

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

June 30, 2023

Table of Contents

	<u>Page</u>
Officials.	3
Independent Auditor's Report.	5-8
Management's Discussion and Analysis.	9 -14
Basic Financial Statements:	
	<u>Exhibit</u>
Government-wide Financial Statement:	
Cash Basis Statement of Activities and Net Position	A. 16-17
Governmental Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances.	B. 18-19
Proprietary Fund Financial Statement:	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C. 20
Notes to Financial Statements.	21-36
Other Information:	
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds.	38-39
Notes to Other Information - Budgetary Reporting.	40
Schedule of the City's Proportionate Share of the Net Pension Liability (Asset).	42-43
Schedule of City Contributions.	44-45
Notes to Other Information - Pension Liability.	46
Supplementary Information:	
	<u>Schedule</u>
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds.	1. 48-49
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Non-Major Proprietary Funds.	2. 50
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds.	3. 52-53
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	55-56
Schedule of Findings.	57-59

CITY OF POLK CITY

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steve Karsjen.....	Mayor.	January 1, 2026
Robert Sarchet.	Mayor Pro-Tem/Council Member.....	January 1, 2026
Jeff Walters.	Council Member.	January 1, 2026
David Dvorak.....	Council Member.	January 1, 2024
Ronald Anderson.....	Council Member.	January 1, 2024
Mandy Vogel.	Council Member.	January 1, 2024
Chelsea Huisman.	City Manager.....	Indefinite
Jenny Coffin.....	City Clerk.	Indefinite
Brick Gentry, et al, P.C.....	City Attorney.....	Indefinite

City of Polk City



MARTENS & COMPANY, CPA, LLP

CERTIFIED PUBLIC ACCOUNTANTS
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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Audit of the Financial Statements

Opinions

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

Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying financial statements referred to above do not present fairly the cash basis financial position of the aggregate discretely presented component units of the City of Polk City as of June 30, 2023, or the changes in cash basis financial position thereof for the year ended in accordance with the cash basis of accounting described in Note 1.

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

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

Basis for Adverse Opinions and Unmodified Opinions

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

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

The financial statements do not include the financial data for the City's legally separate component units. Accounting principles applicable to the cash basis of accounting require the financial data for the component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial

reporting entity which include the financial data for its component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and cash balances of the aggregate discretely presented component unit has not been determined.

Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Polk City's basic financial statements. We previously audited, in accordance with the standards referred to in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report, the financial statements for the three years ended June 30, 2022 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. An adverse opinion was expressed on the financial statements of the aggregate discretely presented component units due to the omission of the legally separate component units. The financial statements for the five years ended June 30, 2019 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. An adverse opinion was expressed on the financial statements of the aggregate discretely presented component units due to the omission of the legally separate component units. The financial statements for the year ended June 30, 2014 (which are not presented herein) were audited by another auditor who expressed modified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. An adverse opinion was expressed on the financial statements of the aggregate discretely presented component units due to the omission of the legally separate component units. The financial statements for the year ended June 30, 2013 (which is not presented herein) were audited by another auditor who 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information in Schedule 1 through 3 is fairly stated, in all material respects, in relation of the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of the City's Contributions on pages 9 through 14 and 38 through 46, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2024, on our consideration of City of Polk City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results

of that testing and not to provide an opinion on effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Polk City's internal control over financial reporting and compliance.

Martens & Company, CPA, LLP

West Des Moines, Iowa

January 25, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2023 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased approximately 48.7%, or approximately \$7,532,000 from fiscal year 2022. Loan proceeds decreased approximately \$7,617,000, from fiscal year 2022 to fiscal year 2023.
- Disbursements of the City's governmental activities increased approximately 23.5%, or approximately \$1,903,000, from fiscal year 2022 to fiscal year 2023. Capital projects increased approximately \$2,760,000.
- The City's total cash basis net position decreased by 9.1% or approximately \$1,549,000, from June 30, 2022 to June 30, 2023. The cash basis net position of the governmental activities also decreased approximately \$1,549,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Water, Sewer, Storm Water and Solid Waste Funds. The Water and Sewer Funds are considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately, \$13.874 million to approximately \$12.325 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2023	2022
Receipts:		
Program receipts:		
Charges for services	\$ 626	\$ 866
Operating grants, contributions and restricted interest	1,025	1,014
Capital grants, contributions and restricted interest	423	608
General receipts:		
Property tax	3,462	3,035
Tax increment financing	583	676
Hotel motel tax	32	63
Other city tax	54	50
Local option sales tax	1,135	1,124
Commercial/industrial tax replacement	7	-
Unrestricted interest on investments	171	87
Loan proceeds	221	7,838
Sale of capital assets	97	5
Miscellaneous	88	90
Total receipts	<u>7,924</u>	<u>15,456</u>
Disbursements:		
Public safety	2,363	2,322
Public works	640	683
Health and social services	-	2
Culture and recreation	797	711
Community and economic development	463	796
General government	690	566
Debt service	925	1,655
Capital projects	4,124	1,364
Total disbursements	<u>10,002</u>	<u>8,099</u>
Change in cash basis net position before transfers	(2,078)	7,357
Transfers, net	<u>529</u>	<u>165</u>
Change in cash basis net position	(1,549)	7,522
Cash basis net position beginning of year, restated	<u>13,874</u>	<u>6,352</u>
Cash basis net position end of year	<u>\$ 12,325</u>	<u>\$ 13,874</u>

The City's total receipts for governmental activities decreased 48.7%, or approximately \$7,532,000 from fiscal year 2022. The total cost of all programs and services increased approximately \$1,903,000 or 23.5%. The decrease in receipts was primarily the result of a decrease in loan proceeds. The increase in program costs was the result of an increase in capital project costs in fiscal year 2023.

The City increased the property tax dollar request for fiscal year 2023. Property tax receipts increased by approximately \$427,000 in fiscal year 2023. Based on increases in total assessed valuation, and an increase in the levy

rate, property tax receipts are budgeted to increase an additional \$199,000 next year.

The cost of all governmental activities this year was approximately \$10.002 million compared to approximately \$8.099 million last year. However, as shown in the Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$7.929 million because some of the cost was paid by those directly benefited from the programs (approximately \$625,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (approximately \$1,447,000). The City paid for the remaining “public benefit” portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest, local option sales tax and ARPA funds. Overall, the City’s governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2023 from approximately \$2,489,000 to approximately \$2,073,000, due to decreased charges for services and capital grants, contributions and restricted interest in fiscal year 2023 compared to fiscal year 2022.

