

CITY OF SHELDON

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

JUNE 30, 2021

CITY OF SHELDON
TABLE OF CONTENTS

		<u>Page No.</u>
Officials		1
Independent Auditors' Report		2 - 4
BASIC FINANCIAL STATEMENTS:		
	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	5 - 6
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Governmental Funds	B	7 - 10
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	C	11
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Proprietary Funds	D	12 - 13
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	E	14
Fiduciary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Fiduciary Fund	F	15
Notes to Financial Statements		16 - 32
	<u>Schedule</u>	
SUPPLEMENTARY INFORMATION:		
Schedule of Receipts, Disbursements, and Changes in Cash Balances - All Nonmajor Governmental Funds	1	33 - 34
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	2	35 - 36
OTHER INFORMATION:		
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental and Proprietary Funds	3	37 - 38 39
Notes to Schedule 3 - Budgetary Reporting		40 - 41
Schedule of the City's Proportionate Share of the Net Pension Liability	4	42 - 43
Schedule of City Contributions	5	44
Notes to Other Information - Pension Liability		44
Independent Auditors' Report on Internal Control over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		45 - 46
Schedule of Findings		47 - 50

CITY OF SHELDON

CITY OFFICIALS

<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 (resigned March 2021)	
Tom Eggers	Council Member	January 2022
Wayne Barahona	Council Member	January 2024
Ken Snyder	Council Member (elected June 2021)	January 2022
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, 2021, 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 \$344,000, \$207,000, and \$77,000, 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, 2021, 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, 2021 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, 2020 (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 2 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 3 through 5, 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 7, 2021 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.

Winter, Starnes Co., LLP

December 7, 2021
Spencer, Iowa

BASIC FINANCIAL STATEMENTS

CITY OF SHELDON
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Disbursements</u>	<u>Charges for Services</u>	<u>Program Receipts</u>	
			<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 1,540,727	\$ 766,422	\$ 27,602	\$ 82,217
Public works	1,156,166	100,406	909,594	30,000
Culture and recreation	1,009,109	467,033	149,923	1,200
Community and economic development	916,864	9,834	508,966	
General government	488,174	11,069		
Debt service	3,908,639		7,014	
Capital projects	1,447,056			170,538
Total governmental activities	<u>10,466,735</u>	<u>1,354,764</u>	<u>1,603,099</u>	<u>283,955</u>
Business type activities:				
Water	1,258,808	1,379,583		
Sewer	1,460,351	1,666,579		
Total business type activities	<u>2,719,159</u>	<u>3,046,162</u>		
TOTAL	<u>\$ 13,185,894</u>	<u>\$ 4,400,926</u>	<u>\$ 1,603,099</u>	<u>\$ 283,955</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.....

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		
Governmental Activities	Business Type Activities	Total
\$ (664,486)		\$ (664,486)
(116,166)		(116,166)
(390,953)		(390,953)
(398,064)		(398,064)
(477,105)		(477,105)
(3,901,625)		(3,901,625)
(1,276,518)		(1,276,518)
<u>(7,224,917)</u>		<u>(7,224,917)</u>
	\$ 120,775	120,775
	<u>206,228</u>	<u>206,228</u>
	<u>327,003</u>	<u>327,003</u>
<u>(7,224,917)</u>	<u>327,003</u>	<u>(6,897,914)</u>
1,808,470		1,808,470
199,074		199,074
276,137		276,137
3,003,402		3,003,402
745,513		745,513
139,181	82,784	221,965
2,500,000		2,500,000
62,589		62,589
89,531	(89,531)	
<u>8,823,897</u>	<u>(6,747)</u>	<u>8,817,150</u>
1,598,980	320,256	1,919,236
<u>7,956,828</u>	<u>3,720,292</u>	<u>11,677,120</u>
<u>\$ 9,555,808</u>	<u>\$ 4,040,548</u>	<u>\$ 13,596,356</u>
\$ 2,674,993		\$ 2,674,993
536,629		536,629
276,651	\$ 693,613	970,264
2,902,230		2,902,230
1,002,119	139,959	1,142,078
<u>2,163,186</u>	<u>3,206,976</u>	<u>5,370,162</u>
<u>\$ 9,555,808</u>	<u>\$ 4,040,548</u>	<u>\$ 13,596,356</u>

