

**CITY OF SHELDON**

**INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS**

**JUNE 30, 2020**

**Draft**

CITY OF SHELDON  
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CITY OF SHELDON

CITY OFFICIALS

(Before January 2020)

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Greg Geels	Mayor	January 2022
Brad Hindt	Council Member, Mayor Pro-Tem	January 2020
Pete Hamill	Council Member	January 2020
Shawn Broesder	Council Member	January 2022
Tom Eggers	Council Member	January 2022
Wayne Barahona	Council Member	January 2020
Sam Kooiker	City Manager	Indefinite
Angela Beckman	Clerk/Treasurer	Indefinite
Micah Schreurs	Attorney	Indefinite

(After January 1, 2020)

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Greg Geels	Mayor	January 2022
Brad Hindt	Council Member, Mayor Pro-Tem	January 2024
Pete Hamill	Council Member	January 2024
Shawn Broesder	Council Member	January 2022
Tom Eggers	Council Member	January 2022
Wayne Barahona	Council Member	January 2024
Sam Kooiker	City Manager	Indefinite
Angela Beckman	Clerk/Treasurer	Indefinite
Micah Schreurs	Attorney	Indefinite

## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Sheldon  
Sheldon, IA 51201

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the primary government of the City of Sheldon, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents.

### **Management's Responsibility 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. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes 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.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but

not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Adverse Opinion on Aggregate Discretely Presented Component Units**

The financial statements referred to above do not include financial data for the City's legally separate component units. Accounting principles for the basis of accounting described in Note 1 require the financial data for the component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles for the basis of accounting described in Note 1, the cash basis net position, receipts, and disbursements of the aggregate discretely presented component units not reported are approximately \$213,000, \$59,000, and \$103,000, respectively.

### **Adverse Opinion on Aggregate Discretely Presented Component Units**

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City as of June 30, 2020, or the changes in financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the primary government of the City of Sheldon as of June 30, 2020 and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City of Sheldon's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. Such 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. Because of the significant of the matter discussed in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units" paragraph above, it is inappropriate to, and we do not, express an opinion on the supplementary information.

The other information, included in Schedules 4 through 6, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2020 on our consideration of the City of Sheldon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sheldon's internal control over financial reporting and compliance.

December 11, 2020  
Spencer, Iowa

**BASIC FINANCIAL STATEMENTS**

Draft

CITY OF SHELDON  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

	Disbursements	Charges for Services	Program Receipts	
			Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
<b>FUNCTIONS/PROGRAMS:</b>				
Governmental activities:				
Public safety .....	\$ 2,246,065	\$ 504,315	\$ 42,002	\$ 8,702
Public works .....	1,077,344	100,710	676,090	41,577
Health and social services .....	20,000			
Culture and recreation .....	980,551	371,344	102,933	6,200
Community and economic development .....	443,671	8,481	109,695	
General government .....	450,579	16,525		
Debt service .....	1,356,175		2,964	
Capital projects .....	1,266,843			246,069
Total governmental activities	<u>7,841,228</u>	<u>1,001,375</u>	<u>933,684</u>	<u>302,548</u>
Business type activities:				
Water .....	1,138,627	1,121,267		
Sewer .....	2,845,360	1,572,640		
Total business type activities	<u>3,983,987</u>	<u>2,693,907</u>		
<b>TOTAL</b>	<u>\$ 11,825,215</u>	<u>\$ 3,695,282</u>	<u>\$ 933,684</u>	<u>\$ 302,548</u>

General receipts and transfers:

- Property and other city taxes levied for:
  - General purposes .....
  - Debt Service .....
- Commerical and industrial replacement .....
- Tax increment financing .....
- Local option sales tax .....
- Unrestricted investment earnings .....
- Bond proceeds - including net premium....
- Miscellaneous .....
- Operating transfers .....
- Total general receipts and transfers

**CHANGE IN CASH BASIS NET POSITION**

CASH BASIS NET POSITION -  
 BEGINNING OF YEAR .....

CASH BASIS NET POSITION - END OF YEAR

**CASH BASIS NET POSITION:**

Restricted, expendable for:

- Urban renewal purposes .....
- Community betterment .....
- Debt Service .....
- Capital projects .....
- Other purposes .....
- Unrestricted .....

**TOTAL CASH BASIS NET POSITION**



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

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (1,691,046) (258,967) (20,000) (500,074) (325,495) (434,054) (1,353,211) (1,020,774) <hr/> (5,603,621)	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/> \$ (17,360) (1,272,720) (1,290,080) <hr/> (1,290,080)	\$ (1,691,046) (258,967) (20,000) (500,074) (325,495) (434,054) (1,353,211) (1,020,774) <hr/> (5,603,621)
1,891,212 94,677 110,307 2,891,045 749,096 161,071 650,000 22,729 69,117 <hr/> 6,639,254  1,036,633 <hr/> 6,921,195 <hr/> \$ 7,956,828	97,693  (69,117) <hr/> 28,576  (1,261,504) <hr/> 4,981,796 <hr/> \$ 3,720,292	1,891,212 94,677 110,307 2,891,045 749,096 258,764 650,000 22,729 <hr/> 6,667,830  (225,871) <hr/> 11,902,991 <hr/> \$ 11,677,120
\$ 3,488,262 541,647 203,046 1,365,600 792,268 <hr/> 1,566,005	\$ 679,237  128,616 <hr/> 2,912,439	\$ 3,488,262 541,647 882,283 1,365,600 920,884 <hr/> 4,478,444
<hr/> \$ 7,956,828	<hr/> \$ 3,720,292	<hr/> \$ 11,677,120

CITY OF SHELDON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Local Option Sales Tax</u>
RECEIPTS:			
Property tax .....	\$ 951,699		
Tax increment financing .....		\$ 2,891,045	
Other city taxes .....	222,264		\$ 749,096
Licenses and permits .....	16,570		
Use of money and property .....	281,165	67,512	14,974
Intergovernmental .....	135,786	6,252	5,000
Charges for service .....	539,793		
Special assessments .....	15,413		
Miscellaneous .....	442,564		1,078
<b>TOTAL RECEIPTS</b> .....	<u>2,555,254</u>	<u>2,964,809</u>	<u>770,148</u>
DISBURSEMENTS:			
Public safety .....	1,894,841		
Public works .....	229,465		
Health and social services .....			20,000
Culture and recreation .....	833,570		
Community and economic development .....	203,951	197,103	47
General government .....	281,060		137,794
Debt service .....			
Capital projects .....			323,892
<b>TOTAL DISBURSEMENTS</b> .....	<u>3,442,887</u>	<u>197,103</u>	<u>481,733</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS .....	(887,633)	2,767,706	288,415
OTHER FINANCING SOURCES (USES):			
Operating transfers in .....	482,853		
Operating transfers out .....	(42,552)	(1,349,972)	(270,852)
Bond proceeds .....	650,000		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b> .....	<u>1,090,301</u>	<u>(1,349,972)</u>	<u>(270,852)</u>
<b>NET CHANGE IN CASH BALANCES</b> .....	202,668	1,417,734	17,563
<b>CASH BALANCES - BEGINNING OF YEAR</b> .....	<u>1,136,201</u>	<u>2,070,528</u>	<u>524,084</u>
<b>CASH BALANCES - END OF YEAR</b> .....	<u>\$ 1,338,869</u>	<u>\$ 3,488,262</u>	<u>\$ 541,647</u>

