage infrastructure. The developer also agreed to market the lots comprising the property and to continue promoting the construction of homes thereon.

Field Crest Development Agreement - Phase One (Continued)

Per terms of the agreement, the developer was required to certify to the City by November 1 of each year the estimated amount of incremental property taxes which would be paid with respect to the taxable incremental property valuation for the property in the fiscal year immediately following such certification. The City agreed to make 12 semi-annual

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

Field Crest Development Agreement - Phase One (Continued)

economic development tax increment payments to the developer over six years or until such earlier time as total payments equal to \$210,000 have been made. Each payment was subject to annual appropriation by the City Council and required a 35.1% Low and Moderate Income Set Aside deducted from the payment amount.

Per terms of the agreement, the Low and Moderate Set Aside amount shall be retained by the City for use in any lawful purpose of the City, including the provision of assistance to low and moderate income families, pursuant to Section 403.22 of the Code of Iowa. The developer may apply to the City for all or a portion of the funds set aside assistance to low and moderate income families, provided the developer can document to the satisfaction of the City that housing units which are located on the property are occupied by families which meet the required income limits of state law. The City reserves the right to allocate funds accumulated through the Low and Moderate Set Aside Amount in any lawful manner of its choosing.

Field Crest Development Agreement - Phase Three

On April 8, 2014, the City entered into a development agreement with Shiloh Properties, LLC for the construction of single-family housing units and public infrastructure such as street improvements, landscaping and grading, and other infrastructure improvements within the Urban Renewal Area. The developer requested, and the City agreed to provide, tax increment financing assistance to the developer to assist in paying the cost of the infrastructure project.

Per terms of the agreement, the developer was required to certify to the City by November 1 of each year the estimated amount of incremental property taxes which would be paid with respect to the taxable incremental property valuation for the property in the fiscal year immediately following such certification. The City agreed to make 28 semi-annual economic development tax increment payments over fourteen years to the developer with total payments not to exceed the lesser of \$440,000 or the demonstrated infrastructure costs. All payments are subject to annual appropriation by City Council and required a 15% Low and Moderate Income Set Aside Amount. The Iowa Economic Development Authority approved the 15% Set Aside Percentage, reduced from 31.5%, for such projects in Pottawattamie County.

Field Crest Development Agreement - Phase Three (Continued)

Per terms of the agreement, the Low and Moderate Set Aside amount shall be retained by the City for use in any lawful purpose of the City, including the provision of assistance to low and moderate income families, pursuant to Section 403.22 of the Code of Iowa. The developer may apply to the City for all or a portion of the funds set aside assistance to low and moderate income families, provided the developer can document to the satisfaction of the City that housing units which are located on the property are occupied by families which meet the required income limits of state law. The City reserves the right to allocate

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(10) Urban Renewal Tax Increment Financing Agreements (Continued)

Field Crest Development Agreement - Phase Three (Continued)

funds accumulated through the Low and Moderate Set Aside Amount in any lawful manner of its choosing.

Field Crest Development Agreement - Phase Two

On August 22, 2017, the City entered into a development agreement with Shiloh Properties, LLC to develop a residential subdivision including the construction of public infrastructure improvements within the Urban Renewal Area. The developer requested, and the City agreed to provide, tax increment financing assistance to the developer to assist in paying the cost of the infrastructure project.

Per terms of the agreement, the developer is required to certify to the City by November 1 of each year the estimated amount of incremental property taxes which would be paid with respect to the taxable incremental property valuation for the property in the fiscal year immediately following such certification. The City agreed to make 30 semi-annual economic development tax increment payments over fifteen years to the developer with total payments not to exceed the lesser of \$902,000 or the demonstrated infrastructure costs. All payments are subject to annual appropriation by City Council and required a 15% Low and Moderate Income Set Aside Amount. The Iowa Economic Development Authority approved the 15% Set Aside Percentage, reduced from 31.5%, for such projects in Pottawattamie County.

Per terms of the agreement, the Low and Moderate Set Aside amount shall be retained by the City for use in any lawful purpose of the City, including the provision of assistance to low and moderate income families, pursuant to Section 403.22 of the Code of Iowa. The developer may apply to the City for all or a portion of the funds set aside assistance to low and moderate income families, provided the developer can document to the satisfaction of the City that housing units which are located on the property are occupied by families which meet the required income limits of state law. The City reserves the right to allocate funds accumulated through the Low and Moderate Set Aside Amount in any lawful manner of its choosing.