CITY OF SHELDON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Local Option Sales Tax</u>
RECEIPTS:			
Property tax	\$ 996,882		
Tax increment financing		\$ 3,003,402	
Other city taxes	186,663		\$ 745,513
Licenses and permits	12,027		
Use of money and property	229,743	65,829	13,373
Intergovernmental	585,502	159,938	
Charges for service	611,794		
Special assessments	13,975	10,061	
Miscellaneous	780,000		40,960
TOTAL RECEIPTS	<u>3,416,586</u>	<u>3,239,230</u>	<u>799,846</u>
DISBURSEMENTS:			
Public safety	1,223,648		
Public works	217,334		
Culture and recreation	887,638		
Community and economic development	582,965	267,438	25,000
General government	282,255		165,026
Debt service			
Capital projects			242,946
TOTAL DISBURSEMENTS	<u>3,193,840</u>	<u>267,438</u>	<u>432,972</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>222,746</u>	<u>2,971,792</u>	<u>366,874</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	360,712		
Operating transfers out	(52,282)	(3,785,061)	(371,892)
Bond proceeds			
TOTAL OTHER FINANCING SOURCES (USES)	<u>308,430</u>	<u>(3,785,061)</u>	<u>(371,892)</u>
NET CHANGE IN CASH BALANCES	531,176	(813,269)	(5,018)
CASH BALANCES - BEGINNING OF YEAR	<u>1,338,869</u>	<u>3,488,262</u>	<u>541,647</u>
CASH BALANCES - END OF YEAR	<u>\$ 1,870,045</u>	<u>\$ 2,674,993</u>	<u>\$ 536,629</u>

<u>Road Use Tax</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total</u>
	\$ 194,728		\$ 600,313	\$ 1,791,923
	4,346		24,612	3,003,402
\$ 11,943	7,014	\$ 31,606	7,867	961,134
776,448	11,791	24,078	169,419	12,027
				367,375
				1,727,176
				611,794
				24,036
		122,424	2,335	945,719
<u>788,391</u>	<u>217,879</u>	<u>178,108</u>	<u>804,546</u>	<u>9,444,586</u>
			257,341	1,480,989
755,744			134,706	1,107,784
			99,553	987,191
			32,376	907,779
			22,723	470,004
	3,908,639			3,908,639
		1,204,110		1,447,056
<u>755,744</u>	<u>3,908,639</u>	<u>1,204,110</u>	<u>546,699</u>	<u>10,309,442</u>
<u>32,647</u>	<u>(3,690,760)</u>	<u>(1,026,002)</u>	<u>257,847</u>	<u>(864,856)</u>
	3,764,365	69,854	111,196	4,306,127
		(7,222)	(191,839)	(4,408,296)
		2,500,000		2,500,000
	<u>3,764,365</u>	<u>2,562,632</u>	<u>(80,643)</u>	<u>2,397,831</u>
32,647	73,605	1,536,630	177,204	1,532,975
530,007	203,046	1,365,600	262,261	7,729,692
<u>\$ 562,654</u>	<u>\$ 276,651</u>	<u>\$ 2,902,230</u>	<u>\$ 439,465</u>	<u>\$ 9,262,667</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, 2021

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Local Option Sales Tax</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Urban renewal purposes		\$ 2,674,993	
Community betterment			\$ 536,629
Debt service			
Capital projects			
Community and economic development			
Streets			
Police purposes			
Employee benefits			
Disaster purposes			
Committed for:			
Library purposes	\$ 126,781		
Airport purposes	184,880		
Park purposes	97,668		
Museum purposes	126,446		
Assigned for:			
Equipment purchases	23,376		
Public safety purposes	493,677		
Recreation trails maintenance	402,529		
Cemetery purposes	4,168		
Unassigned	<u>410,520</u>		
 TOTAL CASH BASIS FUND BALANCES	 <u>\$ 1,870,045</u>	 <u>\$ 2,674,993</u>	 <u>\$ 536,629</u>

<u>Road Use Tax</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total</u>
				\$ 2,674,993
				536,629
	\$ 276,651			276,651
		\$ 2,902,230		2,902,230
\$ 562,654			\$ 102,166	102,166
			7,415	7,415
			198,994	198,994
			130,890	130,890
				126,781
				184,880
				97,668
				126,446
				23,376
				493,677
				402,529
				4,168
				410,520
<u>\$ 562,654</u>	<u>\$ 276,651</u>	<u>\$ 2,902,230</u>	<u>\$ 439,465</u>	<u>\$ 9,262,667</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, 2021