Road Use Tax	Debt Service	Capital Projects	Total Nonmajor Governmental Funds	Total
	\$ 92,048		\$ 681,620	\$ 1,725,367
	2,629		35,629	2,891,045
\$ 9,739	2,964	\$ 39,942	3,507	1,009,618
666,857	3,217	79,455	48,737	16,570
				369,803
				945,304
				539,793
				15,413
		146,201	20,792	610,635
<u>676,596</u>	<u>100,858</u>	<u>265,598</u>	<u>790,285</u>	<u>8,123,548</u>
			355,889	2,250,730
694,978			156,549	1,080,992
				20,000
			145,218	978,788
			41,982	443,083
			28,914	447,768
	1,356,175			1,356,175
		942,951		1,266,843
<u>694,978</u>	<u>1,356,175</u>	<u>942,951</u>	<u>728,552</u>	<u>7,844,379</u>
<u>(18,382)</u>	<u>(1,255,317)</u>	<u>(677,353)</u>	<u>61,733</u>	<u>279,169</u>
	1,382,400	26,124	70,000	1,961,377
		(217,331)	(11,553)	(1,892,260)
				650,000
	<u>1,382,400</u>	<u>(191,207)</u>	<u>58,447</u>	<u>719,117</u>
<u>(18,382)</u>	127,083	(868,560)	120,180	998,286
<u>548,389</u>	<u>75,963</u>	<u>2,234,160</u>	<u>142,081</u>	<u>6,731,406</u>
<u>\$ 530,007</u>	<u>\$ 203,046</u>	<u>\$ 1,365,600</u>	<u>\$ 262,261</u>	<u>\$ 7,729,692</u>

CITY OF SHELDON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS - Continued  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Local Option Sales Tax</u>
<b>CASH BASIS FUND BALANCES:</b>			
Restricted for:			
Urban renewal purposes .....		\$ 3,488,262	
Community betterment .....			\$ 541,647
Debt service .....			
Capital projects .....			
Community and economic development .....			
Streets .....			
Police purposes .....			
Employee benefits .....			
Disaster purposes .....			
Committed for:			
Library purposes .....	\$ 140,408		
Airport purposes .....	160,158		
Park purposes .....	82,750		
Museum purposes .....	127,956		
Assigned for:			
Equipment purchases .....	22,475		
Public safety purposes .....	341,277		
Recreation trails maintenance .....	362,080		
Cemetery purposes .....	5,083		
Unassigned .....	<u>96,682</u>	<u>                    </u>	<u>                    </u>
<b>TOTAL CASH BASIS FUND BALANCES</b>	<b><u>\$ 1,338,869</u></b>	<b><u>\$ 3,488,262</u></b>	<b><u>\$ 541,647</u></b>

<u>Road Use Tax</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total</u>
				\$ 3,488,262
				541,647
	\$ 203,046			203,046
		\$ 1,365,600		1,365,600
\$ 530,007			\$ 100,133	100,133
			5,506	5,506
			156,484	156,484
			138	138
				140,408
				160,158
				82,750
				127,956
				22,475
				341,277
				362,080
				5,083
				96,682
<u>\$ 530,007</u>	<u>\$ 203,046</u>	<u>\$ 1,365,600</u>	<u>\$ 262,261</u>	<u>\$ 7,729,692</u>

CITY OF SHELDON  
RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF  
ACTIVITIES AND NET POSITION - GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

TOTAL GOVERNMENTAL FUNDS CASH BALANCES PER EXHIBIT B ..... \$7,729,692

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE  
DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self  
funding the City's health insurance benefit plan to the individual funds. A  
portion of the cash balance of the internal service fund is included in  
governmental activities in the Cash Basis Statement of Activities and  
Net Position. .... 227,136

CASH BASIS NET POSITION OF GOVERNMENTAL  
ACTIVITIES PER EXHIBIT A \$7,956,828

NET CHANGE IN CASH BALANCES PER EXHIBIT B ..... \$ 998,286

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE  
DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self  
funding the City's health insurance benefit plan to the individual funds. A  
portion of the change in the cash balance of the internal service fund is  
reported with governmental activities in the Cash Basis Statement of Activities  
and Net Position. .... 37,347

CHANGE IN CASH BASIS NET POSITION OF GOVERNMENTAL  
ACTIVITIES PER EXHIBIT A \$1,035,633

CITY OF SHELDON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds			Internal Service
	Water	Sewer	Total	Self-Insurance
<b>OPERATING RECEIPTS:</b>				
Charges for services .....	\$ 1,076,454	\$ 1,558,201	\$ 2,634,655	
Reimbursements from operating funds .....				\$ 683,226
Reimbursements from employees and insurance .....				41,856
Miscellaneous .....	34,275	3,902	38,177	8,323
<b>TOTAL OPERATING RECEIPTS</b>	<b>1,110,729</b>	<b>1,562,103</b>	<b>2,672,832</b>	<b>733,405</b>
<b>OPERATING DISBURSEMENTS:</b>				
Business type activities:				
Cost of sales and services .....	859,560	819,478	1,679,038	
Insurance charges and claims .....				673,082
<b>TOTAL OPERATING DISBURSEMENTS</b>	<b>859,560</b>	<b>819,478</b>	<b>1,679,038</b>	<b>673,082</b>
<b>EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS</b>	<b>251,169</b>	<b>742,625</b>	<b>993,794</b>	<b>60,323</b>
<b>NON-OPERATING RECEIPTS (DISBURSEMENTS):</b>				
Interest on investments .....	19,083	74,922	94,005	8,781
Purchase of capital assets .....	(115,707)	(1,599,154)	(1,714,861)	
Debt service payments:				
Revenue note principal .....	(155,888)	(100,000)	(255,888)	
Revenue note interest .....	(10,969)	(330,225)	(341,194)	
<b>TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)</b>	<b>(263,481)</b>	<b>(1,954,457)</b>	<b>(2,217,938)</b>	<b>8,781</b>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<b>(12,312)</b>	<b>(1,211,832)</b>	<b>(1,224,144)</b>	<b>69,104</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in .....	11,553		11,553	
Operating transfers out .....	(40,335)	(40,335)	(80,670)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(28,782)</b>	<b>(40,335)</b>	<b>(69,117)</b>	
<b>NET CHANGE IN CASH BALANCES</b>	<b>(41,094)</b>	<b>(1,252,167)</b>	<b>(1,293,261)</b>	<b>69,104</b>
<b>CASH BALANCES - BEGINNING OF YEAR</b>	<b>822,659</b>	<b>3,953,628</b>	<b>4,776,287</b>	<b>395,298</b>
<b>CASH BALANCES - END OF YEAR</b>	<b>\$ 781,565</b>	<b>\$ 2,701,461</b>	<b>\$ 3,483,026</b>	<b>\$ 464,402</b>