Changes in Cash Basis Net Position of Business Type Activities
(Expressed in Thousands)

	Year ended June 30,	
	2023	2022
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,546	\$ 1,555
Sewer	1,853	1,824
Other	478	455
Operating grants, contributions and restricted interest	78	126
Total receipts	<u>3,955</u>	<u>3,960</u>
Disbursements:		
Water	1,365	1,204
Sewer	1,682	1,525
Other	379	425
Total disbursements	<u>3,426</u>	<u>3,154</u>
Change in cash basis net position before transfers	529	806
Transfers, net	<u>(529)</u>	<u>(165)</u>
Change in cash basis net position	-	641
Cash basis net position beginning of year	<u>3,115</u>	<u>2,474</u>
Cash basis net position end of year	<u>\$ 3,115</u>	<u>\$ 3,115</u>

Total business type activities receipts for the fiscal year were approximately \$3.955 million compared to approximately \$3.960 million last year. This decrease was due primarily to a decrease in operating grants, contributions and restricted interest receipts from fiscal year 2022. The cash balance remained about the same as the prior year. Total disbursements for the fiscal year increased 8.62% to approximately \$3.426 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Polk City completed the year, its governmental funds reported a combined fund balance of \$12,324,944, a decrease of \$1,549,077 above last year’s total of \$13,874,021. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$38,980 from the prior year to \$3,940,260. The City is attempting to maintain the General Fund on status quo basis from year to year.
- The Special Revenue, Local Option Sales Tax cash balance increased \$285,242 from the prior year to \$1,406,096. The City is currently holding funds to help fund planned Capital Projects.
- The Special Revenue Road Use Tax Fund cash balance increased \$169,579 to \$488,168. This increase was attributable to a decrease in disbursements of approximately \$50,000 and an increase in tax receipts of approximately \$50,000.
- The Special Revenue, Low Moderate Income cash balance increased \$94,532. This increase was primarily due to transfers received from the Tax Increment Financing fund. The monies in this fund can only be spent on low to moderate income activities.
- The Capital Projects cash balance decreased by \$2,088,270 to \$4,962,091. The City's major capital project costs are paid from this fund. The balance in this fund consists of unspent bond monies, which will be used pay costs of projects that were in progress as of June 30, 2023.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased by \$96,990 to \$1,456,675. This decrease was due to an increase in operating costs.
- The Enterprise, Sewer Fund cash balance decreased by \$2,103 to \$1,423,940. This minimal decrease was due to normal operations.

BUDGETARY HIGHLIGHTS

During the course of the year, the City amended its budget two times. The original budget for 2023 was approved by the City Council on March 14, 2022, and later amended on November 14, 2022 and on May 22, 2023. The budget amendments were necessitated due to an increase in capital project costs and other costs. The City exceeded the amounts budgeted in the public works function.

The City's receipts were 31,910 less than budgeted. This was primarily due to the City receiving less licenses and permits and charges for services than anticipated.

The City's disbursements were \$2,025,009 less than the budget. Disbursements in the capital projects and public safety functions were \$1,037,341 and \$404,358 less than the amended budget.

DEBT ADMINISTRATION

At June 30, 2023, the City had \$10,957,611 in bonds and other long-term debt outstanding, compared to \$11,353,464 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30	
	2023	2022
General Obligation Capital Loan Notes	\$ 10,695,500	\$11,220,000
Equipment Purchase Leases	74,368	97,022
Non Ownership-Transferring Leases	1,812	36,442
Water Revenue Loan Anticipation Note	185,931	-
	<u>\$ 10,957,611</u>	<u>\$11,353,464</u>

Debt decreased due to regularly scheduled loan payments.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$11,153,683 (including \$197,884 of development and rebate agreements) is significantly below its constitutional debt limit of \$30,838,010. Additional information about the City's long-term debt is presented in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Polk City's elected and appointed officials and citizens will consider many factors when setting the fiscal year 2024 budget, tax rates, and fees charged for various City activities. A major consideration will be street upgrades and improving quality of life through the economic development, construction of a new City Hall, trail connections and finding alternatives for outdoor recreation.

These factors all contributed when adopting the fiscal year 2024 budget. The total budgeted revenue for fiscal year 2024 is \$20,266,856. This revenue includes Governmental Activities and Business Type Activities, which includes the Water and Sewer departments. Budgeted expenditures for fiscal year 2024 is \$27,874,454. \$23,957,011 is budgeted for Governmental activity expenditures and \$3,917,443 is for Business Type expenditures. Steps implemented by the City, including the careful utilization of Local Option Sales Tax receipts, increasing certain fees, transferring costs across funds and reducing the costs of the delivery of services allowed the City to maintain positive fund balances for the fiscal year 2024 budget. The property tax rate of \$11.00, for the fiscal year ending June 30, 2024, is unchanged from the fiscal year 2023 rate.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jenny Coffin, City Clerk/Treasurer of Polk City, 112 3rd Street, P.O. Box 426, Polk City, IA 50266 or email jcoffin@polkcityia.gov.

Basic Financial Statements

CITY OF POLK CITY

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2023

		Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
	Disbursements			
Functions/Programs:				
Governmental activities:				
Public safety	\$ 2,363,318	\$ 569,964	\$ 91,918	\$ -
Public works	639,774	-	762,820	-
Culture and recreation	796,841	48,819	62,283	-
Community and economic development	462,829	-	33,846	-
General government	690,202	6,695	11,607	-
Debt service	924,594	-	62,249	-
Capital projects	4,124,409	-	-	422,633
Total governmental activities	<u>10,001,967</u>	<u>625,478</u>	<u>1,024,723</u>	<u>422,633</u>
Business type activities:				
Water	1,365,060	1,545,582	71,366	-
Sewer	1,682,446	1,853,547	6,796	-
Other	378,692	477,632	-	-
Total business type activities	<u>3,426,198</u>	<u>3,876,761</u>	<u>78,162</u>	<u>-</u>
Total	<u>\$13,428,165</u>	<u>\$4,502,239</u>	<u>\$1,102,885</u>	<u>\$ 422,633</u>

General Receipts and Transfers:

Property and other city tax levied for:

- General purposes
- Debt service
- Tax increment financing
- Hotel Motel Tax
- Other city tax
- Local option sales tax
- Commercial/industrial tax replacement
- Unrestricted interest on investments
- Loan and notes proceeds
- Miscellaneous
- Sale of capital assets
- 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:
 - Streets
 - Urban renewal purposes
 - Debt service
 - Capital projects
 - Customer meter deposits
 - Other purposes
- Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
\$ (1,701,436)	\$ -	\$ (1,701,436)
123,046	-	123,046
(685,739)	-	(685,739)
(428,983)	-	(428,983)
(671,900)	-	(671,900)
(862,345)	-	(862,345)
(3,701,776)	-	(3,701,776)
(7,929,133)	-	(7,929,133)
-	251,888	251,888
-	177,897	177,897
-	98,940	98,940
-	528,725	528,725
(7,929,133)	528,725	(7,400,408)
2,810,715	-	2,810,715
650,646	-	650,646
582,500	-	582,500
32,419	-	32,419
54,369	-	54,369
1,135,242	-	1,135,242
7,255	-	7,255
171,252	-	171,252
221,431	-	221,431
88,274	-	88,274
97,076	-	97,076
528,878	(528,878)	-
6,380,057	(528,878)	5,851,179
(1,549,076)	(153)	(1,549,229)
13,874,020	3,115,479	16,989,499
\$12,324,944	\$ 3,115,326	\$15,440,270
\$ 488,168	\$ -	\$ 488,168
252,584	-	252,584
4,962,091	-	4,962,091
-	40,306	40,306
2,704,851	-	2,704,851
3,917,250	3,075,020	6,992,270
\$12,324,944	\$ 3,115,326	\$15,440,270

