

City of Knoxville

**Independent Auditor's Reports
Basic Financial Statements
Supplementary and Other Information
Schedule of Findings and Responses**

June 30, 2022



**City of Knoxville
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**City of Knoxville
Officials
June 30, 2022**

<u>Elected Officials</u>	<u>Title</u>	<u>Term Expires</u>
Brian Hatch	Mayor	Jan 2024
Dylan Morse	Mayor Pro Tem	Jan 2026
Megan Suhr	Council Member	Jan 2026
Jyl De Jong	Council Member	Jan 2024
John Gotta	Council Member	Jan 2024
Dawn Rankin	Council Member	Jan 2024
<u>City Staff</u>		
Heather Ussery	Interim City Manager	Indefinite
Tricia Kincaid	City Clerk	Indefinite
Robert Stuyvesant	Attorney	Indefinite

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Knoxville
Knoxville, Iowa

Report on the Audit of the Financial Statements

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

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The basic financial statements do not include financial data for three of the City's legally separate component units. The Knoxville Low Rent Housing Agency reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues basic financial statements for the financial reporting entity which includes the financial data for all component units. The City has not issued such reporting entity basic financial statements. The financial statements also do not include financial data for the Knoxville Municipal Waterworks and the Fire/Rescue Association of Knoxville, Iowa. The amounts by which these omissions would affect the receipts, disbursements and cash balances of the governmental activities and the aggregate remaining fund information has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the basic financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Knoxville as of June 30, 2022, or the changes in its cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, business type activities each major fund and the aggregate remaining fund information of the City of Knoxville as of June 30, 2022, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis for 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 the Financial Statements section of our report. We are required to be independent of the City of Knoxville and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

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

Emphasis of Matter – Prior Period Adjustment

As discussed in Note 15, a prior period adjustment was made to correct an error in prior period financial statements for the allocation of cash fund balances between the Capital Projects Fund and Sewer Fund.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, which raise substantial doubt about the City's ability to continue as a going concern for one year 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 are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

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

- 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, which raise substantial doubt about the 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 the City's basic financial statements. The basic financial statements for the nine years ended June 30, 2021 (which are not presented herein), were audited by other auditors and they expressed unmodified opinions on those basic financial statements which were prepared on the basis of cash receipts and disbursements and expressed an adverse opinion on the basic financial statements of the aggregate discretely presented component units due to the omission of the Knoxville Low Rent Housing Agency, the Knoxville Municipal Waterworks and the Fire/Rescue Association of Knoxville, Iowa. The accompanying supplementary information identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability (Asset) and the Schedule of City Contributions as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2023, on our consideration of the City of Knoxville internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Knoxville internal control over financial reporting and compliance.

BerganKDV, Ltd.

Minneapolis, Minnesota
January 26, 2023

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BASIC FINANCIAL STATEMENTS

City of Knoxville
Cash Basis Statement of Activities and Net Position
Year Ended June 30, 2022

Functions/Programs	Disbursements	Program Receipts		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 624,515	\$ 40,984	\$ 71,651	\$ -
Public safety	3,178,967	910,554	151,561	-
Public works	755,834	5	1,043,041	888,250
Culture and recreation	1,271,220	346,552	95,793	-
Community and economic development	235,022	37,565	48,256	535,890
Debt service	1,667,681	-	-	-
Capital projects	2,569,552	-	-	-
Total governmental activities	<u>10,302,791</u>	<u>1,335,660</u>	<u>1,410,302</u>	<u>1,424,140</u>
Business-type activities				
Airport	468,974	71,056	2,410	889,231
Sewer	2,350,939	2,472,494	-	-
Storm Water	181,834	355,108	-	-
Total business-type activities	<u>3,001,747</u>	<u>2,898,658</u>	<u>2,410</u>	<u>889,231</u>
Total Primary Government	<u>\$ 13,304,538</u>	<u>\$ 4,234,318</u>	<u>\$ 1,412,712</u>	<u>\$ 2,313,371</u>

General Receipts, Transfers, and Debt Proceeds

- Property and other city tax levied for
 - General purposes
 - Debt service
- Franchise fees
- Commerical/industrial tax replacement
- Tax increment financing
- Local option sales tax
- Hotel/motel tax
- Unrestricted interest on investments
- Sale of capital assets
- Transfers
- Proceeds from loan issuance
- Proceeds from long-term debt
- Total general receipts, transfers, and debt proceeds

Change in cash basis net position

- Cash basis net position beginning of year
- Prior Period Adjustment (Note 15)
- Cash basis net position beginning of year, restated
- Cash basis net position end of year