CITY OF SHELDON  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES - PROPRIETARY FUNDS - Continued  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

	Enterprise Funds			Internal Service
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Self-Insurance</u>
CASH BASIS FUND BALANCES:				
Restricted, expendable for:				
Debt Service .....		\$ 679,237	\$ 679,237	
Water deposits .....	\$ 128,616		128,616	
Unrestricted .....	652,949	2,022,224	2,675,173	\$ 464,402
 TOTAL CASH BASIS FUND BALANCES	\$ 781,565	\$ 2,701,461	\$ 3,483,026	\$ 464,402

Draft



CITY OF SHELDON  
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF  
 ACTIVITIES AND NET POSITION - ENTERPRISE FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

TOTAL ENTERPRISE FUNDS CASH BALANCES PER EXHIBIT D ..... \$ 3,483,026

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE  
 DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds. A  
 portion of the cash balance of the internal service fund is included in  
 business type activities in the Cash Basis Statement of Activities and  
 Net Position. .... 237,266

CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES  
 PER EXHIBIT A \$ 3,720,292

NET CHANGE IN CASH BALANCES - ENTERPRISE FUNDS PER EXHIBIT D... \$(1,293,261)

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE  
 DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds. A  
 portion of the change in the cash balance of the internal service fund is  
 reported with business type activities in the Cash Basis Statement of  
 Activities and Net Position. .... 31,757

CHANGE IN CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES  
 PER EXHIBIT A \$(1,261,504)

CITY OF SHELDON  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES - FIDUCIARY FUND  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

	Agency Cafeteria <u>Plan</u>
CASH BALANCE - BEGINNING OF YEAR .....	\$ 134
RECEIPTS:	
Use of money and property .....	5
Contributions .....	<u>2,625</u>
TOTAL RECEIPTS	<u>2,630</u>
DISBURSEMENTS:	
Cafeteria plan benefits paid .....	<u>(2,625)</u>
CASH BALANCE - END OF YEAR	<u><u>\$ 139</u></u>

Draft

CITY OF SHELDON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

For financial reporting purposes, the City is considered a primary government and has excluded the financial data of its component units, Sheldon Public Library Foundation, Sheldon Volunteer Fire Company, Sheldon Community Ambulance Team, and Sheldon Historical Society. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. A component unit is a legally separate entity for which the City is financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. Since these financial statements do not include the City's component units, they do not purport to be prepared in conformity with accounting principles generally accepted in the United States of America as they relate to the exclusion of the component units.

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

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments.

**B. Basis of Presentation**

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

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

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

*Unrestricted net position* consists of cash balances that do not meet the definition of the preceding category. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

*Special Revenue:*

*The Tax Increment Financing Fund* is used to account for receipts from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

*The Local Option Sales Tax Fund* is used to account for the receipts from the tax authorized by referendum and used for property tax relief and community betterment.

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

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

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

The City reports the following major proprietary funds:

*Enterprise:*

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

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

Additionally, the City reports the following funds:

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

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

### **C. Measurement Focus and Basis of Accounting**

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

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

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

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

### **D. Governmental Cash Basis Fund Balances**

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

**E. Budgets and Budgetary Accounting**

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

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the community and economic development function.

**F. Subsequent Events**

Subsequent events were evaluated by management for disclosure up to the date of the independent auditors' report, which is the date the financial statements were available to be issued.

**2. CASH AND INVESTMENTS**

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2020 were entirely covered by Federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City's cash and investments consisted of the following at June 30, 2020:

Cash on hand .....	\$ 160
Demand deposits .....	5,018,675
Certificates of deposit/savings accounts .....	<u>6,658,424</u>
<b>Total cash and investments</b>	<b>11,677,259</b>
Less: Agency cafeteria funds .....	<u>139</u>
 <b>City's cash and investments</b>	 <b><u>\$11,677,120</u></b>

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

### 3. BONDS AND NOTES PAYABLE

A summary of the changes in bonds/notes payable for the year ended June 30, 2020 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ 9,260,000	\$650,000	\$ 647,857	\$9,262,143	\$ 657,857
Tax increment financing revenue bonds .....	975,000		480,000	495,000	495,000
USDA airport loan .....	60,346		29,562	30,784	30,784
Governmental activities total	<u>\$10,295,346</u>	<u>\$650,000</u>	<u>\$1,157,419</u>	<u>\$9,787,927</u>	<u>\$1,090,784</u>
Business type activities:					
Water revenue notes .....	\$ 482,604	\$	\$ 155,888	\$ 326,716	\$ 161,180
Sewer revenue notes .....	7,840,000		100,000	7,740,000	160,000
Business type activities total	<u>\$ 8,322,604</u>	<u>\$</u>	<u>\$ 255,888</u>	<u>\$8,066,716</u>	<u>\$ 321,180</u>

#### General Obligation Bonds

A summary of the City's June 30, 2020 general obligation bonds payable is as follows:

Year Ending June 30,	<u>Issued May 29, 2013</u>			<u>Issued July 1, 2016</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2021	1.25%	\$ 90,000	\$ 4,137	2.25%	\$ 210,000	\$ 70,315
2022	1.50	90,000	3,012	2.25	215,000	65,590
2023	1.75	95,000	1,663	2.25	215,000	60,752
2024				2.50	220,000	55,915
2025				2.50	230,000	50,415
2026 - 2030				2.60-3.10	1,235,000	156,375
2031 - 2035				3.25	270,000	8,775
2036 - 2037						
Total		<u>\$ 275,000</u>	<u>\$ 8,812</u>		<u>\$2,595,000</u>	<u>\$468,138</u>

Year Ending June 30,	<u>Issued June 20, 2017</u>			<u>Issued November 30, 2017</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2021	2.00%	\$ 265,000	\$ 30,675	2.00%		\$ 132,575
2022	2.00	270,000	25,375	2.00	\$ 230,000	132,575
2023	2.00	280,000	19,975	1.75	235,000	127,975
2024	2.50	285,000	14,375	2.00	240,000	123,863
2025	2.50	290,000	7,250	2.00	245,000	119,063
2026 - 2030				2.00-3.00	1,305,000	507,525
2031 - 2035				3.00-4.00	1,505,000	301,850
2036 - 2037				4.00	685,000	41,400
Total		<u>\$1,390,000</u>	<u>\$ 97,650</u>		<u>\$4,445,000</u>	<u>\$1,486,825</u>