CITY OF POLK CITY

Statement of Cash Receipts, Disbursements and Changes in Cash Balances Governmental Funds

As of and for the year ended June 30, 2023

		Special Revenue		
		Local Options Sales Tax	Road Use Tax	Low Moderate Income
	General			
Receipts:				
Property tax	\$2,810,715	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	33,846
Other city tax	86,788	1,135,242	-	-
Licenses and permits	244,631	-	-	-
Uses of money and property	261,085	-	-	-
Intergovernmental	39,705	-	762,779	-
Charges for service	380,847	-	-	-
Miscellaneous	114,554	-	40	-
Total receipts	3,938,325	1,135,242	762,819	33,846
Disbursements:				
Operating:				
Public safety	2,363,318	-	-	-
Public works	161,534	-	478,240	-
Culture and recreation	794,291	-	-	-
Community and economic development	-	-	-	36,990
General government	690,202	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	4,009,345	-	478,240	36,990
Excess (deficiency) of receipts over (under) disbursements	(71,020)	1,135,242	284,579	(3,144)
Other financing sources (uses):				
Sale of capital assets	-	-	-	-
Loan and note proceeds	-	-	-	-
Operating transfers in	110,000	-	-	97,676
Operating Transfers out	-	(850,000)	(115,000)	-
Total other financing sources (uses)	110,000	(850,000)	(115,000)	97,676
Change in cash balances	38,980	285,242	169,579	94,532
Cash balances beginning of year	3,901,280	1,123,854	318,589	1,170,717
Cash balances end of year	\$3,940,260	\$1,409,096	\$ 488,168	\$1,265,249
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	\$ -	\$ 488,168	\$ -
Urban renewal purposes	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	1,409,096	-	1,265,249
Unassigned	3,940,260	-	-	-
Total cash basis fund balances	\$3,940,260	\$1,409,096	\$ 488,168	\$1,265,249

See notes to financial statements.

Capital Projects	Nonmajor	Total
\$ -	\$ 650,646	\$ 3,461,361
-	582,500	616,346
-	-	1,222,030
-	-	244,631
-	-	261,085
397,582	62,249	1,262,315
-	-	380,847
25,051	17,246	156,891
422,633	1,312,641	7,605,506
-	-	2,363,318
-	-	639,774
-	2,550	796,841
-	425,839	462,829
-	-	690,202
-	924,594	924,594
4,124,409	-	4,124,409
4,124,409	1,352,983	10,001,967
(3,701,776)	(40,342)	(2,396,461)
97,075	-	97,075
221,431	-	221,431
1,295,000	198,878	1,701,554
-	(207,676)	(1,172,676)
1,613,506	(8,798)	847,384
(2,088,270)	(49,140)	(1,549,077)
7,050,361	309,220	13,874,021
\$ 4,962,091	\$ 260,080	\$12,324,944
\$ -	\$ -	\$ 488,168
-	252,584	252,584
4,962,091	-	4,962,091
-	30,506	2,704,851
-	(23,010)	3,917,250
\$ 4,962,091	\$ 260,080	\$12,324,944

CITY OF POLK CITY

Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2023

	Enterprise			
	Water	Sewer	Nonmajor	Total
Operating receipts:				
Charges for service	\$1,545,582	\$1,853,547	\$477,632	\$3,876,761
Miscellaneous	71,366	6,796	-	78,162
Total operating receipts	1,616,948	1,860,343	477,632	3,954,923
Operating disbursements:				
Business type activities:	1,293,493	1,682,446	378,692	3,354,631
Total operating disbursements	1,293,493	1,682,446	378,692	3,354,631
Excess of operating receipts over operating disbursements	323,455	177,897	98,940	600,292
Non-operating receipts (disbursements):				
Capital projects	(71,567)	-	-	(71,567)
Net non-operating receipts (disbursements)	(71,567)	-	-	(71,567)
Excess of receipts over disbursements	251,888	177,897	98,940	528,725
Transfers out	(348,878)	(180,000)	-	(528,878)
Change in cash balances	(96,990)	(2,103)	98,940	(153)
Cash balances beginning of year	1,553,665	1,426,043	135,771	3,115,479
Cash balances end of year	\$1,456,675	\$1,423,940	\$234,711	\$3,115,326
Cash Basis Fund Balances				
Restricted for customer meter deposits	\$ 40,306	\$ -	\$ -	\$ 40,306
Unrestricted	1,416,369	1,423,940	234,711	3,075,020
Total cash basis fund balances	\$1,456,675	\$1,423,940	\$234,711	\$3,115,326

See notes to financial statements.

CITY OF POLK CITY

Notes to Financial Statements

June 30, 2023

(1) Summary of Significant Accounting Policies

The City of Polk City (City) is a political subdivision of the State of Iowa located in Polk County. It was first incorporated in 1875 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer, storm water and solid waste utilities for its citizens.

A. Reporting Entity

Except as discussed below, for financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City (the primary government) and exclude the City's component units. The component units discussed below are not included in the City's reporting entity although their operational or financial relationships with City are significant.

Excluded Component Units

The Polk City Firefighters Association was established under Chapter 504 of the Code of Iowa, is legally separate from the City, but has potential to provide specific benefits to or impose specific financial burdens on the City. The purpose of the Polk city Firefighters Association is to support the activities of the Polk City, Iowa fire department.

The Friends of the Polk City Community Library was established under Chapter 504 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific financial burdens on the City. The purpose of the Polk City Community Library is to support the activities of the Polk City, Iowa library.

Pursuant to Chapter 501B of the Code of Iowa, the Polk City Police Officers Association (Police Association) is an unincorporated nonprofit association. The Police Association exists for the support of the City's Police Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Police Association meets the definition of a component unit which should be discretely presented. Based on these criteria, the Police Association is legally separate from the City but is intertwined with the City it is, in substance, the same as the City.

The above entities have not been audited and, accordingly, these component units have not been presented in the accompanying primary government audited financial statements.