TOTAL GOVERNMENTAL FUNDS CASH BALANCES PER EXHIBIT B \$9,262,667

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

The internal service fund is used by the City to charge the cost of funding the
 City's health insurance benefit plan to the individual funds. A portion of the
 cash balance of the internal service fund is included in governmental
 activities in the Cash Basis Statement of Activities and Net Position. 293,141

CASH BASIS NET POSITION OF GOVERNMENTAL
 ACTIVITIES PER EXHIBIT A \$9,555,808

NET CHANGE IN CASH BALANCES PER EXHIBIT B \$1,532,975

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

The internal service fund is used by the City to charge the cost of funding the
 City's health insurance benefit plan to the individual funds. A portion of the
 change in the cash balance of the internal service fund is reported with
 governmental activities in the Cash Basis Statement of Activities and
 Net Position. 66,005

CHANGE IN CASH BASIS NET POSITION OF GOVERNMENTAL
 ACTIVITIES PER EXHIBIT A \$1,598,980

CITY OF SHELDON
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	Enterprise Funds			Internal Service
	Water	Sewer	Total	Self-Insurance
OPERATING RECEIPTS:				
Charges for services	\$ 1,320,163	\$ 1,652,211	\$ 2,972,374	
Reimbursements from employees and insurance				\$ 39,523
Miscellaneous	51,838	8,382	60,220	385
TOTAL OPERATING RECEIPTS	1,372,001	1,660,593	3,032,594	39,908
OPERATING DISBURSEMENTS:				
Business type activities:				
Cost of sales and services	904,541	817,770	1,722,311	
Insurance charges and claims				238,061
TOTAL OPERATING DISBURSEMENTS	904,541	817,770	1,722,311	238,061
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	467,460	842,823	1,310,283	(198,153)
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	18,701	61,374	80,075	7,967
Purchase of capital assets	(141,087)	(119,514)	(260,601)	
Debt service payments:				
Revenue note principal	(161,180)	(160,000)	(321,180)	
Revenue note interest	(7,074)	(327,225)	(334,299)	
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	(290,640)	(545,365)	(836,005)	7,967
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	176,820	297,458	474,278	(190,186)
OTHER FINANCING SOURCES (USES):				
Operating transfers in	139		139	191,700
Operating transfers out	(44,835)	(44,835)	(89,670)	
TOTAL OTHER FINANCING SOURCES (USES)	(44,696)	(44,835)	(89,531)	191,700
NET CHANGE IN CASH BALANCES	132,124	252,623	384,747	1,514
CASH BALANCES - BEGINNING OF YEAR	781,565	2,701,461	3,483,026	464,402
CASH BALANCES - END OF YEAR	\$ 913,689	\$ 2,954,084	\$ 3,867,773	\$ 465,916

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, 2021

	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		\$ 693,613	\$ 693,613	
Water deposits	\$ 139,959		139,959	
Unrestricted	773,730	2,260,471	3,034,201	\$ 465,916
 TOTAL CASH BASIS FUND BALANCES	\$ 913,689	\$ 2,954,084	\$ 3,867,773	\$ 465,916

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, 2021

TOTAL ENTERPRISE FUNDS CASH BALANCES PER EXHIBIT D \$3,867,773

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 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. 172,775

CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES
 PER EXHIBIT A \$4,040,548

NET CHANGE IN CASH BALANCES - ENTERPRISE FUNDS PER EXHIBIT D... \$ 384,747

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 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. (64,491)

CHANGE IN CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES
 PER EXHIBIT A \$ 320,256

CITY OF SHELDON
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES - FIDUCIARY FUND
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	Custodial Cafeteria <u>Plan</u>
CASH BALANCE - BEGINNING OF YEAR	\$ 139
RECEIPTS:	
Use of money and property	1,202
DISBURSEMENTS:	
Cafeteria plan benefits paid	<u>(1,200)</u>
 CASH BALANCE - END OF YEAR	 <u>\$ 141</u>

CITY OF SHELDON
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, 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.