## General Obligation Bonds - Continued

Year Ending June 30,	Issued October 24, 2019			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	2.70%	\$ 92,857	\$ 15,043	\$ 657,857	\$ 252,745	\$ 910,602
2022	2.70	92,857	12,536	897,857	239,088	1,136,945
2023	2.70	92,858	10,029	917,858	220,394	1,138,252
2024	2.70	92,857	7,521	837,857	201,674	1,039,531
2025	2.70	92,857	5,014	857,857	181,742	1,039,599
2026 - 2030	2.70	92,857	2,507	2,632,857	666,407	3,299,264
2031 - 2035				1,775,000	310,625	2,085,625
2036 - 2037				685,000	41,400	726,400
<b>Total</b>		<b>\$ 557,143</b>	<b>\$ 52,650</b>	<b>\$9,262,143</b>	<b>\$2,114,075</b>	<b>\$11,376,218</b>

On May 29, 2013, the City issued \$5,350,000 of general obligation bonds with interest rates ranging from 0.30% to 1.90% for various capital projects including projects within an urban renewal area. A large portion of this bond issue was redeemed in June 2019 by transfers from the tax increment financing fund. During the year ended June 30, 2020, the City paid \$90,000 of principal and \$5,083 of interest on the remaining \$365,000.

On July 1, 2016, the City issued \$3,400,000 of taxable general obligation bonds with interest rates ranging from 2.00% to 3.25%. The bonds were used for the construction of an event center. During the year ended June 30, 2020, the City paid \$205,000 of principal and \$74,415 of interest on the bonds.

On June 20, 2017, the City issued \$2,395,000 of general obligation bonds with interest rates ranging from 2.00% to 2.50%. The bonds were used to refund a bond issue and to partially fund a street reconstruction project, an industrial park extension, and engineering fees on a wastewater treatment plant. During the year ended June 30, 2020, the City paid \$260,000 of principal and \$35,875 of interest on the bonds.

On November 30, 2017, the City issued \$4,445,000 of general obligation bonds with interest rates ranging from 1.75% to 4.00%. The bonds were used to partially fund a street reconstruction project, an industrial park extension, and construction of a wastewater treatment plant. During the year ended June 30, 2020, the City paid \$132,575 of interest on the bonds.

On October 14, 2019, the City issued \$650,000 of general obligation bonds with an interest rate of 2.70%. The bonds were used to purchase a fire truck and two new police cars. During the year ended June 30, 2020, the City paid \$92,857 of principal and \$10,579 on the bonds.

### Tax Increment Financing Revenue Bonds

The City's June 30, 2020 urban renewal tax increment financing revenues bonds payable is as follows:

Year Ending June 30,	Interest Rates	Principal	Interest	Total
2021	4.00%	\$495,000	\$ 19,800	\$514,800
<b>Total</b>		<b>\$495,000</b>	<b>\$ 19,800</b>	<b>\$514,800</b>



**Tax Increment Financing Revenue Bonds - Continued**

The City issued \$1,225,000 of urban renewal revenue annual appropriation capital loan notes in November 2017 for the purpose of defraying a portion of the costs of a project within the urban renewal district. The bonds are payable solely from the tax increment financing (TIF) receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. The bonds are subject at all times to non-appropriation by the City Council. Therefore, only the principal and interest appropriated by the Council is subject to the constitutional debt limit of the City. The amount appropriated for the fiscal year ending June 30, 2020 is \$514,800 including principal and interest. For the current year, principal and interest paid on the bonds was \$480,000 and \$39,000, respectively.

**Airport Loan**

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	4.75%	\$ 30,784	\$ 1,462	\$ 32,246
Total		\$ 30,784	\$ 1,462	\$ 32,246

On June 6, 2001, this loan of \$400,000 was made through the United States Department of Agriculture for improvements at the City's airport. During the year ended June 30, 2020, the City paid \$29,562 of principal and \$2,866 of interest on the loan.

**Revenue Notes**

A summary of the City's June 30, 2020 revenue notes payable is as follows:

<u>Year Ending June 30,</u>	<u>Sewer Revenue Capital Loan Notes</u>			<u>Water Revenue Capital Loan Notes</u>		
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>
2021	3.00%	\$ 160,000	\$ 327,225	2.47%	\$ 161,180	\$ 7,074
2022	3.00	165,000	322,425	2.47	165,536	3,071
2023	3.00	170,000	317,475			
2024	3.00	175,000	312,375			
2025	3.00	180,000	307,125			
2026 - 2030	3.00-4.00	1,010,000	1,438,025			
2031 - 2035	4.00	1,225,000	1,222,125			
2036 - 2040	4.00-4.25	1,485,000	956,150			
2041 - 2045	4.50-5.00	1,835,000	606,600			
2046 - 2048	5.00	1,335,000	135,500			
Total		\$7,740,000	\$5,945,025		\$ 326,716	\$ 10,145

## Revenue Notes - Continued

Year Ending June 30,	Total Revenue Notes	
	Principal	Interest
2021	\$ 321,180	\$ 334,299
2022	330,536	325,496
2023	170,000	317,475
2024	175,000	312,375
2025	180,000	307,125
2026 - 2030	1,010,000	1,438,025
2031 - 2035	1,225,000	1,222,125
2036 - 2040	1,485,000	956,150
2041 - 2045	1,835,000	606,600
2046 - 2048	<u>1,335,000</u>	<u>135,500</u>
Total	<u>\$8,066,716</u>	<u>\$5,955,170</u>

The City has pledged future water customer net receipts, net of specific operating expenses, to repay the \$1,900,000 water revenue capital loan notes issued in March 2007. Proceeds from the notes provided financing for the prepayment of the City's obligation to Lewis and Clark Regional Water System. The notes are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payments are expected to require less than 80% of net revenues. The total principal and interest payments remaining to be paid on the notes are \$336,861. For the current year, principal and interest paid and total customer net receipts were \$166,857 and \$251,169, respectively.

The notes were purchased by a local bank in participation with three other local banks.

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

- (A) The notes will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate water revenue sinking account for the purpose of making the principal and interest payments when due.
- (C) Additional monthly transfers shall be made to a separate water reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying principal and interest payments when insufficient money is available in the sinking account.
- (D) User rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the notes falling due in the same year.

The purchaser of the notes has waived provisions (B) and (C). The City was in compliance with the other water revenue notes provisions during the year ended June 30, 2020.

### **Revenue Notes - Continued**

The City also has pledged future wastewater customer net receipts, net of specific operating disbursements, to repay the \$7,840,000 sewer revenue capital loan notes issued in June 2018. Proceeds from the notes will provide financing for the construction of wastewater improvements. The notes are payable solely from wastewater customer net receipts and are payable through 2048. Annual principal and interest payments are expected to require less than 85% of net revenues. The total principal and interest payments remaining to be paid on the notes are \$13,685,025. For the current year, interest paid on the notes and net customer receipts were \$430,225 and \$742,625, respectively.