CITY OF POLK CITY

Notes to Financial Statements - Continued

June 30, 2023

(1) Summary of Significant Accounting Policies - Continued

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria for a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of or appoint representatives to the following Boards: Polk County Assessor's Conference Board, Joint/County Municipal Disaster Services and Emergency Planning Administration for Polk County, E911 Joint Service Board, Central Iowa Regional Drinking Water Commission, BRAVO, the Polk City Development Corporation, Des Moines Area Metropolitan Planning Organization, Metro Waste Authority, Central Iowa Traffic Safety Task Force, Metro Home Improvement, Safety Coalition of Central Iowa and the Greater Des Moines Convention and Visitor's Bureau.

Joint Venture

The City also participates in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA). The WRA, a joint venture, was developed as a result of an agreement between the City of Des Moines and surrounding municipalities. See Note 4.

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 service.

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

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

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

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

CITY OF POLK CITY

Notes to Financial Statements - Continued

June 30, 2023

(1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

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

The City reports the following major governmental funds:

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

The Special Revenue, Local Option Sales Tax Fund is utilized to account for revenues from the State and Local Option Sales and Service Tax and expenditures of those funds for the specific purpose as set forth in the referendum.

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

The Special Revenue, Low-Moderate Income Fund is used to account for low to moderate income monies, and for the related monies spent on the low to moderate income program in the City.

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:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

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

C. Measurement Focus and Basis of Accounting

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

CITY OF POLK CITY

Notes to Financial Statements - Continued

June 30, 2023

(1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting - Continued

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

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

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

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 are imposed by law through constitutional provisions or enabling legislation.

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, 2023, disbursements exceeded the amounts budgeted in the public works function.

(2) Cash and Pooled Investments

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

CITY OF POLK CITY

Notes to Financial Statements - Continued

June 30, 2023

(2) Cash and Pooled Investments - Continued

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 had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$4. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

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

(3) Public Service Agreement

The City has entered into a contract with Polk County for a joint public service agreement. During the year ended June 30, 2023, the City paid \$559,793 to Polk County in relation to this agreement. The City is to make annual payments of \$559,793. The City is expected to pay Polk County an additional \$10,051,011 through fiscal year 2042 for this agreement.

(4) Joint Venture and Commitments

The city is a participating community in the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) joint venture. This joint venture provides primary and secondary treatment of sewer flows for the participating communities. The Amended and Restated Agreement for the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) was effective on July 1, 2004, with the second amended and restated agreement becoming effective on June 11, 2014. This agreement amended and restated the previous Integrated Community Area (I.C.A.) Agreement to provide continued operation, improvements and expansion. The WRA Agreement established the WRA as a separate legal entity with its own Board, creates an independent governance structure, establishes an independent bonding authority for the WRA and provides framework for additional communities to participate.

Annually, the WRA establishes an allocation to all participating communities based on operations, maintenance, debt service and reserve requirements. Allocation are based on wastewater reclamation facility flows and are adjusted prospectively for differences in budgeted flows and actual flows.

The City retains an ongoing financial responsibility to the WRA since it is obligated in some manner for the debts of the joint venture through annual allocation. Although the debt of the WRA is to be paid solely and only from WRA revenues, the participating communities in the joint venture cannot withdraw from the joint venture while any of the bonds issued during the time the communities were a participating community are still outstanding. The WRA Sewer Revenue Bonds Series 2021A and 2015E include provisions that place the WRA debt service requirements on the same parity and rank as other debts of the participating communities.

CITY OF POLK CITY

Notes to Financial Statements - Continued

June 30, 2023

(4) Joint Venture and Commitments - Continued

In May 2015 the WRA issued Sewer Revenue Bonds Series 201E for the purpose of refunding Series 2066A. In April of 2021, the WRA issued Sewer Revenue Bonds Series 2021A for the purpose of refunding series 2013B. The WRA Agreement requires the debt service on these bonds to be allocated to the participating communities based on the WRA flows of the core communities and expansion communities of each calendar year. As of June 30, 2023, the Series 2015E and 2021 bonds had a balance of \$56,135,000 and the City of Polk City estimated future allocation based on the WRA flows is currently \$539,477 or 9.61%. The WRA Agreement requires the debt service on all State Revolving Loans issued after July 1, 2004 to be allocated to the participating communities based on the WRA flow of the core communities and expansion communities each calendar year. As of June 30, 2023 the state revolving loans had a balance of \$358,643,300 and the City of Polk City's estimated future allocation based on the WRA flows is currently \$3,134,243 or 0.87%.

The WRA Agreement does not provide the determination of an equity interest for the participating communities. Withdrawing from the joint venture is a forfeit of all reversionary interest and no compensation will be paid. The City retains a reversionary interest percentage in the net position of the WRA redeemable only in the event the WRA is dissolved. Since there is no specific and measurable equity interest in the WRA agreement, no investment in the joint venture has been reported by the City. During the year ended June 30, 2023, the City paid the WRA \$371,065 for operations, maintenance, equipment replacements and debt service payments.

The WRA issues separate financial statements that may be obtained at 3000 Vandalia Road, Des Moines, Iowa 50317-1346.

(5) Notes and Leases Payable

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

	Beginning Restated Balances	Increases	Decreases	Ending Balances	Due Within One Year
Government activities:					
General obligation notes	\$11,220,000	\$ 35,500	\$ 560,000	\$10,695,500	\$ 630,000
Lease Agreements	36,442	-	34,630	1,812	1,812
Equipment Purchase Agreements - Direct Borrowing	<u>97,022</u>	<u>-</u>	<u>22,654</u>	<u>74,368</u>	<u>30,138</u>
Governmental activities total	<u>\$11,353,464</u>	<u>\$ 35,500</u>	<u>\$ 617,284</u>	<u>\$10,771,680</u>	<u>\$ 661,950</u>
Business activities:					
Water revenue loan anticipation Note - direct borrowing	\$ <u>-</u>	\$ <u>185,931</u>	\$ <u>-</u>	\$ <u>185,931</u>	\$ <u>-</u>
	<u>\$11,353,464</u>	<u>\$ 221,431</u>	<u>\$ 617,248</u>	<u>\$10,957,611</u>	<u>\$ 661,950</u>

CITY OF POLK CITY

Notes to Financial Statements - Continued

June 30, 2023

(5) Notes and Leases Payable - Continued

General Obligation Notes

A summary of the City's June 30, 2023 general obligation notes payable is as follows:

Year Ending June 30,	Water Issued July 24, 2018		
	Interest Rate	Principal	Interest
2024	3.00%	\$ 125,000	\$ 79,245
2025	3.00	130,000	75,495
2026	3.00	130,000	71,595
2027	3.25	135,000	67,370
2028	3.25	140,000	62,982
2029-2033	3.25	800,000	243,663
2034-2038	3.00	985,000	100,695
2039-2042		-	-
Total		<u>\$ 2,445,000</u>	<u>\$701,045</u>