For the year ended June 30, 2023, the City rebated \$73,619.50 of incremental taxes to Shiloh Properties LLC.

Tax Incremental Finance Agreement with Jack Links, Inc.

In December 2016, the City requested an annual appropriation from Pottawattamie County to collect the maximum allowable incremental taxes for the Jack Links TIF District. For the year ended June 30, 2023, the City rebated to Jack Links, Inc. \$52,998.02 per terms of the agreement.

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(11) Commitments

The City renewed an agreement for law enforcement services with Pottawattamie County. The fee for the year ended June 30, 2023 was \$17,029.00.

The City has an agreement with M & K Mills Tree Service, Inc. for solid waste collection at a cost of \$11.50 per customer, \$6.00 for an extra container, and \$95.00 for container replacement.

(12) 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 receipts 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 pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2023, \$40,658.88 of property tax was diverted from the City under urban renewal and economic development agreements.

(13) Subsequent Events

In December of 2023, the City approved a Resolution (23-12-02) to enter into a Sewer Revenue Loan and Disbursement Agreement in an amount not to exceed \$319,400 to finance the planning, design and construction of improvements of the sanitary sewer system. Under the loan agreement, the City will borrow approximately \$319,400 and the note is at 0%.

CITY OF UNDERWOOD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

(13) Subsequent Events (Continued)

In March of 2024, the City approved a Resolution (24-03-01) to enter into a General Obligation Street Improvement Loan Agreement in an amount not to exceed \$550,000 to finance the construction of street and related infrastructure improvements. Under the loan agreement, the City will borrow approximately \$550,000 to be paid from future property tax levies.

OTHER INFORMATION

CITY OF UNDERWOOD

BUDGETARY COMPARISON SCHEDULE

OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -

BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS

OTHER INFORMATION

YEAR ENDED JUNE 30, 2023

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 550,105.10	\$ -
Tax increment financing	150,195.40	-
Other city tax	187,695.66	-
Licenses and permits	28,676.97	-
Use of money and property	25,211.13	131.25
Intergovernmental	636,040.38	-
Charges for services	29,380.69	361,857.82
Special assessments	-	-
Miscellaneous	16,123.26	-
Total receipts	<u>1,623,428.59</u>	<u>361,989.07</u>
Disbursements:		
Public safety	64,411.34	-
Public works	172,228.57	-
Health and social services	-	-
Culture and recreation	33,478.46	-
Community and economic development	158,473.33	-
General government	289,516.48	-
Debt service	238,992.57	-
Capital projects	355,033.06	-
Business type	-	293,781.97
Total disbursements	<u>1,312,133.81</u>	<u>293,781.97</u>
Excess (deficiency) of receipts over (under) disbursements	311,294.78	68,207.10
Other financing sources, net	<u>345,410.69</u>	<u>(15,410.69)</u>
Excess (deficiency) of receipts and other financing sources	656,705.47	52,796.41
Balance beginning of year	<u>3,078,651.49</u>	<u>548,400.47</u>
Balance end of year	<u>\$ 3,735,356.96</u>	<u>\$ 601,196.88</u>

See Accompanying Independent Auditor's Report.