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

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

The City was in compliance with the sewer revenue note provisions for the year ended June 30, 2020.

#### **4. DUE FROM SHELDON CHAMBER AND DEVELOPMENT CORPORATION**

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

## 5. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Purpose</u>
General	Special Revenue:		
	Local option sales tax	\$ 184,852	Street lighting, improvements, and economic development
	Capital Projects	217,331	Trails
	Proprietary:		
	Enterprise:		
	Water	40,335	Street lighting
	Sewer	40,335	Street lighting
		<u>482,853</u>	
Debt Service	General	32,428	Principal and interest payments
	Special revenue:		
	Tax increment financing	<u>1,349,972</u>	Principal and interest payments
		<u>1,382,400</u>	
Capital Projects	General	10,124	Community betterment
	Special revenue:		
	Local option sales tax	<u>16,000</u>	Trails maintenance and community betterment
		<u>26,124</u>	
Special Revenue: Employee benefits	Special revenue:		
	Local option sales tax	<u>70,000</u>	Property tax relief
Proprietary: Enterprise: Water	Special revenue:		
	FEMA	<u>11,553</u>	Payback disaster
TOTAL OPERATING TRANSFERS		<u>\$1,972,930</u>	

## 6. PENSION PLAN

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

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

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

Protection occupation members may retire at normal retirement age, which is generally age 55, and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

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

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

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

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

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

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll for a total rate of 15.73%. Protective occupation members contributed 6.61% of covered payroll, and the City contributed 9.91% of covered payroll for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 were \$183,060.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$997,841 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was .0172319% which was a decrease of .000431% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City pension expense, deferred outflows of resources, and deferred inflows of resources totaled \$252,462, \$224,477, and \$280,952, respectively. There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement as follows:

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

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

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% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$2,131,836	\$ 997,841	\$ 47,105

Pension Plan Fiduciary Net Position - Detailed information about the IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description - The City operates a single-employer health plan which provides medical, dental, and prescription drug benefits for employees, retirees, and their eligible dependents. Group insurance benefits are established under Iowa Code Chapter 509A.13. The benefits are provided through a self-insured plan. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$683,226 and plan members eligible for benefits contributed \$41,856 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments .....	1
Active employees .....	<u>28</u>
Total	<u>29</u>

**8. COMPENSATED ABSENCES**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. In addition, employees over age 55 have accumulated earned but unused sick pay which is payable upon retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2020 is as follows:

<b>Governmental activities:</b>	
General fund .....	\$ 97,712
<b>Special revenue:</b>	
Road use tax .....	<u>25,074</u>
Total governmental activities	<u>122,786</u>
<b>Business type activities:</b>	
Proprietary:	
Enterprise:	
Water .....	63,325
Sewer .....	<u>34,585</u>
Total business type activities	<u>97,910</u>
<b>TOTAL</b>	<u>\$ 220,696</u>



**9. RELATED PARTY TRANSACTIONS**

The City has business transactions between the City and City officials, totaling \$26,924 during the year ended June 30, 2020.

**10. CONTRACT AND OTHER COMMITMENTS**

The City has entered into contracts for improvements for a new industrial park and for street improvements. A summary of the contracts are as follows:

Contract total .....	\$2,054,721
Paid as of June 30, 2020 .....	<u>1,723,024</u>
Balance to complete	<u>\$ 331,697</u>

**11. SUBSEQUENT EVENTS**

In September 2020, the City authorized the issuance of \$2,500,000 in general obligation capital loan notes for street improvements.

**12. RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 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 operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of basis rate.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2020 were \$131,576.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss, or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The City has established a self-insurance health insurance fund (an internal service fund) to account for group insurance risks. The City's plan has established a specific stop-loss amount of \$20,000 and an aggregate stop-loss of 125% of expected claims for the year. The City purchases commercial insurance for claims in excess of coverage provided.

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

### **13. COLLECTIVE BARGAINING AGREEMENT**

All employees, except for the office personnel and management, are covered by collective bargaining agreements which expire June 30, 2021.

## 14. DEVELOPER AGREEMENTS

The City has entered into various development agreements related to improvements made in tax increment financing districts. The properties are subject to minimum assessed values. The agreements call for annual payments from five to ten years based on a percentage of the taxes collected. During the year ended June 30, 2020, the City rebated \$128,622 of the incremental property taxes to the developers. The exact amount of the balance to be paid on the agreements has not been determined. Most of the agreements are subject to annual appropriation by the City Council.

## 15. TAX ABATEMENTS

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

### City Tax Abatements

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

For the year ended June 30, 2020, the City abated \$128,622 of property tax under the urban renewal and economic development projects.

### Tax Abatements of Other Entities

Property tax revenues of the City were not reduced for the year ended June 30, 2020 under agreements entered into by other entities.

**SUPPLEMENTARY INFORMATION**

**Draft**

CITY OF SHELDON  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES -  
 ALL NONMAJOR GOVERNMENTAL FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

	Special Revenue Funds		
	LHAP Reuse	Employee Benefits	LMI
<b>RECEIPTS:</b>			
Property tax .....		\$ 681,620	
Other city taxes .....		35,629	
Use of money and property .....	\$ 1,295	1,514	\$ 471
Intergovernmental .....		42,147	
Miscellaneous .....	20,000	792	
TOTAL RECEIPTS	<u>21,295</u>	<u>761,702</u>	<u>471</u>
<b>DISBURSEMENTS:</b>			
Public safety .....		309,878	
Public works .....		156,549	
Culture and recreation .....		145,218	
Community and economic development .....		41,982	
General government .....		28,914	
TOTAL DISBURSEMENTS		<u>682,541</u>	
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<u>21,295</u>	<u>79,161</u>	<u>471</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in .....		70,000	
Operating transfers out .....			
TOTAL OTHER FINANCING SOURCES (USES)		<u>70,000</u>	
<b>NET CHANGE IN CASH BALANCES</b>	21,295	149,161	471
<b>CASH BALANCES - BEGINNING OF YEAR</b> .....	<u>57,446</u>	<u>7,323</u>	<u>20,921</u>
<b>CASH BALANCES - END OF YEAR</b>	<u>\$ 78,741</u>	<u>\$ 156,484</u>	<u>\$ 21,392</u>
<b>CASH BASIS FUND BALANCES:</b>			
Restricted for:			
Community and economic development .....	\$ 78,741		\$ 21,392
Police purposes .....			
Employee benefits .....		\$ 156,484	
Disaster purposes .....			
<b>TOTAL CASH BASIS FUND BALANCES</b>	<u>\$ 78,741</u>	<u>\$ 156,484</u>	<u>\$ 21,392</u>