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, 2021 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, 2021:

Cash on hand	\$	160
Demand deposits		6,866,919
Certificates of deposit/savings accounts		<u>6,729,418</u>
Total cash and investments		13,596,497
Less: Custodial cafeteria funds		<u>141</u>
City's cash and investments		<u>\$13,596,356</u>

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, 2021 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	\$ 9,262,143	\$2,500,000	\$3,157,857	\$8,604,286	\$897,857
Tax increment financing revenue bonds	495,000		495,000		
USDA airport loan	30,784		30,784		
Governmental activities total	<u>\$ 9,787,927</u>	<u>\$2,500,000</u>	<u>\$3,683,641</u>	<u>\$8,604,286</u>	<u>\$897,857</u>
Business type activities:					
Water revenue notes	\$ 326,716		\$ 161,180	\$ 165,536	\$165,536
Sewer revenue notes	7,740,000		160,000	7,580,000	165,000
Business type activities total	<u>\$ 8,066,716</u>	<u>\$</u>	<u>\$ 321,180</u>	<u>\$7,745,536</u>	<u>\$330,536</u>

General Obligation Bonds

A summary of the City's June 30, 2021 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>
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				2.60	235,000	44,665
2027 - 2031				2.80-3.25	1,270,000	120,485
2032 - 2036						
2037						
Total		<u>\$ 185,000</u>	<u>\$ 4,675</u>		<u>\$2,385,000</u>	<u>\$397,822</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>
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	123,862
2025	2.50	290,000	7,250	2.00	245,000	119,063
2026				2.00	250,000	114,162
2027 - 2031				2.75-3.00	1,340,000	472,163
2032 - 2036				3.00-4.00	1,555,000	250,450
2037				4.00	350,000	14,000
Total		<u>\$1,125,000</u>	<u>\$ 66,975</u>		<u>\$4,445,000</u>	<u>\$1,354,250</u>

General Obligation Bonds - Continued

Year Ending June 30,	Issued October 24, 2019			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
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	201,673	1,039,530
2025	2.70	92,857	5,014	857,857	181,742	1,039,599
2026	2.70	92,857	2,507	577,857	161,334	739,191
2027 - 2031	2.70			2,610,000	592,648	3,202,648
2032 - 2036				1,555,000	250,450	1,805,450
2037				350,000	14,000	364,000
Total		<u>\$ 464,286</u>	<u>\$ 37,607</u>	<u>\$8,604,286</u>	<u>\$1,861,329</u>	<u>\$10,465,615</u>

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, 2021, the City paid \$90,000 of principal and \$4,137 of interest on the remaining \$275,000.

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, 2021, the City paid \$210,000 of principal and \$70,315 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, 2021, the City paid \$265,000 of principal and \$30,675 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, 2021, the City paid \$132,575 of interest on the bonds.

On October 24, 2019, the City issued \$650,000 of general obligation bonds with an interest rate of 2.70%. The bonds were used to purchase a fire truck and two new police cars. During the year ended June 30, 2021, the City paid \$92,857 of principal and \$13,829 of interest on the bonds.

On October 1, 2020, the City issued \$2,500,000 of short-term general obligation bonds with an interest rate of 3.25%. The bonds were used for various capital projects within urban renewal areas. The bond issue was redeemed in November 2020 by transfers from the tax increment financing fund. During the year ended June 30, 2021, the City paid \$2,500,000 of principal and \$7,222 of interest on the bonds.

Tax Increment Financing Revenue Bonds

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, 2021 is \$514,800 including principal and interest. For the current year, principal and interest paid on the bonds was \$495,000 and \$19,800, respectively. As of June 30, 2021, the bond was paid in full.

Airport Loan

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, 2021, the City paid \$30,784 of principal and \$1,644 of interest on the loan. As of June 30, 2021, the loan was paid in full.

Revenue Notes

A summary of the City's June 30, 2021 revenue notes payable is as follows:

Year Ending June 30,	Sewer Revenue Capital Loan Notes			Water Revenue Capital Loan Notes		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
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	3.00	190,000	301,725			
2027 - 2031	4.00	1,045,000	1,399,525			
2032 - 2036	4.00	1,275,000	1,173,125			
2037 - 2041	4.00-4.50	1,545,000	895,175			
2042 - 2046	4.50-5.00	1,925,000	520,100			
2047 - 2048	5.00	910,000	68,750			
Total		<u>\$7,580,000</u>	<u>\$5,617,800</u>		<u>\$ 165,536</u>	<u>\$ 3,071</u>

Revenue Notes - Continued

Year Ending June 30,	Total Revenue Notes	
	Principal	Interest
2022	\$ 330,536	\$ 325,496
2023	170,000	317,475
2024	175,000	312,375
2025	180,000	307,125
2026	190,000	301,725
2027 - 2031	1,045,000	1,399,525
2032 - 2036	1,275,000	1,173,125
2037 - 2041	1,545,000	895,175
2042 - 2046	1,925,000	520,100
2047 - 2048	<u>910,000</u>	<u>68,750</u>
Total	<u>\$7,745,536</u>	<u>\$5,620,871</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 \$168,607. For the current year, principal and interest paid and total customer net receipts were \$168,254 and \$467,460, 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, 2021.