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

Governmental Activities	Business-Type Activities	Total
\$ (511,880)	\$ -	\$ (511,880)
(2,116,852)	-	(2,116,852)
1,175,462	-	1,175,462
(828,875)	-	(828,875)
386,689	-	386,689
(1,667,681)	-	(1,667,681)
(2,569,552)	-	(2,569,552)
<u>(6,132,689)</u>	<u>-</u>	<u>(6,132,689)</u>
-	493,723	493,723
-	121,555	121,555
-	173,274	173,274
<u>-</u>	<u>788,552</u>	<u>788,552</u>
<u>(6,132,689)</u>	<u>788,552</u>	<u>(5,344,137)</u>
3,103,113	-	3,103,113
1,171,953	-	1,171,953
661,590	-	661,590
102,865	-	102,865
671,363	-	671,363
1,559,315	-	1,559,315
104,413	-	104,413
22,157	6,719	28,876
42,001	-	42,001
(27,824)	27,824	-
-	236,563	236,563
<u>1,534,850</u>	<u>-</u>	<u>1,534,850</u>
<u>8,945,796</u>	<u>271,106</u>	<u>9,216,902</u>
2,813,107	1,059,658	3,872,765
9,265,400	4,756,415	14,021,815
558,854	(558,854)	-
<u>9,824,254</u>	<u>4,197,561</u>	<u>14,021,815</u>
<u>\$ 12,637,361</u>	<u>\$ 5,257,219</u>	<u>\$ 17,894,580</u>

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City of Knoxville
Cash Basis Statement of Activities and Net Position
Year Ended June 30, 2022

	Primary Government		
	Governmental Activities	Business Type Activities	Total
Cash Basis Net Position			
Restricted			
Nonexpendable			
Cemetery perpetual care	\$ 302,082	\$ -	\$ 302,082
Expendable			
Capital projects	5,032,857	688,610	5,721,467
Police retirement	400,898	-	400,898
Streets	1,605,163	-	1,605,163
Local option sales tax	1,685,743	-	1,685,743
Employee benefits	383,547	-	383,547
Debt service	359,811	774,795	1,134,606
Other purposes	244,531	-	244,531
Unrestricted	<u>2,622,729</u>	<u>3,793,814</u>	<u>6,416,543</u>
Total cash basis net position	<u>\$ 12,637,361</u>	<u>\$ 5,257,219</u>	<u>\$ 17,894,580</u>

City of Knoxville
Statement of Cash Receipts, Disbursements, and
Changes in Cash Fund Balances -
Governmental Funds
Year Ended June 30, 2022

	General	Special Revenue		
		Road Use Tax (110)	Local Option Sales Tax (121)	Urban Renewal Tax Increment (125,127,129,13 0,131,132)
Receipts				
General property taxes	\$ 1,950,741	\$ -	\$ -	\$ -
Tax increment	-	-	-	671,363
Local option sales tax	-	-	1,559,315	-
Other city tax	104,413	-	-	-
Special assessments	3,541	-	-	-
Licenses and permits	703,647	-	-	-
Intergovernmental	204,012	1,042,854	-	-
Charges for services	1,218,840	-	-	-
Use of money and property	59,400	-	-	267
Miscellaneous	145,616	187	-	-
Total receipts	<u>4,390,210</u>	<u>1,043,041</u>	<u>1,559,315</u>	<u>671,630</u>
Disbursements				
Current				
General government	523,369	-	-	-
Public safety	2,475,881	-	-	-
Public works	32,592	579,350	-	-
Community and economic development	205,427	-	-	-
Culture and recreation	1,067,057	-	-	-
Debt service				
Principal	-	-	-	97,998
Interest and fiscal charges	-	-	-	-
Capital outlay				
General government	1,025	-	-	-
Public safety	17,225	-	-	-
Public works	-	96,967	350,487	-
Community and economic development	-	-	-	-
Culture and recreation	14,542	-	-	-
Total disbursements	<u>4,337,118</u>	<u>676,317</u>	<u>350,487</u>	<u>97,998</u>
Excess of receipts over (under) disbursements	53,092	366,724	1,208,828	573,632
Other Financing Sources (Uses)				
Sale of capital asset	-	-	-	-
Proceeds from bond issuance	-	-	-	-
Bond premium	-	-	-	-
Transfers in	53,282	3,093	-	-
Transfers out	(108,000)	(145,613)	(811,565)	(520,000)
Total other financing sources (uses)	<u>(54,718)</u>	<u>(142,520)</u>	<u>(811,565)</u>	<u>(520,000)</u>
Net change in cash fund balances	(1,626)	224,204	397,263	53,632
Cash Fund Balances				
Beginning of year	2,238,968	1,380,959	1,288,480	194,714
Prior period adjustment (See Note 15)	-	-	-	-
Beginning of year, restated	<u>2,238,968</u>	<u>1,380,959</u>	<u>1,288,480</u>	<u>194,714</u>
End of year	<u>\$ 2,237,342</u>	<u>\$ 1,605,163</u>	<u>\$ 1,685,743</u>	<u>\$ 248,346</u>