Total	Budgeted Amounts		Variance
	Original	Final	Favorable (Unfavorable)
\$ 550,105.10	\$ 559,230.00	\$ 559,230.00	\$ (9,124.90)
150,195.40	318,249.00	318,249.00	(168,053.60)
187,695.66	165,056.00	165,056.00	22,639.66
28,676.97	34,735.00	49,085.00	(20,408.03)
25,342.38	78,820.00	78,820.00	(53,477.62)
636,040.38	324,805.00	324,805.00	311,235.38
391,238.51	266,950.00	266,950.00	124,288.51
-	-	-	-
16,123.26	263,600.00	380,500.00	(364,376.74)
<u>1,985,417.66</u>	<u>2,011,445.00</u>	<u>2,142,695.00</u>	<u>(157,277.34)</u>
64,411.34	382,850.00	399,650.00	335,238.66
172,228.57	399,324.00	470,654.00	298,425.43
-	-	-	-
33,478.46	78,421.00	89,635.00	56,156.54
158,473.33	185,909.00	204,909.00	46,435.67
289,516.48	345,489.00	385,089.00	95,572.52
238,992.57	227,463.00	243,463.00	4,470.43
355,033.06	400,000.00	400,000.00	44,966.94
293,781.97	280,043.00	305,565.00	11,783.03
<u>1,605,915.78</u>	<u>2,299,499.00</u>	<u>2,498,965.00</u>	<u>893,049.22</u>
379,501.88	(288,054.00)	(356,270.00)	735,771.88
<u>330,000.00</u>	<u>400,000.00</u>	<u>400,000.00</u>	<u>(70,000.00)</u>
709,501.88	111,946.00	43,730.00	665,771.88
<u>3,627,051.96</u>	<u>3,627,051.96</u>	<u>3,627,051.96</u>	<u>-</u>
\$ <u>4,336,553.84</u>	\$ <u>3,738,997.96</u>	\$ <u>3,670,781.96</u>	\$ <u>665,771.88</u>

CITY OF UNDERWOOD
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING
JUNE 30, 2023

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$199,466.00. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2023, no disbursements exceeded amounts budgeted in any function.

CITY OF UNDERWOOD
SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST EIGHT YEARS

OTHER INFORMATION

	2023	2022	2021	2020
City's proportion of the net pension liability	.001992%	.001975%	.001995%	.002142%
City's proportionate share of the net pension liability	\$ 79,075	\$ 2,769	\$ 139,153	\$ 124,847
City's covered-employee payroll	\$ 202,784	\$ 168,568	\$ 160,283	\$ 157,208
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38.9%	1.64%	86.82%	79.42%
IPERS' net position as a percentage of the total pension liability	91.40%	100.81%	82.90%	85.45%

- In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding year.
- Note – Amounts reported are rounded.

**CITY OF UNDERWOOD
SCHEDULE OF CITY CONTRIBUTIONS**

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

OTHER INFORMATION

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 19,143	\$ 15,913	\$ 15,131	\$ 14,840
Contributions in relation to the statutorily required contribution	\$ <u>(19,143)</u>	\$ <u>(15,913)</u>	\$ <u>(15,131)</u>	\$ <u>(14,840)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered-employee payroll	\$ 202,784	\$ 168,568	\$ 160,283	\$ 157,208
Contributions as a percentage of covered-employee payroll	9.44%	9.44%	9.44%	9.44%

- Note -- Amounts reported are rounded.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 15,487	\$ 10,302	\$ 12,280	\$ 11,529	\$ 10,998	\$ 11,806
\$ <u>(15,487)</u>	\$ <u>(10,302)</u>	\$ <u>(12,280)</u>	\$ <u>11,541</u>	\$ <u>(10,975)</u>	\$ <u>(11,806)</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>(12)</u>	\$ <u>23</u>	\$ <u>-</u>
\$ 164,060	\$ 115,360	\$ 137,512	\$ 129,099	\$ 123,159	\$ 132,201
9.43%	8.93%	8.93%	8.93%	8.93%	8.93%

- Note – Amounts reported are rounded.

See accompanying independent auditor's report.

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

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

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

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

SUPPLEMENTARY INFORMATION

CITY OF UNDERWOOD

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NON-MAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2023

	Capital Projects				Urban Renewal LMI
	Streets	Mosquito Creek	Watershed	ARPA	
Receipts:					
Property tax	\$ -	\$ -	\$ -	\$ -	\$ -
Other city taxes	-	-	-	-	-
Intergovernmental	-	-	-	196,471.97	-
Total receipts	-	-	-	196,471.97	-
Disbursements:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic development	-	-	-	-	-
General government	-	-	-	-	-
Capital projects	-	-	-	-	-
Total disbursements	-	-	-	-	-
Excess (deficiency) of receipts over (under) disbursements	-	-	-	196,471.97	-
Other financing sources (uses):					
Bond proceeds	-	-	-	-	-
Operating transfers in	13,007.09	-	77,068.68	-	-
Operating transfers out	-	(77,068.68)	-	-	-
Net financing sources (uses)	13,007.09	(77,068.68)	77,068.68	-	-
Net change in cash balances	13,007.09	(77,068.68)	77,068.68	196,471.97	-
Cash balances beginning of year	(13,007.09)	145,923.61	(77,068.68)	71,471.97	-
Cash balances end year	\$ -	\$ 68,854.93	\$ -	\$ 267,943.94	\$ -
Cash Basis Fund Balances					
Restricted for other purposes	\$ -	\$ 68,854.93	\$ -	\$ 267,943.94	\$ -
Unassigned	-	-	-	-	-
Total cash basis fund balances	\$ -	\$ 68,854.93	\$ -	\$ 267,943.94	\$ -