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 \$13,197,800. For the current year, principal and interest paid on the notes and net customer receipts were \$487,225 and \$842,823, 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, 2021.

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, 2021 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Purpose</u>
General	Special Revenue:		
	Local option sales tax	\$ 210,696	Street lighting, improvements, and economic development
	Special revenue:		
	Tax increment financing	60,346	Interest
	Proprietary:		
Enterprise:	Water	44,835	Street lighting
	Sewer	44,835	Street lighting
		<u>360,712</u>	
Debt Service	General	32,428	Principal and interest payments
	Special revenue:		
	Tax increment financing	3,724,715	Principal and interest payments
	Capital projects	7,222	Interest
		<u>3,764,365</u>	
Capital Projects	General	19,854	Fund project
	Special revenue:		
	Local option sales tax	50,000	Fund project
		<u>69,854</u>	
Special Revenue:			
Employee benefits	Special revenue:		
	Local option sales tax	111,196	Property tax relief
Proprietary:			
Enterprise:			
Water	Special revenue:		
	FEMA	139	Payback disaster
Proprietary:			
Internal Service:			
Self-Insurance	Special revenue:		
	Employee benefits	191,700	HSA contributions
TOTAL OPERATING TRANSFERS		<u>\$4,497,966</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.

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 6.41% of covered payroll, and the City contributed 9.61% of covered payroll for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 were \$191,220.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2021, the City reported a liability of \$1,272,722 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2020, the City's proportion was .01811779% which was an increase of .000886% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City pension expense, deferred outflows of resources, and deferred inflows of resources totaled \$255,488, \$335,315, and \$174,666, respectively. There were no non-employer contributing entities to IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2020 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, 2020 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 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of 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%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	<u>3.0</u>	3.11
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 <u>(6.00%)</u>	Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
City's proportionate share of the net pension liability	\$2,415,752	\$1,272,722	\$ 316,364

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

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 City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$383,189 and plan members eligible for benefits contributed \$39,523 to the plan. At June 30, 2021, 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, 2021, the following employees were covered by the benefit terms:

Active employees	<u>29</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, 2021 is as follows:

Governmental activities:	
General fund	\$ 118,954
Special revenue:	
Road use tax	<u>41,068</u>
Total governmental activities	<u>160,022</u>
Business type activities:	
Proprietary:	
Enterprise:	
Water	56,986
Sewer	<u>35,508</u>
Total business type activities	<u>92,494</u>
TOTAL	<u>\$ 252,516</u>

9. RELATED PARTY TRANSACTIONS

The City has business transactions between the City and City officials, totaling \$39,696 during the year ended June 30, 2021.

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	\$2,267,907
Paid as of June 30, 2021	<u>1,150,392</u>
Balance to complete	<u>\$1,117,515</u>

11. SUBSEQUENT EVENTS

In August 2021, the City authorized the issuance of \$3,500,000 in general obligation capital loan notes for street improvements and equipment purchases.

Between July and November 2021, the City entered into construction contracts totaling \$799,558.

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 785 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, 2021 were \$158,653

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, 2021, 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 partial self-insurance health insurance fund (an internal service fund) to account for group insurance risks. The City has agreed to pay a portion of the employees' deductible and health savings account.

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

13. COLLECTIVE BARGAINING AGREEMENT

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

14. DEVELOPER AGREEMENTS

The City has entered into various development agreements related to improvements made in tax increment financing districts. The properties are subject to minimum assessed values. The agreements call for annual payments from five to ten years based on a percentage of the taxes collected. During the year ended June 30, 2021, the City rebated \$75,565 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, 2021, the City abated \$75,565 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, 2021 under agreements entered into by other entities.