The Internal Service Fund is used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individual funds. The change in cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position

Change in cash basis net position of governmental activities

<u>Debt Service</u>		<u>Capital Projects</u>	
<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other</u>	<u>Total</u>
<u>(200. 210)</u>	<u>(300-399)</u>	<u>Governmental</u>	<u>Governmental</u>
		<u>Funds</u>	<u>Funds</u>
\$ 1,171,953	\$ -	\$ 1,152,372	\$ 4,275,066
-	-	-	671,363
-	-	-	1,559,315
-	-	-	104,413
-	-	-	3,541
-	-	-	703,647
28,510	1,424,140	27,014	2,726,530
(1)	-	-	1,218,840
-	944	1,042	61,652
-	50,974	43,806	240,583
<u>1,200,462</u>	<u>1,476,058</u>	<u>1,224,234</u>	<u>11,564,950</u>
-	-	54,001	577,370
-	-	703,086	3,178,967
-	-	143,892	755,834
-	-	29,595	235,022
-	-	204,163	1,271,220
1,300,000	-	-	1,397,998
269,683	-	-	269,683
-	19,666	-	20,691
-	462,333	-	479,558
-	1,380,788	30,709	1,858,951
-	30,089	-	30,089
-	165,721	-	180,263
<u>1,569,683</u>	<u>2,058,597</u>	<u>1,165,446</u>	<u>10,255,646</u>
(369,221)	(582,539)	58,788	1,309,304
-	42,001	-	42,001
-	1,522,830	-	1,522,830
-	12,020	-	12,020
363,370	1,146,984	7,000	1,573,729
-	(9,378)	(6,997)	(1,601,553)
<u>363,370</u>	<u>2,714,457</u>	<u>3</u>	<u>1,549,027</u>
(5,851)	2,131,918	58,791	2,858,331
117,316	2,342,085	1,270,185	8,832,707
-	558,854	-	558,854
<u>117,316</u>	<u>2,900,939</u>	<u>1,270,185</u>	<u>9,391,561</u>
<u>\$ 111,465</u>	<u>\$ 5,032,857</u>	<u>\$ 1,328,976</u>	<u>\$ 12,249,892</u>

(45,224)

\$ 2,813,107

City of Knoxville
Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances
Governmental Funds
Year Ended June 30, 2022

	Special Revenue				Debt Service
	General Fund	Road Use Tax (110)	Local Option Sales Tax (121)	Urban Renewal Tax Increment (125,127,129, 130,131,132)	Debt Service (200. 210)
Cash Basis Fund Balances					
Nonspendable					
Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted for					
Capital projects	-	-	-	-	-
Streets	-	1,605,163	-	-	-
Employee benefits	-	-	-	-	-
Police retirement	-	-	-	-	-
Local option sales tax	-	-	1,685,743	-	-
Debt service	-	-	-	248,346	111,465
Other purposes	-	-	-	-	-
Unassigned	2,237,342	-	-	-	-
Total cash fund balances	\$ 2,237,342	\$ 1,605,163	\$ 1,685,743	\$ 248,346	\$ 111,465

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position - Governmental Funds

The Internal Service Fund is used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individual funds. The cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position

Cash basis net position of governmental activities

Capital Projects

<u>Capital Projects (300-399)</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 302,082	\$ 302,082
5,032,857	-	5,032,857
-	-	1,605,163
-	383,547	383,547
-	400,898	400,898
-	-	1,685,743
-	-	359,811
-	244,531	244,531
-	(2,082)	2,235,260
<u>\$ 5,032,857</u>	<u>\$ 1,328,976</u>	<u>\$ 12,249,892</u>

387,469

\$ 12,637,361

City of Knoxville
Statement of Cash Receipts, Disbursements,
and Changes in Cash Balances
Proprietary Funds
Year Ended June 30, 2022