Special Revenue				Permanent	Total
Employee Benefits	Emergency	Local Option Sales Tax	FEMA	Perpetual Care	
\$ 48.01	\$ 10,130.73	\$ -	\$ -	\$ -	\$ 10,178.74
-	207.06	168,789.16	-	-	168,996.22
-	143.90	-	156,942.20	-	353,558.07
<u>48.01</u>	<u>10,481.69</u>	<u>168,789.16</u>	<u>156,942.20</u>	<u>-</u>	<u>532,733.03</u>
45.83	-	-	308.55	-	354.38
11,051.90	-	-	-	-	11,051.90
7,774.92	-	-	-	-	7,774.92
29.88	-	-	-	-	29.88
26,968.85	-	-	-	-	26,968.85
-	-	-	-	-	-
<u>45,871.38</u>	<u>-</u>	<u>-</u>	<u>308.55</u>	<u>-</u>	<u>46,179.93</u>
(45,823.37)	10,481.69	168,789.16	156,633.65	-	486,553.10
-	-	-	-	-	-
-	-	-	-	5,385.00	95,460.77
-	(10,481.69)	(168,789.16)	-	-	(256,339.53)
<u>-</u>	<u>(10,481.69)</u>	<u>(168,789.16)</u>	<u>-</u>	<u>5,385.00</u>	<u>(160,878.76)</u>
(45,823.37)	-	-	156,633.65	5,385.00	325,674.34
173,603.90	-	-	125,322.16	-	426,245.87
<u>\$ 127,780.53</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 281,955.81</u>	<u>\$ 5,385.00</u>	<u>\$ 751,920.21</u>
\$ 127,780.53	\$ -	\$ -	\$ -	\$ -	\$ 464,579.40
-	-	-	281,955.81	5,385.00	287,340.81
<u>\$ 127,780.53</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 281,955.81</u>	<u>\$ 5,385.00</u>	<u>\$ 751,920.21</u>

See Accompanying Independent Auditor's Report.

CITY OF UNDERWOOD
SCHEDULE OF INDEBTEDNESS

JUNE 30, 2023

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Ambulance Power Loader	August 27, 2021	3.193 %	\$ 43,272.75
Clarke Circle Improvement Note	July 9, 2013	2.82 %	\$ 190,000.00
Corporate Purpose Bonds, Series 2015	March 31, 2015	2.00 - 2.75%	\$ 610,000.00
Corporate Purpose Loan Agreement	June 17, 2019	2.00 - 3.00%	\$ 515,000.00
Corporate Purpose Notes, Series 2020	July 22, 2020	0.90 – 1.60%	\$ 340,000.00
Corporate Purpose Bonds, Series 2022	December 20, 2022	4.35 – 4.65%	\$ 330,000.00
Revenue notes:			
SRF Loan	October 10, 2015	2.00%	\$ 313,000.00
Sewer Revenue Bond SRLF	July 31, 2020 (original)	0.75%	\$ 727,000.00 (original)
	November 5, 2021 (amended)		\$ 629,542.38 (amended)

See Accompanying Independent Auditor's Report.

SCHEDULE 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 28,392.87	\$ -	\$ 13,973.37	\$ 14,419.50	\$ 906.51	\$ 421.96
23,551.78	-	23,551.78	-	499.28	-
240,000.00	-	60,000.00	180,000.00	6,600.00	412.50
405,000.00	-	40,000.00	365,000.00	11,070.00	852.50
280,000.00	-	35,000.00	245,000.00	3,990.00	306.25
-	330,000.00	35,000.00	295,000.00	6,701.63	1,121.87
<u>\$ 976,944.65</u>	<u>\$ 330,000.00</u>	<u>\$ 207,525.15</u>	<u>\$ 1,099,419.50</u>	<u>\$ 29,767.42</u>	<u>\$ 3,115.08</u>
\$ 159,000.00	\$ -	\$ 11,000.00	\$ 148,000.00	\$ 2,782.50	\$ 215.83
570,000.00	-	30,000.00	540,000.00	4,275.00	337.50
<u>\$ 729,000.00</u>	<u>\$ -</u>	<u>\$ 41,000.00</u>	<u>\$ 688,000.00</u>	<u>\$ 7,057.50</u>	<u>\$ 553.33</u>