<u>FEMA</u>	<u>Seizure</u>	<u>Total</u>
		\$ 681,620
		35,629
\$ 138	\$ 89	3,507
6,590		48,737
<u>6,728</u>	<u>89</u>	<u>20,792</u>
		<u>790,285</u>
46,011		355,889
		156,549
		145,218
		41,982
		28,914
<u>46,011</u>	<u></u>	<u>728,552</u>
<u>(39,283)</u>	<u>89</u>	<u>61,733</u>
		70,000
<u>(11,553)</u>	<u></u>	<u>(11,553)</u>
<u>(11,553)</u>	<u></u>	<u>58,447</u>
<u>(50,836)</u>	<u>89</u>	<u>120,180</u>
<u>50,974</u>	<u>5,417</u>	<u>142,081</u>
<u>\$ 138</u>	<u>\$ 5,506</u>	<u>\$ 262,261</u>
		\$ 100,133
	\$ 5,506	5,506
\$ 138		156,484
		138
<u>\$ 138</u>	<u>\$ 5,506</u>	<u>\$ 262,261</u>

CITY OF SHELDON  
 SCHEDULE OF INDEBTEDNESS  
 FOR THE YEAR ENDED JUNE 30, 2020

<u>Obligation</u>	<u>Date of Issue</u>	<u>Amount Interest Rates</u>	<u>Originally Issued</u>	<u>Final Due Date</u>
<b><u>GOVERNMENTAL ACTIVITIES:</u></b>				
General Obligation Bonds/Notes:				
Capital loan notes, series 2013	5-29-2013	1.25 - 1.75%	\$5,350,000	6-01-2023
Taxable capital loan notes, series 2016	7-01-2016	2.25 - 3.25%	3,400,000	6-01-2031
Capital loan notes, series 2017	6-20-2017	2.00 - 2.50%	2,395,000	6-01-2025
Capital loan notes, series 2017B	11-30-2017	1.75 - 4.00%	4,445,000	6-01-2037
Capital loan notes, series 2019	10-24-2019	2.70%	650,000	6-01-2026
Total General Obligation Bonds/Notes				
Tax Increment Financing Notes:				
Taxable urban renewal annual appropriation capital loan notes, series 2017C	11-30-2017	4.00%	1,225,000	6-01-2021
Other Long-Term Debt:				
USDA airport loan	6-06-2001	4.75%	400,000	7-01-2020
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>				
<b><u>BUSINESS TYPE ACTIVITIES:</u></b>				
Water revenue capital loan notes	3-25-2007	2.47%	\$1,900,000	6-01-2022
Sewer revenue capital loan notes	6-20-2018	3.00 - 5.00%	7,840,000	6-01-2048
<b>TOTAL BUSINESS TYPE ACTIVITIES</b>				

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>
\$ 365,000		\$ 90,000	\$ 275,000	\$ 5,083
2,800,000		205,000	2,595,000	74,415
1,650,000		260,000	1,390,000	35,875
4,445,000			4,445,000	132,575
<u>9,260,000</u>	<u>\$ 650,000</u>	<u>92,857</u>	<u>557,143</u>	<u>10,579</u>
	650,000	647,857	9,262,143	258,527
975,000		480,000	495,000	39,000
<u>60,346</u>	<u>                    </u>	<u>29,562</u>	<u>30,784</u>	<u>2,866</u>
<u>\$10,295,346</u>	<u>\$ 650,000</u>	<u>\$1,157,419</u>	<u>\$9,787,927</u>	<u>\$300,393</u>
\$ 482,604		\$ 155,888	\$ 326,716	\$ 10,969
<u>7,840,000</u>	<u>                    </u>	<u>100,000</u>	<u>7,740,000</u>	<u>330,225</u>
<u>\$ 8,322,604</u>	<u>                    </u>	<u>\$ 255,888</u>	<u>\$8,066,716</u>	<u>\$341,194</u>



CITY OF SHELDON  
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -  
 ALL GOVERNMENTAL FUNDS  
 FOR THE LAST TEN YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b>RECEIPTS:</b>				
Property and other city tax .....	\$ 1,725,367	\$ 1,659,908	\$ 1,639,247	\$ 1,617,926
Tax increment financing .....	2,891,045	2,422,334	2,609,759	2,386,756
Other city taxes .....	1,009,618	941,628	860,077	961,387
Licenses and permits .....	16,570	11,693	16,030	15,433
Use of money and property .....	369,803	248,818	191,690	124,868
Intergovernmental .....	945,304	1,709,701	1,495,196	1,776,747
Charges for service .....	539,793	480,318	454,541	385,561
Special Assessments .....	15,413	15,676	19,649	17,159
Miscellaneous .....	610,635	1,122,275	526,602	917,831
<b>TOTAL RECEIPTS</b>	<b><u>\$ 8,123,548</u></b>	<b><u>\$ 8,612,351</u></b>	<b><u>\$ 7,812,791</u></b>	<b><u>\$ 8,203,668</u></b>
<b>DISBURSEMENTS:</b>				
Public safety .....	\$ 2,250,730	\$ 1,345,587	\$ 1,242,463	\$ 1,519,675
Public works .....	1,080,992	1,503,828	1,202,854	964,039
Health and social services .....	20,000	20,000		
Culture and recreation .....	978,788	1,005,647	835,891	556,802
Community and economic development .....	443,083	396,333	529,413	430,132
General government .....	447,768	441,572	413,273	883,875
Debt service .....	1,356,175	4,093,105	1,454,401	3,010,128
Capital projects .....	1,266,843	1,075,153	2,227,833	5,013,994
<b>TOTAL DISBURSEMENTS</b>	<b><u>\$ 7,844,379</u></b>	<b><u>\$ 9,881,225</u></b>	<b><u>\$ 7,906,128</u></b>	<b><u>\$ 12,378,645</u></b>

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 1,489,134	\$ 1,477,922	\$ 1,501,872	\$ 1,432,048	\$ 1,369,670	\$ 1,204,482
2,108,134	1,878,277	1,878,787	1,839,228	1,750,174	2,215,974
825,701	719,792	700,968	701,949	681,333	638,549
12,180	15,353	14,816	12,447	12,173	11,975
93,029	98,081	109,418	117,492	114,330	117,228
1,208,509	1,367,642	3,364,788	854,341	929,224	705,140
399,857	469,954	371,215	395,800	377,538	395,888
26,470	35,631	18,485	2,227	401	14,998
815,266	233,645	185,928	168,519	257,097	125,529
<u>\$ 6,978,280</u>	<u>\$ 6,296,297</u>	<u>\$ 8,146,277</u>	<u>\$ 5,524,051</u>	<u>\$ 5,491,940</u>	<u>\$ 5,429,763</u>
\$ 1,211,302	\$ 986,414	\$ 1,145,638	\$ 1,128,661	\$ 1,116,261	\$ 831,273
945,830	1,184,090	1,386,304	1,013,510	706,086	880,355
10,000	16,500	26,500	16,500	15,500	15,500
487,846	495,255	477,045	503,533	527,914	464,512
456,391	444,411	394,121	501,782	388,552	356,868
449,864	342,415	407,858	423,095	332,493	342,258
1,171,193	3,113,168	1,281,730	1,088,690	971,366	881,645
1,071,872	1,651,939	6,648,345	1,390,607	2,435,130	3,370,859
<u>\$ 5,804,298</u>	<u>\$ 8,234,192</u>	<u>\$ 11,767,541</u>	<u>\$ 6,066,378</u>	<u>\$ 6,493,302</u>	<u>\$ 7,143,270</u>