	Enterprise funds		
	Airport (640,660)	Sewer (610-620)	Stormwater (740)
Operating Receipts			
Charges for services	\$ -	\$ 2,442,669	\$ 303,867
Use of money and property	71,056	9,500	-
Miscellaneous	2,410	20,325	51,241
Total operating receipts	<u>73,466</u>	<u>2,472,494</u>	<u>355,108</u>
Operating Disbursements			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
General government	-	-	-
Business type activities	122,329	885,041	-
Total operating disbursements	<u>122,329</u>	<u>885,041</u>	<u>-</u>
Excess of operating receipts over (under) operating disbursements	(48,863)	1,587,453	355,108
Nonoperating Receipts (Disbursements)			
Interest on investments	-	6,719	-
Capital grants	889,231	-	-
Debt service	-	(689,480)	-
Capital projects	(346,645)	(776,418)	(181,834)
Total nonoperating receipts (disbursements)	<u>542,586</u>	<u>(1,459,179)</u>	<u>(181,834)</u>
Excess of receipts over disbursements	493,723	128,274	173,274
Other Financing Sources (Uses)			
Proceeds from loan issuance	-	236,563	-
Transfers in	76,000	-	-
Transfers out	-	(48,176)	-
Total other financing sources (uses)	<u>76,000</u>	<u>188,387</u>	<u>-</u>
Change in cash balances	569,723	316,661	173,274
Cash Balances			
Beginning of year	(1,002,105)	5,302,887	455,633
Prior period adjustment (See Note 15)	-	(558,854)	-
Beginning of year, restated	<u>(1,002,105)</u>	<u>4,744,033</u>	<u>455,633</u>
End of year	<u>\$ (432,382)</u>	<u>\$ 5,060,694</u>	<u>\$ 628,907</u>
Cash Basis Fund Balances			
Restricted for			
Debt service	\$ -	\$ 774,795	\$ -
Capital projects	-	688,610	-
Unrestricted	<u>(432,382)</u>	<u>3,597,289</u>	<u>628,907</u>
Total cash basis fund balances	<u>\$ (432,382)</u>	<u>\$ 5,060,694</u>	<u>\$ 628,907</u>

See notes to basic financial statements.

Total	Internal Service	
	Health Insurance	
2,746,536	\$	145,582
80,556		-
73,976		-
<u>2,901,068</u>		<u>145,582</u>
-		95,341
-		33,634
-		26,185
-		18,783
<u>1,007,370</u>		<u>18,784</u>
<u>1,007,370</u>		<u>192,727</u>
1,893,698		(47,145)
6,719		1,921
889,231		-
(689,480)		-
<u>(1,304,897)</u>		<u>-</u>
<u>(1,098,427)</u>		<u>1,921</u>
795,271		(45,224)
236,563		-
76,000		-
<u>(48,176)</u>		<u>-</u>
<u>264,387</u>		<u>-</u>
1,059,658		(45,224)
4,756,415		432,693
<u>(558,854)</u>		<u>-</u>
<u>4,197,561</u>		<u>432,693</u>
<u>\$ 5,257,219</u>	<u>\$</u>	<u>387,469</u>
\$ 774,795	\$	-
688,610		-
<u>3,793,814</u>		<u>387,469</u>
<u>\$ 5,257,219</u>	<u>\$</u>	<u>387,469</u>

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City of Knoxville
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Knoxville is a political subdivision of the State of Iowa located in the Marion County. It was first incorporated in 1855 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides sewer and storm water utilities and airport services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Knoxville 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 of Knoxville (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 relationship with the City is significant.

Excluded Component Units

The Knoxville Municipal Waterworks was established under Chapter 388 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 Municipal Waterworks is governed by a three-member board appointed by the Mayor and approved by the City Council. The Waterworks' operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Municipal Waterworks administrative office.

The Knoxville Low Rent Housing Agency was created under the laws of the State of Iowa. The purpose of the Agency is to administer the various housing programs authorized by the Quality Housing and Work Responsibility Act of 1998. These programs are subsidized by the Federal Government through the U.S. Department of Housing and Urban Development. The Agency's is governed by a 5 member board appointed by the Mayor and approved by the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Agency's administrative office.

The Fire/Rescue Association of Knoxville, Iowa 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 Association's Board of Trustees shall be a minimum of three and not more than seven in number.

City of Knoxville
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (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 of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Marion County Assessor's Conference Board, Marion County Emergency Management Commission, Marion County Joint 911 Service Board, Marion County/Warren County Drug Task Force, Marion County for Public Safety Dispatch and Communications Operation and Central Iowa Regional Transportation Planning Alliance.

B. Basis of Presentation

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

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

Non-expendable restricted net position is subject to externally imposed stipulations which requires the cash balances to be maintained permanently by the City, including the original principal for cemetery perpetual care.

Expendable restricted net position results when constraints placed on the use of cash balances is either externally imposed or 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 Knoxville
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

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

The City reports the following major governmental funds:

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

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

The Local Option Sales Tax Fund is used to account for local option sales tax and related construction projects authorized by local option sales tax resolution.

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

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

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

The City reports the following major proprietary funds:

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

The Enterprise, Airport Fund accounts for the operation and maintenance of the City's municipal airport.

The Enterprise, Storm Water Fund provides for the management, protection, control, regulation, use, and enhancement of stormwater systems and facilities throughout the City's stormwater utility district.

City of Knoxville
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

The City also reports the following proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the basic 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 basic financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

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 receipts recognized in these funds become due and collectible in September and March of the current fiscal year with a 1.5% per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in March 2021.

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

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

City of Knoxville
Notes to Basic Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Property Taxes and Governmental Cash Basis Fund Balances (Continued)

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

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, 2022, disbursements exceeded the amounts budgeted in the public safety, and general government.

NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2022 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the *Code of Iowa*. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

At June 30, 2022, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$1,213,595. 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.