CITY OF UNDERWOOD
BOND AND NOTE MATURITIES
JUNE 30, 2023

General Obligation Bonds and Notes

Year Ending June 30,	Corporate Purpose Bonds, Series 2022 Issued December 20, 2022		Corporate Purpose Notes, Series 2020 Issued July 22, 2020		Ambulance Power Loader Issued August 27, 2021	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2024	4.65%	25,000.00	1.60%	35,000.00	3.193%	14,419.50
2025	4.65%	30,000.00	1.60%	35,000.00	-	-
2026	4.65%	30,000.00	1.60%	35,000.00	-	-
2027	4.65%	55,000.00	1.60%	35,000.00	-	-
2028	4.65%	55,000.00	1.60%	35,000.00	-	-
2029	4.65%	50,000.00	1.60%	35,000.00	-	-
2030	4.65%	50,000.00	1.60%	35,000.00	-	-
2031	-	-	-	-	-	-
Total		\$ <u>295,000.00</u>		\$ <u>245,000.00</u>		\$ <u>14,419.50</u>

See Accompanying Independent Auditor's Report.

CITY OF UNDERWOOD
BOND AND NOTE MATURITIES
JUNE 30, 2023

General Obligation Bonds and Notes

Year Ending June 30,	Corporate Purpose Loan Agreement Issued June 17, 2019		Essential Corporate Purpose Bonds Issued March 31, 2015		Total
	Interest Rate	Amount	Interest Rate	Amount	
2024	2%	40,000.00	2.75%	60,000.00	174,419.50
2025	2%	40,000.00	2.75%	60,000.00	165,000.00
2026	2%	45,000.00	2.75%	60,000.00	170,000.00
2027	2%	45,000.00	-	-	135,000.00
2028	2%	45,000.00	-	-	135,000.00
2029	2%	50,000.00	-	-	135,000.00
2030	2%	50,000.00	-	-	135,000.00
2031	2%	50,000.00	-	-	50,000.00
Total		\$ 365,000.00		\$ 180,000.00	\$ 1,099,419.50

CITY OF UNDERWOOD
BOND AND NOTE MATURITIES
JUNE 30, 2023

Sewer Revenue Notes

Year Ending June 30,	Sewer Revenue Notes Issued July 31, 2020		SRF Loan Issued May 12, 2015		Total
	Interest Rate	Amount	Interest Rate	Amount	
2024	0.75%	30,000.00	2.00%	11,000.00	41,000.00
2025	0.75%	30,000.00	2.00%	11,000.00	41,000.00
2026	0.75%	30,000.00	2.00%	12,000.00	42,000.00
2027	0.75%	31,000.00	2.00%	12,000.00	43,000.00
2028	0.75%	31,000.00	2.00%	12,000.00	43,000.00
2029	0.75%	31,000.00	2.00%	12,000.00	43,000.00
2030	0.75%	31,000.00	2.00%	12,000.00	43,000.00
2031	0.75%	32,000.00	2.00%	13,000.00	45,000.00
2032	0.75%	32,000.00	2.00%	13,000.00	45,000.00
2033	0.75%	32,000.00	2.00%	13,000.00	45,000.00
2034	0.75%	32,000.00	2.00%	13,000.00	45,000.00
2035	0.75%	32,000.00	2.00%	14,000.00	46,000.00
2036	0.75%	33,000.00	-	-	33,000.00
2037	0.75%	33,000.00	-	-	33,000.00
2038	0.75%	33,000.00	-	-	33,000.00
2039	0.75%	33,000.00	-	-	33,000.00
2040	0.75%	34,000.00	-	-	34,000.00
Total		\$ 540,000.00		\$ 148,000.00	\$ 688,000.00

CITY OF UNDERWOOD

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION - ALL GOVERNMENTAL FUNDS