OTHER INFORMATION

Draft

CITY OF SHELDON  
 BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -  
 ALL GOVERNMENTAL AND PROPRIETARY FUNDS  
 OTHER INFORMATION  
 FOR THE YEAR ENDED JUNE 30, 2020

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
<b>RECEIPTS:</b>			
Property taxes .....	\$ 1,725,367		\$ 1,725,367
Other city taxes .....	1,009,618		1,009,618
Tax increment financing revenues .....	2,891,045		2,891,045
Licenses and permits .....	16,570		16,570
Use of money and property .....	369,803	\$ 102,786	472,589
Intergovernmental .....	945,304		945,304
Charges for services .....	539,793	3,317,881	3,857,674
Special assessments .....	15,413		15,413
Miscellaneous .....	610,635	88,356	698,991
TOTAL RECEIPTS	<u>8,123,548</u>	<u>3,509,023</u>	<u>11,632,571</u>
<b>DISBURSEMENTS:</b>			
Public safety .....	2,250,730		2,250,730
Public works .....	1,080,992		1,080,992
Health and social services .....	20,000		20,000
Culture and recreation .....	978,788		978,788
Community and economic development .....	443,083		443,083
General government .....	447,768		447,768
Debt service .....	1,356,175		1,356,175
Capital projects .....	1,266,843		1,266,843
Business type activities .....		4,664,063	4,664,063
TOTAL DISBURSEMENTS	<u>7,844,379</u>	<u>4,664,063</u>	<u>12,508,442</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS</b>	<u>279,169</u>	<u>(1,155,040)</u>	<u>(875,871)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in .....	1,961,377	11,553	1,972,930
Operating transfers out .....	(1,892,260)	(80,670)	(1,972,930)
Bond Proceeds .....	650,000		650,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>719,117</u>	<u>(69,117)</u>	<u>650,000</u>
<b>EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS</b>	<u>998,286</u>	<u>(1,224,157)</u>	<u>(225,871)</u>
BALANCE - BEGINNING OF YEAR .....	<u>6,731,406</u>	<u>5,171,585</u>	<u>11,902,991</u>
BALANCE - END OF YEAR	<u>\$ 7,729,692</u>	<u>\$ 3,947,428</u>	<u>\$ 11,677,120</u>

<u>Original Budget</u>	<u>Final Budget</u>	<u>Final to Actual Variance</u>
\$ 1,780,900	\$ 1,780,899	\$ (55,532)
892,950	887,104	122,514
2,879,530	2,882,201	8,844
14,900	16,100	470
190,020	404,401	68,188
4,488,953	912,522	32,782
2,997,001	3,099,021	758,653
13,775	15,415	(2)
<u>1,444,285</u>	<u>1,585,405</u>	<u>(886,414)</u>
<u>14,702,314</u>	<u>11,583,068</u>	<u>49,503</u>
1,439,526	2,303,747	53,017
4,758,159	1,197,924	116,932
	20,000	
1,130,028	1,164,941	188,153
311,952	400,967	(42,116)
467,216	508,664	60,896
3,754,712	1,356,377	202
1,580,655	1,862,604	595,761
<u>7,516,553</u>	<u>4,874,451</u>	<u>210,388</u>
<u>20,958,801</u>	<u>13,689,675</u>	<u>1,181,233</u>
<u>(6,256,487)</u>	<u>(2,106,607)</u>	<u>1,230,736</u>
5,415,470	3,023,755	(1,050,825)
<u>(5,415,470)</u>	<u>(3,130,655)</u>	<u>1,157,725</u>
40,000	690,000	(40,000)
<u>40,000</u>	<u>583,100</u>	<u>66,900</u>
(6,216,487)	(1,523,507)	1,297,636
<u>15,580,750</u>	<u>31,161,500</u>	<u>(19,258,509)</u>
<u>\$ 9,364,263</u>	<u>\$ 29,637,993</u>	<u>\$ (17,960,873)</u>

CITY OF SHELDON  
NOTES TO SCHEDULE 4 - BUDGETARY REPORTING  
FOR THE YEAR ENDED JUNE 30, 2020

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. 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, a budget amendment decreased budgeted disbursements by \$7,269,126. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the community and economic development function.