City of Knoxville
Notes to Basic Financial Statements

NOTE 3 – BONDS AND NOTES PAYABLE

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

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 9,300,000	\$ 1,550,000	\$ 1,300,000	\$ 9,550,000	\$ 1,150,000
Business type activities:					
Sewer revenue bonds	1,905,000	-	290,000	1,615,000	300,000
Sewer revenue bonds - Direct borrowings	3,217,000	265,183	286,000	3,196,183	293,000
Business-type activities total	<u>\$ 5,122,000</u>	<u>\$ 265,183</u>	<u>\$ 576,000</u>	<u>\$ 4,811,183</u>	<u>\$ 593,000</u>

A. General Obligation

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

Year Ending June 30,	Interest Rate	Corporate Purpose Series 2010D		Interest Rate	Corporate Purpose Series 2013A	
		Issued Nov 18, 2010			Issued Jan 19, 2013	
		Principal	Interest		Principal	Interest
2023	2.70%	\$ 85,000	\$ 2,296	1.85%	\$ 360,000	\$ 6,660
2024		-	-		-	-
2025		-	-		-	-
2026		-	-		-	-
2027		-	-		-	-
2028-2032		-	-		-	-
2033-2037		-	-		-	-
Total		<u>\$ 85,000</u>	<u>\$ 2,296</u>		<u>\$ 360,000</u>	<u>\$ 6,660</u>

City of Knoxville
Notes to Basic Financial Statements

NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)

A. General Obligation (Continued)

Year Ending June 30,	Interest Rate	Corporate Purpose and Refunding Series 2016A		Interest Rate	Corporate Purpose Series 2018	
		Issued Jun 1, 2016			Issued Mar 20, 2018	
		Principal	Interest		Principal	Interest
2023	2.00%	\$ 230,000	\$ 29,100	2.43%	\$ 375,000	\$ 158,738
2024	2.00	235,000	24,500	2.51	375,000	147,488
2025	2.00	240,000	19,800	2.58	395,000	136,238
2026	2.00	245,000	15,000	2.68	405,000	124,388
2027	2.00	250,000	10,100	2.79	410,000	112,238
2028-2032	2.00	255,000	5,100	2.87-3.14	1,695,000	383,290
2033-2037		-	-	3.21-3.40	1,385,000	148,075
Total		<u>\$ 1,455,000</u>	<u>\$ 103,600</u>		<u>\$ 5,040,000</u>	<u>\$ 1,210,455</u>

Year Ending June 30,	Interest Rate	Corporate Purpose and Refunding Series 2020		Interest Rate	Corporate Purpose Series 2022A	
		Issued June 17, 2020			Issued May 16, 2022	
		Principal	Interest		Principal	Interest
2023	2.00%	\$ 100,000	\$ 21,200	2.70%	\$ -	\$ 53,586
2024	2.00	100,000	19,200	2.7	100,000	51,443
2025	2.00	100,000	17,200		100,000	46,443
2026	2.00	100,000	15,200		100,000	41,443
2027	2.00	105,000	13,200		100,000	38,743
2028-2032	2.00	555,000	33,800		535,000	150,236
2033-2037		-	-		615,000	62,136
Total		<u>\$ 1,060,000</u>	<u>\$ 119,800</u>		<u>\$ 1,550,000</u>	<u>\$ 444,030</u>

City of Knoxville
Notes to Basic Financial Statements

NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)

A. General Obligation Bonds (Continued)

Year Ending June 30,	Total		
	Principal	Interest	Total
2023	\$ 1,150,000	\$ 271,580	\$ 1,421,580
2024	810,000	242,631	1,052,631
2025	835,000	219,681	1,054,681
2026	850,000	196,031	1,046,031
2027	865,000	174,281	1,039,281
2028-2032	3,040,000	572,426	3,612,426
2033-2037	2,000,000	210,211	2,210,211
Total	<u>\$ 9,550,000</u>	<u>\$ 1,886,841</u>	<u>\$ 11,436,841</u>

On September 20, 2010, the City issued \$3,640,000 of general obligation bonds with interest rates ranging from 1.70% to 3.00% per annum. The bonds were issued for street and sidewalk improvements, sanitary sewer improvements, storm sewer improvements, water system improvements, park improvements, cemetery improvements, and for refunding the 2005B and 2005C bonds. During the year ended June 30, 2022, the City paid \$280,000 of principal and \$8,400 of interest on the bonds.

On June 19, 2013, the City issued \$3,360,000 of general obligation bonds with interest rates ranging from 0.50% to 1.85% per annum. The bonds were issued for street and sidewalk improvements, sanitary sewer improvements, storm sewer improvements, and water system improvements. During the year ended June 30, 2022, the City paid \$355,000 of principal and \$12,695 of interest on the bonds.