Year Ending June 30,	Street Improvements Issued July 28, 2020		
	Interest Rate	Principal	Interest
2024	2.00%	\$ 160,000	\$ 23,400
2025	2.00	160,000	20,200
2026	2.00	165,000	17,000
2027	2.00	165,000	13,700
2028	2.00	170,000	10,400
2029-2033	2.00	350,000	10,500
2034-2038		-	-
2039-2042		-	-
Total		<u>\$ 1,170,000</u>	<u>\$ 95,200</u>

Year Ending June 30,	Water & Sewer & Refunding Issued August 31, 2021		
	Interest Rate	Principal	Interest
2024	5.00%	\$ 185,000	\$ 85,300
2025	5.00	195,000	76,050
2026	5.00	195,000	66,300
2027	1.00-5.00	200,000	56,550
2028	1.40-2.00	215,000	46,550
2029-2033	2.00	660,000	126,890
2034-2038		595,000	176,560
2039-2042		400,000	16,100
Total		<u>\$ 2,645,000</u>	<u>\$ 650,350</u>

CITY OF POLK CITY

Notes to Financial Statements - Continued

June 30, 2023

(5) Notes and Leases Payable - Continued

Year Ending June 30,	City Facilities Issued June 29, 2022		
	Interest Rate	Principal	Interest
2024	4.00%	\$ 160,000	\$ 167,975
2025	4.00	165,000	161,575
2026	4.00	170,000	154,975
2027	4.00	180,000	148,175
2028	4.00	185,000	140,975
2029-2033	3.25-4.00	1,050,000	591,875
2034-2038	3.50-4.00	1,275,000	392,550
2039-2042	4.00	<u>1,215,000</u>	<u>123,800</u>
Total		<u>\$ 4,400,000</u>	<u>\$ 1,881,900</u>

Year Ending June 30,	Total		
	Principal	Interest	Total
2024	\$ 630,000	\$ 355,920	\$ 985,920
2025	650,000	333,320	983,320
2026	660,000	309,870	969,870
2027	680,000	285,795	965,795
2028	710,000	260,907	970,907
2029-2033	2,860,000	809,125	3,832,928
2034-2038	2,855,000	578,838	3,524,805
2039-2042	<u>1,615,000</u>	<u>56,600</u>	<u>1,671,600</u>
Total	<u>\$ 10,660,000</u>	<u>\$ 3,245,145</u>	<u>\$ 13,905,145</u>

On July 24, 2018, the City issued \$3,000,000 of general obligation capital loan notes with interest rates ranging from 2.00% to 3.35% per annum. The notes were issued to pay costs of acquisition, construction, reconstruction, improvement, repair, and equipping of waterworks, water mains, and extensions and real personal property, useful for providing potable water to residents. During the year ended June 30, 2023, the City paid \$120,000 of principal and \$82,845 of interest on the notes.

On July 28, 2020 the City issued \$1,750,000 of general obligation street improvements loan notes with interest rates of 2.00% per annum. The notes were issued to pay costs for constructing street and incidental sanitary sewer, water system and storm water drainage improvements; and acquiring and installing street lighting, signage and signalization. During the year ended June 30, 2023, the City paid \$155,000 of principal and \$26,500 of interest on the notes.

On August 31, 2021, the city issued \$2,930,000 of general obligation capital loan notes with interest rates ranging from 1.00% to 5.00% per annum. The notes were issued for the purpose of paying the costs, to that extent, of (1) constructing street, storm water drainage, sidewalk, sanitary sewer system and water system improvements; (2) acquiring and installing street signage, lighting and signalization (the Projects”); and (3) current refunding the outstanding portion of the Callable 2014 Notes. During the year ended June 30, 2023, the city paid \$185,000 of principal and \$94,500 of interest on the notes.

CITY OF POLK CITY

Notes to Financial Statements - Continued

June 30, 2023

(5) Notes and Leases Payable - Continued

On June 29, 2022, the city issued \$4,500,000 of general obligation capital loan notes with interest rates ranging from 3.25% to 4.00% per annum. The bonds were issued to pay costs of remodeling of municipal fire station; acquiring land to serve as the site for a new municipal police station; undertaking the City Hall Development Project; and undertaking the construction of recreational trails. During the year ended June 30, 2023, the City had paid \$100,000 principal and \$158,599 of interest on the notes.

In June, 2023, the City received an advance deposit of \$35,500 on the July, 2023 General Obligation Capital Loan Note.

On March 31, 2023, the City entered into a water revenue capital loan anticipation project note with the Iowa Finance Authority (IFA) for the issuance of water bonds up to \$407,000 at no interest rate. During the year ended June 30, 2023, the City drew down \$185,931 of the available funds and no principal was paid on the loan. The note matures March 31, 2026.

Non-Ownership-Transferring Lease Agreements

The city entered into five leases to lease police department equipment. The agreements call for annual payments ranging from \$3,372.92 to \$10,982.83 with an implicit rate of 10.4% and final payment due July 1, 2023. During the year ended June 30, 2023, the City paid \$34,630 of principal and \$3,790 of interest on the agreements.

Year ending June 30,	Principal	Interest	Total
2024	\$ 1,812	\$ 188	\$ 2,000

Equipment Purchase Lease Agreements - Direct Borrowing

The city is leasing two police vehicles under capital leases. The balances of the leases are \$74,368 as of June 30, 2023. Monthly payments are \$3,202, including implicit interest rates from 10.4-10.8 percent. The leases are collateralized by the police vehicles. During the year ended June 30, 2023, the city paid \$22,654 in principal and \$9,593 of interest on the agreements.

As of June 30, 2023, the future payments on the leases are as follows:

	Principal	Interest	Total
June 30, 2024	\$ 30,138	\$ 6,507	\$ 36,645
June 30, 2025	23,753	3,364	27,117
June 30, 2026	16,158	1,431	17,589
June 30, 2027	4,319	78	4,397
Total	\$ 74,368	\$ 11,380	\$ 85,748

(6) Private Facility Revenue Bonds

Revenue Bonds and Notes

The City has issued a total of \$7,000,000 of Healthcare Facilities Revenue Bond (Brio Project) Series 2017A and Healthcare Facilities Revenue Bond (Brio Project), Subordinate Series 2017D under the provisions of Chapter 419 of the Code of Iowa, of which \$4,983,679 is outstanding at June 30, 2023. The bonds and related interest are payable solely out of the revenues derived from the loan agreement and are not an obligation of the City.

CITY OF POLK CITY

Notes to Financial Statements - Continued

June 30, 2023

(7) Pension Plan

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

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

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching 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 after reaching age 50 with 22 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 reductions is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned on or after 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.