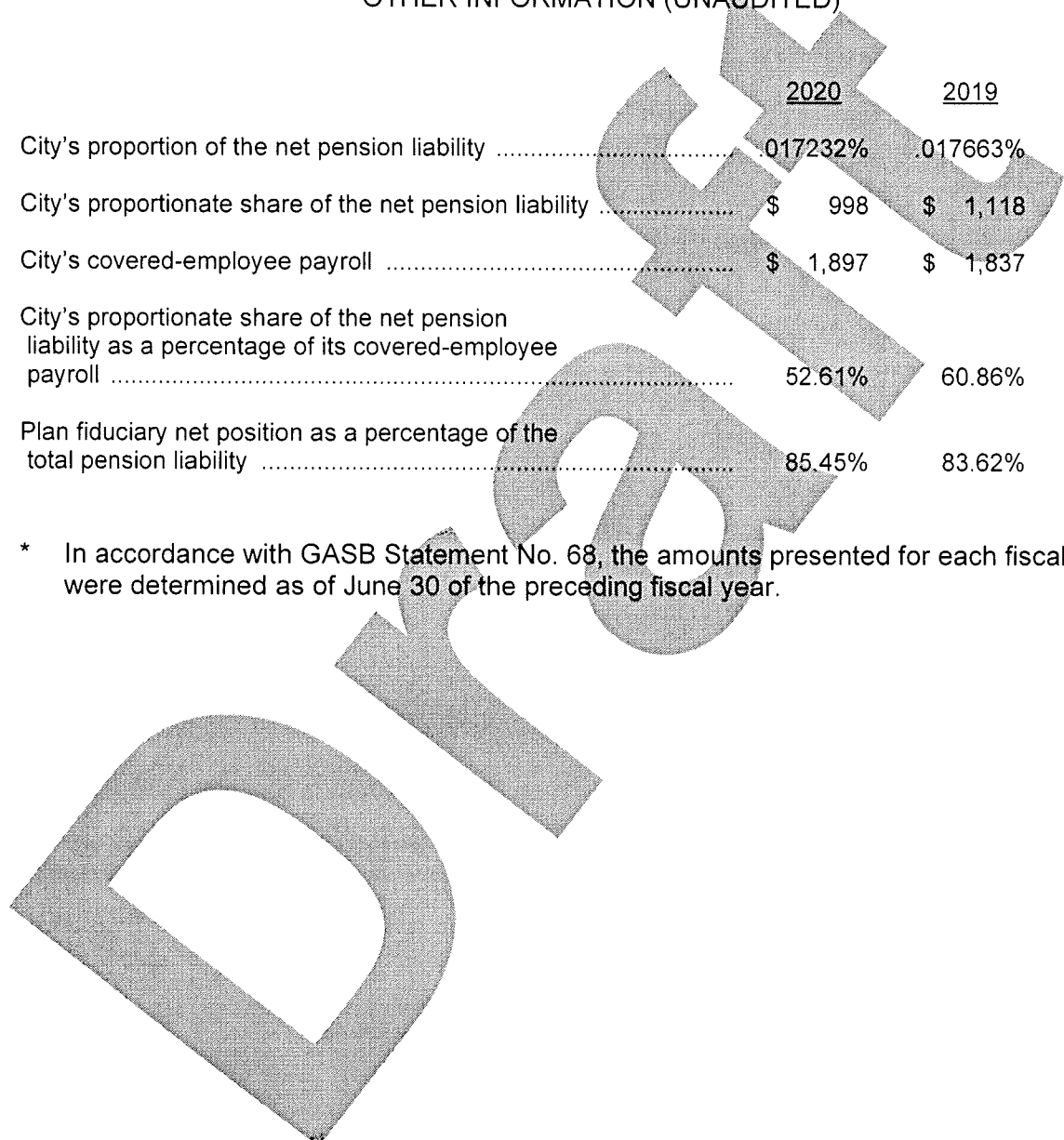
CITY OF SHELDON  
 SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
 LAST SIX FISCAL YEARS  
 (IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
City's proportion of the net pension liability .....	.017232%	.017663%	.016251%
City's proportionate share of the net pension liability .....	\$ 998	\$ 1,118	\$ 1,083
City's covered-employee payroll .....	\$ 1,897	\$ 1,837	\$ 1,671
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll .....	52.61%	60.86%	64.81%
Plan fiduciary net position as a percentage of the total pension liability .....	85.45%	83.62%	82.21%

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



Schedule 5

<u>2017</u>	<u>2016</u>	<u>2015</u>
.016617%	.015290%	.013740%
\$ 1,046	\$ 755	\$ 545
\$ 1,590	\$ 1,550	\$ 1,464
65.79%	48.71%	37.23%
81.82%	85.19%	87.61%

Draft



CITY OF SHELDON  
SCHEDULE OF CITY CONTRIBUTIONS

IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS  
(IN THOUSANDS)

OTHER INFORMATION (UNAUDITED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution .....	\$ 183	\$ 184	\$ 169	\$ 154	\$ 146
Contributions in relation to the statutorily required contribution .....	<u>183</u>	<u>184</u>	<u>169</u>	<u>154</u>	<u>146</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll .....	\$ 1,910	\$ 1,897	\$ 1,837	\$ 1,671	\$ 1,590
Contributions as a percentage of covered-employee payroll .....	9.58%	9.70%	9.20%	9.21%	9.18%

Schedule 6

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 144	\$ 136	\$ 129	\$ 118	\$ 103
<u>144</u>	<u>136</u>	<u>129</u>	<u>118</u>	<u>103</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,550	\$ 1,464	\$ 1,417	\$ 1,374	\$ 1,328
9.29%	9.29%	9.10%	8.59%	7.76%

CITY OF SHELDON  
NOTES TO OTHER INFORMATION - PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
YEAR ENDED JUNE 30, 2020

### Changes of Benefit Terms

There are no significant changes in benefit terms.

### Changes of Assumptions

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

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- 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 4 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 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 valuation) beginning June 30, 2015. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

The Honorable Mayor and  
Members of the City Council  
City of Sheldon  
Sheldon, IA 51201

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the primary government of the City of Sheldon, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the basic financial statements of the City's primary government, and have issued our report thereon dated December 11, 2020. Our report expressed unmodified opinions on the primary government's financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

### **Compliance and Other Matters**

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **City's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

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

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

December 11, 2020  
Spencer, Iowa

CITY OF SHELDON  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2020

**Part I: Findings Related to the Financial Statements**

Internal Control Deficiency:

No findings were noted.

Instances of Non-Compliance:

No findings were noted.

Draft

CITY OF SHELDON  
 SCHEDULE OF FINDINGS - Continued  
 FOR THE YEAR ENDED JUNE 30, 2020

**Part II: Findings Related to Required Statutory Reporting**

20-II-A Certified Budget - Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the community and economic development function. In addition, expenditures in the public safety, health and social services, and community and economic development functions exceeded the amounts budgeted prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

Response - The City will make an effort to amend the budget before disbursements are exceeded, if applicable in the future.

Conclusion - Response accepted.

20-II-B Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

20-II-C Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

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

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Brad Hindt, Council Member, Owner of Downtown Hardware	Supplies	\$ 12,249
Greg Geels, Council Member, Owner of Vogel Paint and Glass, Inc.	Supplies	2,794
Wayne Barahona, Council Member	Contract work/Supplies	11,881

The transactions with Mr. Geels do not appear to be a conflict of interest since the total paid to him was less than \$6,000.

The transactions with Mr. Hindt and Mr. Barahona may represent a conflict of interest since the total paid to the businesses were more than \$6,000 and competitive bidding was not utilized.

Recommendation - The City should use the competitive bidding process when practical.

CITY OF SHELDON  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2020

**Part II: Findings Related to Required Statutory Reporting** - Continued

20-II-D Business Transactions - Continued

Response - These transactions were for normal expenses. The City will monitor spending and use competitive bidding when practical.

Conclusion - Response accepted.

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

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

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

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

20-II-I Revenue Notes - No noncompliance with revenue note provisions were noted.

20-II-J Urban Renewal Annual Report - The urban renewal report for the fiscal year ended June 30, 2019 was approved and certified to the Iowa Department of Management by December 1, 2019.

20-II-K General Obligation Debt Payments - We noted general obligation debt payments for capital loan notes, series 2019 were not recorded in the Debt Service Fund in accordance with Chapter 384.4 of the Code of Iowa.

Recommendation - The general obligation debt payments should be made from the Debt Service Fund in accordance with Chapter 384.4 of the Code of Iowa.

Response - The City will pay general obligation debt payments from the Debt Service Fund in the future.

Conclusion - Response accepted.