On June 1, 2016, the City issued \$2,715,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued for paying the callable portion of the 2007A general obligation capital loan note, constructing street improvements, including incidental water, sanitary sewer, sidewalk and storm water drainage infrastructure. During the year ended June 30, 2022, the City paid \$225,000 of principal and \$33,600 of interest on the bonds.

On March 20, 2018, the City issued \$6,280,000 of general obligation bonds with interest rates ranging from 2.21% to 3.40% per annum. The bonds were issued for constructing street, sanitary sewer, water system, storm water drainage and sidewalk improvements; constructing runway and hangar improvements at the municipal airport; and equipping and improving existing municipal parks. During the year ended June 30, 2022, the City paid \$360,000 of principal and \$169,538 of interest on the bonds.

On June 17, 2020, the City issued \$1,060,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued for street improvements, including the 2020 Highway 14 improvement project and the fiscal year 2021 pavement rehabilitation program. During the year ended June 30, 2022, the City did not make any principal payments and paid \$21,200 of interest on the bonds.

City of Knoxville
Notes to Basic Financial Statements

NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)

A. General Obligation Bonds (Continued)

On May 16, 2022, the City issued \$1,550,000 of general obligation bonds with an interest rate of 2.70% to 5.00% per annum. The bonds were issued for street and utility improvements and the fiscal year 2022 pavement rehabilitation program. During the year ended June 30, 2022, the City did not make any principal or interest payments on the bonds.

On November 18, 2010, the City issued \$710,000 of general obligation storm sewer improvement notes with an interest rate of 2.70% per annum. The notes were issued for the purpose of paying the costs of constructing storm sewer improvements. During the year ended June 30, 2022, the City paid \$80,000 of principal and \$4,456 of interest on the notes.

B. Revenue Bonds

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

Year Ending June 30,	Interest Rate	Series 2010A Sewer - Direct borrowing		Interest Rate	Series 2015A Sewer Refunding	
		Issued Feb 16, 2010			Issued Apr 23, 2015	
		Principal	Interest		Principal	Interest
2023	1.75%	\$ 144,000	\$ 25,778	2.00%	\$ 300,000	\$ 42,240
2024	1.75	148,000	23,258	2.20	310,000	35,640
2025	1.75	153,000	20,668	2.40	320,000	38,200
2026	1.75	158,000	17,990	2.60	335,000	19,880
2027	1.75	163,000	15,225	2.80	350,000	10,500
2028-2031	1.75	707,000	31,432		-	-
Total		<u>\$ 1,473,000</u>	<u>\$ 134,351</u>		<u>\$ 1,615,000</u>	<u>\$ 146,460</u>

Year Ending June 30,	Interest Rate	Sewer Wastewater Treatment - Direct borrowing		Principal	Total	
		Issued Jun 19, 2015			Interest	Total
		Principal	Interest		Interest	Total
2022	1.75%	\$ 149,000	\$ 25,515	\$ 593,000	\$ 93,533	\$ 686,533
2023	1.75	152,000	22,908	610,000	81,806	691,806
2024	1.75	156,000	20,248	629,000	79,116	708,116
2025	1.75	159,000	17,518	652,000	55,388	707,388
2026	1.75	162,000	14,735	675,000	40,460	715,460
2027-2031	1.75	680,000	30,049	1,387,000	61,481	1,448,481
Total		<u>\$ 1,458,000</u>	<u>\$ 130,973</u>	<u>\$ 4,546,000</u>	<u>\$ 411,784</u>	<u>\$ 4,957,784</u>

City of Knoxville
Notes to Basic Financial Statements

NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)

B. Revenue Bonds (Continued)

On February 16, 2010, the City entered into a state revolving loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$2,216,056 of sewer revenue bonds with interest at 3.00% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance.

Effective June 1, 2020, the City received an interest rate adjustment from 3.00% per annum to 1.75% per annum. The bonds were issued pursuant to the provisions of Chapter 384.24A of the *Code of Iowa* for the purpose of providing funds to pay a portion of the costs of constructing improvements and extensions to the municipal sanitary sewer system of the City. During the year ended June 30, 2022, the City paid principal of \$139,000 and interest of \$28,210 on the bonds. At June 30, 2022, the outstanding principal balance was \$1,473,000.

On April 23, 2015, the City entered into an agreement with Bankers Trust Company for the issuance of sewer revenue refunding bonds of up to \$3,180,000 with interest rates ranging from 0.90% to 3.00% per annum. The agreement also requires the City to annually pay a \$500 servicing fee. The bonds were issued pursuant to the provisions of Chapter 384 of the *Code of Iowa* to pay the cost of a cross over advance refunding of the City's sewer revenue bonds, series 2008, dated December 10, 2008. During the year ended, June 30, 2022, the City paid principal of \$290,000 and interest of \$48,040 on the bonds. At June 30, 2022, the outstanding principal balance was \$1,615,000.