CITY OF POLK CITY

Notes to Financial Statements - Continued

June 30, 2023

(7) Pension Plan - Continued

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

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

The City's contributions to IPERS for the year ended June 30, 2023 totaled \$221,759.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2023, the City of Polk City reported an asset of \$210,522 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the City's proportion was 0.005574%, which was a decrease of 0.1902988% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023 the City of Polk City pension expense, deferred outflows of resources and deferred inflows of resources totaled \$(22,659), \$1,081,653 and \$1,144,143, respectively.

There were no non-employer contributing entities to IPERS.

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

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

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

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

CITY OF POLK CITY

Notes to Financial Statements - Continued

June 30, 2023

(7) Pension Plan - Continued

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.0%. 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 of Polk City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.0%) or 1% higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
City of Polk City's proportionate share of the net pension liability (Asset)	\$1,032,106	\$210,583	\$(510,522)

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.

CITY OF POLK CITY

Notes to Financial Statements - Continued

June 30, 2023

(8) Other Post Employment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug, dental and vision benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2023, the City contributed \$335,093 and plan members eligible for benefits contributed \$41,048 to the plan. At June 30, 2023, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits - Individuals who are employed by the City 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 participant must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of service. At June 30, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>23</u>
Total	<u>23</u>

(9) Termination Benefits

The City has entered into an agreement with the City Manager which formally identifies the financial obligations of the City to her in the event of an involuntarily employment termination without just cause. The severance agreement provides for a termination payment equal to six months of wages plus six months of medical insurance benefits. The compensation rate is based upon the compensation paid to the applicable employee at the time of termination.

(10) Compensated Absences

City employees accumulate a limited amount of earned but unused paid time off hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned termination payments payable to employees at June 30, 2023 is \$138,416. This liability has been computed based on rates of pay in effect at June 30, 2023.

The City's policy allows employees who had previously accrued unused sick leave, up to a maximum of 160 hours. To use the hourly rate of pay used for the payment of unused sick leave would be the hourly pay in effect at the date of retirement. Employees eligible are employees, who had accrued this benefit before the revision of the plan, retire from the City, and have unused sick leave hours on the date of retirement. Based on the rates of pay in effect at June 30, 2023, the unused sick leave maximum liability to the City is \$2,915 at June 30, 2023.

(11) Related Party Transactions

The City had business transactions between the City and City officials totaling \$362,259 during the year ended June 30, 2023.

CITY OF POLK CITY

Notes to Financial Statements - Continued

June 30, 2023

(12) Interfund Transfers

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

Transfer to	Transfer from	Amount
Special Revenue:	Special Revenue:	
Low Moderate Income	Tax Increment Financing	\$ <u>97,676</u>
Debt Service	Enterprise:	
	Water	133,878
	Sewer	<u>65,000</u>
		<u>198,878</u>
Capital Projects	Enterprise:	
	Sewer	115,000
	Water	215,000
	Special Revenue	
	Road Use Tax	115,000
	Local Optional Sales Tax	<u>850,000</u>
		<u>1,295,000</u>
General	Special Revenue	
	Tax Increment Financing	<u>110,000</u>
	Total	<u>\$1,701,554</u>

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

(13) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 800 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, employment practices liability, public officials liability, cyber liability, law enforcement liability and property. 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 casual 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% 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.

CITY OF POLK CITY

Notes to Financial Statements - Continued

June 30, 2023

(13) Risk Management - Continued

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2023 were \$83,906.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, employment practices, law enforcement, cyber 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. At June 30, 2022, settled claims have not exceeded the risk pool or reinsurance coverage since the pool's inception.

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

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000 for each accident, \$1,000,000 memorandum limit, and \$1,000,000 each employee. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(14) Development Agreements

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for the construction or improvement of buildings and infrastructure. Each payment represents the incremental property tax received by the City with respect to the incremental value of the property, reduced by the minimum amount required by Section 403.22 of the Code of Iowa. The low and moderate set aside amount shall be retained by the City for the purpose of providing assistance to low and moderate income families. The remaining total to be paid by the City to the developers under the agreements is approximately \$2,859,000.

The City rebated \$425,838 to the developers during fiscal year 2023. The outstanding balance of the agreements at June 30, 2023 with fixed dollar commitments was \$197,884. The outstanding balance agreements at June 30, 2023 subject to annual appropriation was approximately \$2,661,000 and the amount appropriated for payment in the next fiscal year is \$508,247.

CITY OF POLK CITY

Notes to Financial Statements - Continued

June 30, 2023

(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, 2023, the City abated \$121,496 property tax under the urban renewal and economic development agreements.

Tax Abatements of Other Entities

Property tax revenues of the City were reduced by the following amounts for the year ended June 30, 2023 under agreements entered into by the following entity:

Entity	Tax Abatement Program	Amount of Tax Abated
Polk County Tax increment financing	Urban renewal and economic development projects	\$ 177,503

(16) Commitments

The City has entered into contracts for various construction projects. These projects primarily consist of street repair and street construction. Total amount remaining to be paid on these contracts were approximately \$7,291,000 as of June 30, 2023. These construction costs will be paid by the City as work on the projects progresses.

(17) Subsequent Events

The City has evaluated all subsequent events through January 25, 2024, the date the financial statements were available to be issued. The city approved purchases of real estate and construction contracts totaling approximately \$1,022,000. In July 2023, the City issued \$3,550,000 of General Obligation Capital Loan Notes for the City Hall Building, North Side Drive intersection, police equipment, trail connections and street repair projects.

Other Information

CITY OF POLK CITY

Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual - All Governmental Funds and Proprietary Funds Other Information Year ended June 30, 2023

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 3,461,361	\$ -	\$ 3,461,361
Tax increment financing	616,346	-	616,346
Other City tax	1,222,030	-	1,222,030
Licenses and permits	244,631	-	244,631
Uses of money and property	261,085	-	261,085
Intergovernmental	1,262,315	-	1,262,315
Charges for service	380,847	3,876,761	4,257,608
Miscellaneous	156,891	78,162	235,053
Total receipts	7,605,506	3,954,923	11,560,429
Disbursements:			
Public safety	2,363,318	-	2,363,318
Public works	639,774	-	639,774
Health and social services	-	-	-
Culture and recreation	796,841	-	796,841
Community and economic development	462,829	-	462,829
General government	690,202	-	690,202
Debt service	924,594	-	924,594
Capital projects	4,124,409	-	4,124,409
Business type activities	-	3,426,198	3,426,198
Total disbursements	10,001,967	3,426,198	13,428,165
Excess (deficiency) of receipts over (under) disbursements	(2,396,461)	528,725	(1,867,736)
Other financing sources (uses), net	847,384	(528,878)	318,506
Excess (deficiency) of receipts over (under) disbursements and other financing uses	(1,549,077)	(153)	(1,549,230)
Balances beginning of year	13,874,021	3,115,479	16,989,500
Balances end of year	<u>\$12,324,944</u>	<u>\$3,115,326</u>	<u>\$15,440,270</u>