FOR THE LAST TEN YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Receipts:					
Property taxes	\$ 550,105	\$ 523,400	\$ 489,905	\$ 472,759	\$ 453,829
Tax increment financing	150,195	183,277	222,571	107,831	94,470
Other city taxes	187,696	163,235	159,382	145,617	133,419
License and permits	28,677	68,142	10,731	21,515	16,643
Use of money and property	25,211	262	388	6,889	10,066
Intergovernmental	636,040	389,312	736,501	268,547	214,902
Charges for service	29,381	29,261	25,821	27,849	30,314
Special assessments	-	-	-	-	-
Miscellaneous	16,123	11,219	4,850	9,633	31,437
Total	\$ <u>1,623,428</u>	\$ <u>1,368,108</u>	\$ <u>1,650,149</u>	\$ <u>1,060,640</u>	\$ <u>985,080</u>
Disbursements:					
Operating:					
Public safety	\$ 64,411	\$ 99,746	\$ 195,822	\$ 89,781	\$ 117,798
Public works	172,229	168,925	102,510	183,632	132,330
Health and social services	-	-	-	-	-
Culture and recreation	33,478	33,805	31,086	51,114	42,564
Comm. and economic dev	158,473	192,708	159,623	170,964	75,266
General government	289,516	200,792	202,553	162,093	144,939
Debt service	238,993	174,993	223,454	208,213	332,310
Capital projects	355,033	203,220	473,635	629,384	-
Total	\$ <u>1,312,133</u>	\$ <u>1,074,189</u>	\$ <u>1,388,683</u>	\$ <u>1,495,181</u>	\$ <u>845,207</u>

- Note – Amounts reported are rounded.

See accompanying independent auditor's report.

SCHEDULE 4

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	429,125	\$ 429,580	\$ 397,379	\$ 398,964	\$ 323,669
	134,076	102,095	176,237	125,081	42,913
	116,014	107,384	134,138	140,485	108,381
	20,014	13,978	11,994	11,878	9,923
	7,711	605	498	501	324
	218,595	213,109	219,049	192,023	186,090
	30,443	30,579	31,096	44,131	33,198
	-	-	-	-	-
	<u>21,543</u>	<u>16,558</u>	<u>10,153</u>	<u>10,282</u>	<u>12,288</u>
\$	<u>977,521</u>	\$ <u>913,888</u>	\$ <u>980,544</u>	\$ <u>923,345</u>	\$ <u>716,786</u>
\$	85,007	\$ 50,691	\$ 55,634	\$ 552,605	\$ 63,899
	79,344	137,895	130,636	190,581	99,147
	-	-	-	-	-
	36,676	26,001	29,457	30,051	32,767
	138,185	66,081	149,503	124,644	70,619
	175,588	171,327	132,371	157,927	139,188
	156,558	150,014	180,125	114,678	91,903
	-	172,535	-	-	163,939
\$	<u>671,358</u>	\$ <u>774,544</u>	\$ <u>677,726</u>	\$ <u>1,170,486</u>	\$ <u>661,462</u>

- Note – Amounts reported are rounded.

**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
Members of the City Council:

I have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Underwood, Iowa as of and for the year ended June 30, 2023 and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements and have issued my report thereon dated March 31, 2024. My report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Report on Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the City of Underwood's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Underwood's internal control. Accordingly, I do not express an opinion on the effectiveness of the City of Underwood's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Underwood'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.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be significant deficiencies. I consider the deficiencies described in Part I of the accompanying Schedule of Findings and Responses as items I-A-23, and I-B-23 to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Underwood's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters which are required to be reported under *Government Auditing Standards*. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part II of the accompanying Schedule of Findings and Responses.

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

City of Underwood's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Underwood's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Responses. The City of Underwood's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on them.

Purpose of this Report

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

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Underwood during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Brackelmann & Associates, P.C.

Harlan, Iowa
March 31, 2024

**CITY OF UNDERWOOD
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023**

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES

I-A-23 Segregation of Duties

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

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

Cause - The City has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes. The City Treasurer provides compensating controls through additional oversight of transactions and processes by reviewing bank deposits, statements and postings on a monthly basis.