SUPPLEMENTARY INFORMATION

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, 2021

	Special Revenue Funds		
	LHAP Reuse	Employee Benefits	LMI
RECEIPTS:			
Property tax		\$ 600,313	
Other city taxes		24,612	
Use of money and property	\$ 1,608	4,372	\$ 425
Intergovernmental		39,859	
Miscellaneous		557	
TOTAL RECEIPTS	<u>1,608</u>	<u>669,713</u>	<u>425</u>
DISBURSEMENTS:			
Public safety		257,341	
Public works		134,706	
Culture and recreation		99,553	
Community and economic development		32,376	
General government		22,723	
TOTAL DISBURSEMENTS		<u>546,699</u>	
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>1,608</u>	<u>123,014</u>	<u>425</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in		111,196	
Operating transfers out		(191,700)	
TOTAL OTHER FINANCING SOURCES (USES)		<u>(80,504)</u>	
NET CHANGE IN CASH BALANCES	<u>1,608</u>	<u>42,510</u>	<u>425</u>
CASH BALANCES - BEGINNING OF YEAR	<u>78,741</u>	<u>156,484</u>	<u>21,392</u>
CASH BALANCES - END OF YEAR	<u>\$ 80,349</u>	<u>\$ 198,994</u>	<u>\$ 21,817</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Community and economic development	\$ 80,349		\$ 21,817
Police purposes		\$ 198,994	
Employee benefits.....			
Disaster purposes			
TOTAL CASH BASIS FUND BALANCES	<u>\$ 80,349</u>	<u>\$ 198,994</u>	<u>\$ 21,817</u>

<u>FEMA</u>	<u>Seizure</u>	<u>Total</u>
		\$ 600,313
		24,612
\$ 1,331	\$ 131	7,867
129,560		169,419
	1,778	2,335
<u>130,891</u>	<u>1,909</u>	<u>804,546</u>
		257,341
		134,706
		99,553
		32,376
		22,723
		<u>546,699</u>
<u>130,891</u>	<u>1,909</u>	<u>257,847</u>
		111,196
(139)		(191,839)
<u>(139)</u>		<u>(80,643)</u>
130,752	1,909	177,204
138	5,506	262,261
<u>\$ 130,890</u>	<u>\$ 7,415</u>	<u>\$ 439,465</u>
		\$ 102,166
	\$ 7,415	7,415
\$ 130,890		198,994
		<u>130,890</u>
<u>\$ 130,890</u>	<u>\$ 7,415</u>	<u>\$ 439,465</u>

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
RECEIPTS:				
Property and other city tax	\$ 1,791,923	\$ 1,725,367	\$ 1,659,908	\$ 1,639,247
Tax increment financing	3,003,402	2,891,045	2,422,334	2,609,759
Other city taxes	961,134	1,009,618	941,628	860,077
Licenses and permits	12,027	16,570	11,693	16,030
Use of money and property	367,375	369,803	248,818	191,690
Intergovernmental	1,727,176	945,304	1,709,701	1,495,196
Charges for service	611,794	539,793	480,318	454,541
Special Assessments	24,036	15,413	15,676	19,649
Miscellaneous	945,719	610,635	1,122,275	526,602
TOTAL RECEIPTS	<u>\$ 9,444,586</u>	<u>\$ 8,123,548</u>	<u>\$ 8,612,351</u>	<u>\$ 7,812,791</u>
DISBURSEMENTS:				
Public safety	\$ 1,480,989	\$ 2,250,730	\$ 1,345,587	\$ 1,242,463
Public works	1,107,784	1,080,992	1,503,828	1,202,854
Health and social services		20,000	20,000	
Culture and recreation	987,191	978,788	1,005,647	835,891
Community and economic development	907,779	443,083	396,333	529,413
General government	470,004	447,768	441,572	413,273
Debt service	3,908,639	1,356,175	4,093,105	1,454,401
Capital projects	1,447,056	1,266,843	1,075,153	2,227,833
TOTAL DISBURSEMENTS	<u>\$ 10,309,442</u>	<u>\$ 7,844,379</u>	<u>\$ 9,881,225</u>	<u>\$ 7,906,128</u>