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to Actual Variance Positive (Negative)
Original	Final	
\$ 3,432,536	\$ 3,432,536	\$ 28,825
584,409	626,409	(10,063)
1,033,078	1,033,078	188,952
479,499	479,499	(234,868)
166,550	166,550	94,535
1,191,000	1,191,000	71,315
4,471,400	4,471,400	(213,792)
101,117	191,867	43,186
11,459,589	11,592,339	(31,910)
2,719,276	2,767,676	404,358
615,518	615,518	(24,256)
2,000	2,000	2,000
810,755	845,605	48,764
416,009	464,009	1,180
550,185	711,185	20,983
932,930	932,930	8,336
4,426,750	5,161,750	1,037,341
3,609,793	3,952,501	526,303
14,083,216	15,453,174	2,025,009
(2,623,627)	(3,860,835)	1,993,099
2,775,750	2,975,750	(2,657,244)
152,123	(885,085)	(664,145)
8,989,974	8,989,974	7,999,526
<u>\$ 9,142,097</u>	<u>\$ 8,104,889</u>	<u>\$ 7,335,381</u>

CITY OF POLK CITY

Notes To Other Information - Budgetary Reporting

June 30, 2023

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, Permanent Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$1,369,958. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2023, disbursements exceeded the amounts budgeted in the Pubic Works function.

City of Polk City

CITY OF POLK CITY

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)

Iowa Public Employees' Retirement System For the Last Nine Years* (In Thousands)

Other Information

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability (asset)	0.005574%	0.01958720%	0.0122647%	0.0111703%	0.011836%
City's proportionate share of the net pension liability (asset)	\$ 211	\$ (676)	\$ 862	\$ 647	\$ 749
City's covered payroll	\$ 1,988	\$ 1,812	\$ 1,661	\$ 1,609	\$ 1,450
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	10.61%	(37.31)%	51.90%	40.21%	51.66%
IPERS' net position as a percentage of the total pension liability (asset)	91.40%	100.81%	82.90%	85.45%	83.62%

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

See accompanying independent auditor's report.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.011043%	0.11811%	0.100480%	0.07573%
\$ 736	\$ 743	\$ 518	\$ 300
\$ 1,346	\$ 1,355	\$ 1,349	\$ 1,155
54.68%	54.83%	38.40%	25.97%
82.21%	81.82%	85.19%	87.61%

CITY OF POLK CITY

Schedule of City's Contributions

Iowa Public Employees' Retirement System For the Last 10 Fiscal Years (In Thousands)

Other Information

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required contribution	\$ 222	\$ 188	\$ 172	\$ 161
Contributions in relation to the statutorily required contribution	<u>(222)</u>	<u>(188)</u>	<u>(172)</u>	<u>(161)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City of Polk City's covered payroll	\$ 2,365	\$ 1,988	\$ 1,881	\$ 1,661
Contributions as a percentage of covered payroll	9.39%	9.46%	9.52%	9.63%

* - City's covered employee payroll information was not readily available. Therefore, contributions as a percentage of covered employee could not be calculated.

See accompanying independent auditor's report.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 157	\$ 135	\$ 125	\$ 126	\$ 127	\$ 109
<u>(157)</u>	<u>(135)</u>	<u>(125)</u>	<u>(126)</u>	<u>(127)</u>	<u>(109)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,609	\$ 1,450	\$ 1,346	\$ 1,355	\$ 1,349	\$ 1,155
9.76%	9.31%	9.29%	9.30%	9.41%	9.44%

CITY OF POLK CITY

Notes to Other Information - Pension Liability

Year ended June 30, 2023

Changes of benefit terms:

There are significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

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

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

Supplementary Information

CITY OF POLK CITY

Schedule of Cash Receipts, Disbursements and Changes in Cash Balances Nonmajor Governmental Funds

As of and for the year ended June 30, 2023

	Special Revenue		
	Tax		
	Polk City Library	Increment Financing	Asset Forfeiture
Receipts:			
Property tax	\$ -	\$ -	\$ -
Tax increment financing	-	582,500	-
Intergovernmental	-	-	-
Miscellaneous	215	-	17,031
Total receipts	215	582,500	17,031
Disbursements:			
Operating:			
Culture and recreation	2,550	-	-
Community and economic development	-	425,839	-
Debt service	-	-	-
Total disbursements	2,550	425,839	-
Excess (deficiency) of receipts over (under) disbursements	(2,335)	156,661	17,031
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	(207,676)	-
Total other financing sources (uses)	-	(207,676)	-
Change in cash balances	(2,335)	(51,015)	17,031
Cash balances beginning of year	14,124	303,599	1,686
Cash balances end of year	\$ 11,789	\$ 252,584	\$ 18,717
Cash Basis Fund Balances			
Restricted for			
Urban renewal purposes	\$ -	\$ 252,584	\$ -
Other purpose	11,789	-	18,717
Unassigned	-	-	-
Total cash basis fund balances	\$ 11,789	\$ 252,584	\$ 18,717

See accompanying independent auditor's reports.

Debt Service	Total
\$ 650,646	\$ 650,646
-	582,500
62,249	62,249
-	17,246
<u>712,895</u>	<u>1,312,641</u>

- 2,550

-	425,839
<u>924,594</u>	<u>924,594</u>
<u>924,594</u>	<u>1,352,983</u>

(211,699) (40,342)

198,878	198,878
-	(207,676)
<u>198,878</u>	<u>(8,798)</u>

(12,821) (49,140)

<u>(10,189)</u>	<u>309,220</u>
-----------------	----------------

\$ (23,010) \$ 260,080

\$ -	\$ 252,584
-	30,506
<u>(23,010)</u>	<u>(23,010)</u>

\$ (23,010) \$ 260,080

CITY OF POLK CITY

Schedule of Cash Receipts, Disbursements and Changes in Cash Balance
Nonmajor Proprietary Funds

Year ended June 30, 2023

	Enterprise		
	Storm Water	Solid Waste	Total
Operating receipts:			
Charges for services	\$ 96,264	\$381,368	\$477,632
Total operating receipts	96,264	381,368	477,632
Operating Disbursements:			
Business type activities	11,277	367,415	378,692
Total Disbursements	11,277	367,415	378,692
Excess of receipts operating receipts over operating disbursements	84,987	13,953	98,940
Net change in cash balances	84,987	13,953	98,940
Cash balances beginning of year	98,762	37,009	135,771
Cash balances end of year	<u>\$183,749</u>	<u>\$ 50,962</u>	<u>\$234,711</u>
Cash Basis Fund Balances			
Unrestricted	<u>\$183,749</u>	<u>\$ 50,962</u>	<u>\$234,711</u>
Total cash fund balances	<u>\$183,749</u>	<u>\$ 50,962</u>	<u>\$234,711</u>

See accompanying independent auditor's report.