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

Recommendation - I realize that with one full time city clerk and a part time deputy clerk, a proper segregation of duties is challenging. I continue to recommend the City Council should monitor control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to rely on our City Treasurer's monthly supervision of account and transaction activity.

Conclusion - Response accepted.

**CITY OF UNDERWOOD
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023**

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES (Continued)

I-B-23 Financial Reporting –Interfund Transfers and Debt Service Payments

Criteria - A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements of the financial reports on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition -- Several resolutions were approved by the Council to transfer funds from the fund obligated for the debt service payment to the Debt Service Fund. However, the transfers were not posted to the City's general ledger, thus resulting in a pre-audit negative Debt Service Fund cash position of \$45,742.95. Audit adjustments were subsequently made by the City to properly report these transfer amounts in the City's financial statements.

Cause - Policies have not been established and procedures have not been implemented to ensure that internal transfers once approved by the Council are to be compared to the City's accounting records by an independent person to ensure proper recording.

Effect -- Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions and material adjustments to the City's financial statements were necessary.

Recommendation -- The City should implement procedures to ensure internal transfers of funds are properly recorded in the City's financial statements.

Response -- We will double check this in the future to avoid this situation.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted

**CITY OF UNDERWOOD
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023**

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-23 Certified Budget - Disbursements during the year ended June 30, 2023 did not exceed the amounts budgeted in any function. Chapter 384.20 of the Code of Iowa states, in part, *Public monies may not be expended or encumbered except under an annual or continuing appropriation.*
- II-B-23 Questionable Disbursements - I noted no disbursements for parties, banquets, or other entertainment for employees that I believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-23 Travel Expense - No disbursements of City money for travel expenses for spouses of City officials or employees were noted.
- II-D-23 Business Transactions - No business transactions between the City and City officials and/or employees were noted.
- II-E-23 Restricted Donor Activity - No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- II-F-23 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 coverage is adequate for current operations.
- II-G-23 Deposits and Investments - I noted no instance of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- II-H-23 Tax Increment Financing - Chapter 403.19 of the Code of Iowa provides that a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. Urban Renewal Area TIF Indebtedness was certified to the County Auditor before December 1, and no exceptions were noted.

**CITY OF UNDERWOOD
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023**

Part II: Other Findings Related to Required Statutory Reporting (Continued):

- II-I-23 Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.

The July 2022 monthly summary of receipts and disbursements by fund was not published within the 15-day timeframe as required by Chapter 372.13(6).

Recommendation - Clerks often include the summary of receipts and disbursements by fund with the claims list thereby ensuring its publication.

Response - We will revise our current practices and include the summary of receipts and disbursements by fund with the claims list and ensure that this is included with all meeting minutes and published with the required timeframe.

Conclusion - Response accepted.

- II-J-23 Annual Urban Renewal Report - The annual urban renewal report was approved by City Council and certified to the Iowa Department of Management on or before December 1. The report was filed by the filing deadline.

In addition, the following exceptions were noted:

The City's beginning and ending cash balances of the Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary do not agree with the City's general ledger.

Recommendation - The City should ensure the cash balances, debt amounts, revenue and expenditures reported on the Levy Authority Summary agree with the City's records.

Response - These items will be corrected on next year's report.

Conclusion - Response accepted.

CITY OF UNDERWOOD
UNDERWOOD, IOWA 51576

NEWS RELEASE

Broeckelman & Associates, P.C., 1301 Hawkeye Ave, Harlan, Iowa today released an audit report on the City of Underwood, Iowa.

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$2,315,417.66 for the year ended June 30, 2023, a 30.8 percent increase from the prior year. Disbursements for the year totaled \$1,605,915.78, a 9.8 percent increase from the prior year. The significant increase in receipts and disbursements is due primarily to an increase in operating grants, ARPA funds, and debt proceeds received and an increase in the City's capital projects.

AUDIT FINDINGS:

Broeckelman reported findings related to the receipt and disbursements of taxpayer funds. They are found on pages 62 through 65 of this report. The findings address issues such as a lack of segregation of duties, accounting for internal transfers and debt service payments, publication requirements for the summary of receipts and disbursements by fund, and Annual Urban Renewal report deficiencies.

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

A copy of the audit report is available for review in the City Clerk's office, in the office of the Auditor of State and on the Auditor of State's web site <https://auditor.iowa.gov/audit-reports>.