Schedule 2

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 1,617,926	\$ 1,489,134	\$ 1,477,922	\$ 1,501,872	\$ 1,432,048	\$ 1,369,670
2,386,756	2,108,134	1,878,277	1,878,787	1,839,228	1,750,174
961,387	825,701	719,792	700,968	701,949	681,333
15,433	12,180	15,353	14,816	12,447	12,173
124,868	93,029	98,081	109,418	117,492	114,330
1,776,747	1,208,509	1,367,642	3,364,788	854,341	929,224
385,561	399,857	469,954	371,215	395,800	377,538
17,159	26,470	35,631	18,485	2,227	401
917,831	815,266	233,645	185,928	168,519	257,097
<u>\$ 8,203,668</u>	<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>
\$ 1,519,675	\$ 1,211,302	\$ 986,414	\$ 1,145,638	\$ 1,128,661	\$ 1,116,261
964,039	945,830	1,184,090	1,386,304	1,013,510	706,086
	10,000	16,500	26,500	16,500	15,500
556,802	487,846	495,255	477,045	503,533	527,914
430,132	456,391	444,411	394,121	501,782	388,552
883,875	449,864	342,415	407,858	423,095	332,493
3,010,128	1,171,193	3,113,168	1,281,730	1,088,690	971,366
5,013,994	1,071,872	1,651,939	6,648,345	1,390,607	2,435,130
<u>\$ 12,378,645</u>	<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>

OTHER INFORMATION

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, 2021

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property taxes	\$ 1,791,923		\$ 1,791,923
Other city taxes	961,134		961,134
Tax increment financing revenues	3,003,402		3,003,402
Licenses and permits	12,027		12,027
Use of money and property	367,375	\$ 88,042	455,417
Intergovernmental	1,727,176		1,727,176
Charges for services	611,794	2,972,374	3,584,168
Special assessments.....	24,036		24,036
Miscellaneous	945,719	100,128	1,045,847
TOTAL RECEIPTS	<u>9,444,586</u>	<u>3,160,544</u>	<u>12,605,130</u>
DISBURSEMENTS:			
Public safety	1,480,989		1,480,989
Public works	1,107,784		1,107,784
Health and social services			
Culture and recreation	987,191		987,191
Community and economic development	907,779		907,779
General government	470,004		470,004
Debt service	3,908,639		3,908,639
Capital projects	1,447,056		1,447,056
Business type activities		2,876,452	2,876,452
TOTAL DISBURSEMENTS	<u>10,309,442</u>	<u>2,876,452</u>	<u>13,185,894</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(864,856)</u>	<u>284,092</u>	<u>(580,764)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	4,306,127	191,839	4,497,966
Operating transfers out	(4,408,296)	(89,670)	(4,497,966)
Bond Proceeds.....	2,500,000		2,500,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>2,397,831</u>	<u>102,169</u>	<u>2,500,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	<u>1,532,975</u>	<u>386,261</u>	<u>1,919,236</u>
BALANCE - BEGINNING OF YEAR	<u>7,729,692</u>	<u>3,947,428</u>	<u>11,677,120</u>
BALANCE - END OF YEAR	<u>\$ 9,262,667</u>	<u>\$ 4,333,689</u>	<u>\$13,596,356</u>

<u>Original Budget</u>	<u>Final Budget</u>	<u>Final to Actual Variance</u>
\$ 1,800,430	\$ 1,800,430	\$ (8,507)
1,062,104	1,062,104	(100,970)
3,151,836	3,151,836	(148,434)
15,300	15,300	(3,273)
318,084	421,231	34,186
870,376	1,618,769	108,407
3,309,870	3,422,495	161,673
13,662	14,734	9,302
<u>1,203,768</u>	<u>1,616,352</u>	<u>(570,505)</u>
<u>11,745,430</u>	<u>13,123,251</u>	<u>(518,121)</u>
1,555,797	1,656,967	175,978
1,306,455	1,389,217	281,433
20,000	20,000	20,000
1,098,615	1,182,116	194,925
402,227	987,156	79,377
488,075	508,075	38,071
3,964,599	3,969,354	60,715
205,267	1,823,311	376,255
<u>3,179,826</u>	<u>4,682,341</u>	<u>1,805,889</u>
<u>12,220,861</u>	<u>16,218,537</u>	<u>3,032,643</u>
<u>(475,431)</u>	<u>(3,095,286)</u>	<u>2,514,522</u>
5,582,935	8,390,505	(3,892,539)
(5,582,935)	(8,390,505)	3,892,539
<u>2,504,000</u>	<u>2,500,000</u>	
<u>2,504,000</u>	<u>2,500,000</u>	
2,028,569	(595,286)	2,514,522
<u>5,491,023</u>	<u>10,982,046</u>	<u>695,074</u>
<u>\$ 7,519,592</u>	<u>\$ 10,386,760</u>	<u>\$ 3,209,596</u>

CITY OF SHELDON
NOTES TO SCHEDULE 3 - BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2021

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 increased budgeted disbursements by \$3,997,676. This budget amendment is reflected in the final budgeted amounts.