On June 19, 2015, the City entered into a loan agreement with the Iowa Finance Authority for the issuance of sewer revenue bonds of up to \$2,518,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A of the *Code of Iowa* to pay the cost of constructing certain wastewater treatment facilities. During the year ended June 30, 2022, the City paid principal of \$147,000 and interest of \$28,088 on the bonds. At June 30, 2022, the outstanding principal balance was \$1,458,000.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$7,693,056 of sewer revenue bonds/notes issued in February 2010, April 2015 and June 2015. The bonds/notes are payable solely from sewer customer net receipts and are payable through 2031. For the year ended June 30, 2022, annual principal and interest payments on the bonds/notes required 52% of net receipts. The total principal and interest remaining to be paid on the bonds/notes is \$5,222,967. For the current year, principal and interest paid and total customer net receipts were \$680,338 and \$1,318,635.

City of Knoxville
Notes to Basic Financial Statements

NOTE 3 – BONDS AND NOTES PAYABLE (CONTINUED)

B. Revenue Bonds (Continued)

The resolutions providing for the issuance of sewer revenue bonds include the following provisions:

- a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking accounts within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- c) Additional monthly transfers shall be made to a sewer reserve until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying, at maturity, principal and interest on the bonds when insufficient money shall be available in the sinking account.
- d) Sewer user rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the average annual installments or principal and interest on the bonds falling due in the same year.

**C. Sewer Revenue Capital Loan and Disbursement Agreement Anticipation Project Note
– Direct Borrowing**

On May 20, 2022, the City entered into a sewer revenue loan and disbursement anticipation project note with the Iowa Finance Authority to borrow up to \$5,899,000 to pay the costs of planning, designing and constructing improvements and extensions to the City's Municipal Sanitary Sewer System. The City paid no principal or interest on the notes during the year ended June 30, 2022. The outstanding principal balance at June 30, 2022, was \$265,183. Debt maturity schedules will be included in the schedules above once the project is complete and funds have been fully drawn.

NOTE 4 – PENSION PLAN

The City participates in various pension plans. Total pension expense for the year ended June 30, 2022, was (\$135,738). The components of pension expense are noted in the following plan summaries. The General fund and Sewer Fund typically liquidate the liability related to pensions.

Iowa Public Employees Retirement Plan

A. Plan Description

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

City of Knoxville
Notes to Basic Financial Statements

NOTE 4 – PENSION PLAN (CONTINUED)

Iowa Public Employees Retirement Plan (Continued)

B. Pension Benefits

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

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

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

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

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

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

C. 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 Knoxville
Notes to Basic Financial Statements

NOTE 4 – PENSION PLAN (CONTINUED)

Iowa Public Employees Retirement Plan (Continued)

D. 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 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. 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, 2022, totaled \$228,390.

E. Net Pension Liability (Asset), Pension Expense, Deferred Outflow of Resources and Deferred Inflows of Resources Related to Pension

At June 30, 2022, the City reported a liability (asset) of (\$510,907) for its proportionate share of the net pension liability (asset). The net pension liability was measured as of June 30, 2021, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City's proportion was 0.018536%, which was an increase of 0.000511% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled (\$143,192), \$83,230 and \$1,419,120, respectively.

There were no non-employer contributing entities to IPERS.

City of Knoxville
Notes to Basic Financial Statements

NOTE 4 – PENSION PLAN (CONTINUED)

Iowa Public Employees Retirement Plan (Continued)

F. 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
Rate 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 2.6% inflation and 0.65% real wage inflation

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

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

City of Knoxville
Notes to Basic Financial Statements

NOTE 4 – PENSION PLAN (CONTINUED)

Iowa Public Employees Retirement Plan (Continued)

F. Actuarial Assumptions (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 arithmetic 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 %	4.43 %
International equity	17.5	6.01
Global smart beta equity	6.0	5.1
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	100.0 %	

G. Discount Rate

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

H. Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

City of Knoxville
Notes to Basic Financial Statements

NOTE 4 – PENSION PLAN (CONTINUED)

Iowa Public Employees Retirement Plan (Continued)

	1% Decrease in Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase in Discount Rate (8.0%)
Proportionate share of the net pension liability (asset)	\$ 770,147	(510,907)	(1,583,975)

I. IPERS Fiduciary Net Position

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

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

A. Plan Description

MFPRSI membership is mandatory for fire fighters and police officers covered by the provisions of Chapter 411 of the *Code of Iowa*. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by MFPRSI. MFPRSI issues a stand-alone financial report which is available to the public by mail at 7155 Lake Drive, Suite #201, West Des Moines, Iowa 50266 or at www.mfprsi.org.

MFPRSI benefits are established under Chapter 411 of the *Code of Iowa* and the administrative rules thereunder. Chapter 411 of the *Code of Iowa* 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.