City of Polk City

CITY OF POLK CITY

Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds

For the Last Ten Years

	Years ended June 30,				
	2023	2022	2021	2020	2019
Receipts:					
Property tax	\$ 3,461,361	\$3,034,994	\$ 2,895,269	\$2,450,439	\$2,238,899
Tax increment financing	616,346	760,076	394,784	448,090	342,325
Other city tax	1,222,030	1,236,569	476,490	899,995	1,799,474
Licenses and permits	244,631	442,837	403,944	196,088	249,119
Use of money and property	261,085	180,050	185,184	222,178	225,876
Intergovernmental	1,262,315	1,150,691	906,290	538,213	512,753
Charges for service	380,847	435,225	485,070	354,808	282,075
Miscellaneous	156,891	374,134	298,120	131,868	41,371
Total	<u>\$ 7,605,506</u>	<u>\$7,614,576</u>	<u>\$ 6,045,151</u>	<u>\$5,241,679</u>	<u>\$5,691,892</u>
Disbursements:					
Operating:					
Public safety	\$ 2,363,318	\$2,321,837	\$ 2,220,445	\$1,961,617	\$1,943,932
Public works	639,774	683,498	538,171	580,809	633,879
Health and social services	-	2,002	14,584	-	4,433
Culture and recreation	796,841	711,554	673,576	621,853	802,481
Community and economic development	462,829	795,609	548,619	282,348	235,569
General government	690,202	565,783	1,607,216	658,273	1,119,597
Debt service	924,594	1,655,445	531,979	340,880	305,627
Capital projects	4,124,409	1,363,703	4,612,097	1,050,297	1,753,813
Total	<u>\$10,001,967</u>	<u>\$8,099,431</u>	<u>\$10,746,687</u>	<u>\$5,496,077</u>	<u>\$6,797,331</u>

See accompanying independent auditor's report.

2018	2017	2016	2015	2014
\$1,556,028	\$1,477,784	\$1,287,288	\$ 975,259	\$ 956,228
303,269	205,236	366,633	601,154	363,211
2,272,506	3,071,048	3,659,183	2,555,860	2,562,061
175,342	271,845	175,502	155,958	139,514
146,243	139,939	115,731	72,102	111,349
476,657	471,738	460,675	426,405	395,682
338,127	287,139	320,755	375,777	492,289
134,335	62,259	51,771	94,838	35,193
<u>\$5,402,507</u>	<u>\$5,986,988</u>	<u>\$6,437,538</u>	<u>\$5,257,353</u>	<u>\$5,055,527</u>

\$1,660,443	\$1,653,802	\$1,443,585	\$1,400,298	\$1,419,542
830,278	501,618	622,858	539,584	436,576
246	3,628	111	2,719	2,692
649,961	567,132	501,713	487,125	400,294
187,103	158,023	487,007	393,685	84,548
959,635	930,321	849,250	826,949	600,573
136,215	137,160	137,395	150,042	-
1,629,055	945,265	1,450,384	951,724	1,644,495
<u>\$6,052,936</u>	<u>\$4,896,949</u>	<u>\$5,492,303</u>	<u>\$4,752,126</u>	<u>\$4,588,720</u>

City of Polk City



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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with auditing standard generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Polk City, Iowa, as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 25, 2024. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information, which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Polk City Firefighters Association, the Friends of the Polk City Public Library and the Polk City Police Officers Association.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Polk City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Polk 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 that 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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in Part II of the accompanying Schedule of Findings we identified a deficiency that we consider to be a material weakness.

Report on 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, non-compliance with which could have a direct and material effect on the determination of financial

statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings.

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

City of Polk City's Responses to the Findings

Government Auditing Standards require the auditor to perform limited procedures on the City of Polk City's responses to the findings identified in our audit and 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 the responses.

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Polk 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.

Martens & Company, CPA, LLP

West Des Moines, Iowa
January 25, 2024

CITY OF POLK CITY

Schedule of Findings

Year ended June 30, 2023

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2023-001 Segregation of Duties

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

Condition - Generally, one or two individuals have control over each of the following areas for the City:

- (1) Cash - preparing bank account reconciliations, cash receipt and disbursement functions and handling and recording cash. There is not independent review of the bank reconciliations.
- (2) Receipts - collecting, depositing, recording and posting. The initial listing is not reviewed by an independent person.
- (3) Disbursements - purchasing, check preparation, signing, recording and posting.
- (4) Payroll - recordkeeping, preparation and distribution.

Cause - The City has a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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

Recommendation - The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff.

Response - The City is continuously looking at ways to improve their processes. We have made many changes on segregation of duties and believe we may have a system that would detect errors or misappropriations.

Conclusion - Response accepted.

CITY OF POLK CITY

Schedule of Findings - Continued

Year ended June 30, 2023

Part I: Findings Related to the Financial Statements - Continued:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part II: Other Findings Related to Required Statutory Reporting:

2023-A Certified Budget - Disbursements during the year ended June 30, 2023 exceeded the amounts budgeted in Public Works Function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

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

Conclusion - Response accepted.

2023-B Questionable Disbursements - No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

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

2023-D Business Transactions - Business transaction 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>
Jeff Walters, Council Member	Engineering related services	\$362,259
Employee of Snyder & Associates		

In accordance with Chapter 362.5(3)(i) of the Code of Iowa, the transactions with Snyder & Associates do not appear to represent a conflict of interest since the Council Member does not own stock in Snyder & Associates.

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

2023-F Council Minutes - Chapter 372.13(6) of the Code of Iowa states, "Within fifteen days following a regular or special meeting of the council, the clerk shall cause the minutes of

CITY OF POLK CITY

Schedule of Findings - Continued

Year ended June 30, 2023

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

the proceedings of the council, including the total expenditures from each City fund, to be published in a newspaper of general circulation in the City”. We observed meeting minutes for five of six meeting observed were published more than 15 days after the meeting.

Recommendation - The City should comply with Chapter 372.13(6) of the Code of Iowa and ensure minutes are published within fifteen day of the meeting as required.

Response - We will take appropriate action to get meetings published timely.

Conclusion - Response acknowledged.

2023-G Deposit and Investments - No instances of non-compliance with the deposit and investment provision of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

2023-H Financial Condition - The Debt Service Fund had a deficit balance of \$20,310 at June 30, 2023.

Recommendation - The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

Response - This related to payments not received until the next fiscal year.

Conclusion - Response acknowledged.

2023-I Annual Urban Renewal Report - The Annual Urban Renewal Report was approved and was initially certified to the Iowa Department of Management on or before December 1.

2023-J 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.