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

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

OTHER INFORMATION (UNAUDITED)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability0181177%	.017232%	.017663%
City's proportionate share of the net pension liability	\$ 1,273	\$ 998	\$ 1,118
City's covered-employee payroll	\$ 1,910	\$ 1,897	\$ 1,837
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	66.65%	52.61%	60.86%
Plan fiduciary net position as a percentage of the total pension liability	82.90%	85.45%	83.62%

* 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 4

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
.016251%	.016617%	.015290%	.013740%
\$ 1,083	\$ 1,046	\$ 755	\$ 545
\$ 1,671	\$ 1,590	\$ 1,550	\$ 1,464
64.81%	65.79%	48.71%	37.23%
82.21%	81.82%	85.19%	87.61%

CITY OF SHELDON
SCHEDULE OF CITY CONTRIBUTIONS

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

OTHER INFORMATION (UNAUDITED)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 191	\$ 183	\$ 184	\$ 169	\$ 154
Contributions in relation to the statutorily required contribution	<u>191</u>	<u>183</u>	<u>184</u>	<u>169</u>	<u>154</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 2,010	\$ 1,910	\$ 1,897	\$ 1,837	\$ 1,671
Contributions as a percentage of covered-employee payroll	9.50%	9.58%	9.70%	9.20%	9.21%

Schedule 5

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 146	\$ 144	\$ 136	\$ 129	\$ 118
<u>146</u>	<u>144</u>	<u>136</u>	<u>129</u>	<u>118</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,590	\$ 1,550	\$ 1,464	\$ 1,417	\$ 1,374
9.18%	9.29%	9.29%	9.10%	8.59%

CITY OF SHELDON
NOTES TO OTHER INFORMATION - PENSION LIABILITY
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
YEAR ENDED JUNE 30, 2021

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, 2021, 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 7, 2021. 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, 2021 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.

Wintner, Starnes Co., LLA

December 7, 2021
Spencer, Iowa

CITY OF SHELDON
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

Part I: Findings Related to the Financial Statements

Internal Control Deficiency:

No findings were noted.

Instances of Non-Compliance:

No findings were noted.

CITY OF SHELDON
 SCHEDULE OF FINDINGS - Continued
 FOR THE YEAR ENDED JUNE 30, 2021

Part II: Findings Related to Required Statutory Reporting

21-II-A Certified Budget - 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.

21-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.

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

21-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	\$ 6,331
Greg Geels, Council Member, Owner of Vogel Paint and Glass, Inc.	Supplies	6,056
Wayne Barahona, Council Member Owner of Super Hi Tech	Contract work/Supplies Computer management services	26,605 704

The transactions with Mr. Barahona in the amount of \$704 do not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(d) of the Code of Iowa.

The transactions with Mr. Hindt, Mr. Geels, 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.

CITY OF SHELDON
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

Part II: Findings Related to Required Statutory Reporting - Continued

21-II-D Business Transactions - Continued

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

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

Conclusion - Response accepted.

21-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.

21-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.

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

21-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.

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

21-II-J Urban Renewal Annual Report - The urban renewal report for the fiscal year ended June 30, 2020 was approved and certified to the Iowa Department of Management by December 1, 2020.

CITY OF SHELDON
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2021

Part II: Findings Related to Required Statutory Reporting - Continued

21-II-K Donations to Private Non-profit Corporations - During the year ended June 30, 2021, the City donated to various private non-profit corporations.

The Iowa Office of Auditor of State has described factors to be considered regarding such payments:

- The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 states, in part, that “No public money or property shall be appropriated for local or private purposes.”
- At least six official Iowa Attorney General Opinions since 1972 have consistently concluded that “a governmental body may not donate public funds to a private entity, even if the entity is established for charitable or educational purposes and performs work which the government could perform directly.” The Opinions further state, “Even if the function of a private non-profit corporation fits within the scope of activities generally recognized as serving a public purpose a critical question exists regarding whether funds or property transferred to a private entity will indeed be used for those public purposes.”

Recommendation - The City may not have statutory authority to donate public funds to private non-profit organizations. However, public funds may be provided to a non-profit entity when the payment is for certain economic development purposes or when the City enters into a contract for services with the non-profit entity. The City should discontinue making future such donations or develop applicable documentation to support the compliance of such donations with applicable statutes.

Response - The City's administrative staff and City legal counsel will discuss the necessary documentation detailing the public purpose of the disbursements to all entities.

Conclusion - Response accepted.