B. Plan Benefits

Members with 4 or more years of service are entitled to pension benefits beginning at age 55. Full-service retirement benefits are granted to members with 22 years of service, while partial benefits are available to those members with 4 to 22 years of service based on the ratio of years completed two years required (i.e., 22 years). Members with less than 4 years of service are entitled to a refund of their contribution only, with interest, for the period of employment.

Benefits are calculated based upon the member's highest 3 years of compensation. The average of these 3 years becomes the member's average final compensation. The base benefit is 66% of the member's average final compensation. Members who perform more than 22 years of service receive an additional 2% of the member's average final compensation for each additional year of service, up to a maximum of 8 years. Survivor benefits are available to the beneficiary of a retired member according to the provisions of the benefit option chosen, plus an additional benefit for each child. Survivor benefits are subject to a minimum benefit for those members who chose the basic benefit with a 50% surviving spouse benefit.

City of Knoxville
Notes to Basic Financial Statements

NOTE 4 – PENSION PLAN (CONTINUED)

Municipal Fire and Police Retirement System of Iowa (MFPRSI) (Continued)

B. Plan benefits (Continued)

Active members at least 55 years of age with 22 or more years of service have the option to participate in the Deferred Retirement Option Program (DROP). The DROP is an arrangement whereby a member who is otherwise eligible to retire and commence benefits opts to continue to work. A member can elect a 3, 4, or 5 year DROP period. When electing to participate in DROP, the member signs a contract stating the member will retire at the end of the selected DROP period. During the DROP period, the member's retirement benefit is frozen, and a DROP benefit is credited to a DROP account established for the member. Assuming the member completes the DROP period, the DROP benefit is equal to 52% of the member's retirement benefit at the member's earliest date eligible and 100% if the member delays enrollment for 24 months. At the member's actual date of retirement, the member's DROP account will be distributed to the member in the form of a lump sum or rollover to an eligible plan.

C. Disability and Death Benefits

Disability benefits may be either accidental or ordinary. Accidental disability is defined as a permanent disability incurred in the line of duty, with benefits equivalent to the greater of 60% of the member's average final compensation or the member's service retirement benefit calculation amount. Ordinary disability occurs outside the call of duty and pays benefits equivalent to the greater of 50% of the member's average final compensation for those with 5 or more years of service or the member's service retirement benefit calculation amount and 25% of average final compensation for those with less than 5 years of service.

Death benefits are similar to disability benefits. Benefits for accidental death are 50% of the average final compensation of the member plus an additional amount for each child, or the provisions for ordinary death. Ordinary death benefits consist of a pension equal to 40% of the average final compensation of the member plus an additional amount for each child, or a lump-sum distribution to the designated beneficiary equal to 50% of the previous year's earnable compensation of the member or equal to the amount of the member's total contributions plus interest.

Benefits are increased annually in accordance with Chapter 411.6 of the *Code of Iowa*, which provides a standard formula for the increases.

The surviving spouse or dependents of an active member who dies due to a traumatic personal injury incurred in the line of duty receives a \$100,000 lump-sum payment.

D. Contributions

Member contribution rates are set by state statute. In accordance with Chapter 411 of the *Code of Iowa*, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2022.

City of Knoxville
Notes to Basic Financial Statements

NOTE 4 – PENSION PLAN (CONTINUED)

Municipal Fire and Police Retirement System of Iowa (MFPRSI) (Continued)

D. Contributions (Continued)

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the *Code of Iowa*. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the *Code of Iowa*, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 26.18% for the year ended June 30, 2022.

The City's contributions to MFPRSI for the year ended June 30, 2022, totaled \$224,923.

If approved by the State Legislature, state appropriations may further reduce the City's contribution rate, but not below the minimum statutory contribution rate of 17.00% of earnable compensation. The State of Iowa, therefore, is considered to be a non-employer contributing entity in accordance with the provisions of Governmental Accounting Standards Board Statement No. 67, Financial Reporting for Pension Plans.

There were no state appropriations to MFPRSI during the year ended June 30, 2022.

E. Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the City reported a liability of \$547,211 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, 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 the MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2021, the City's proportion was 0.243666%, which was a decrease of 0.002762% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City's pension expense, deferred outflows of resources and deferred inflows totaled \$15,142, \$84,084 and \$920,481, respectively.

F. Actuarial Assumption

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

Rate of inflation	3.00%.
Salary increases	3.75 to 15.11% including inflation.
Investment rate of return	7.50% net of investment expense including inflation.

City of Knoxville
Notes to Basic Financial Statements

NOTE 4 – PENSION PLAN (CONTINUED)

Municipal Fire and Police Retirement System of Iowa (MFPRSI) (Continued)

F. Actuarial Assumption (Continued)

The actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial experience study for the period July 1, 2007 through June 30, 2017.

Postretirement mortality rates were based on the RP-2014 Blue Collar Combined Healthy Annuitant Table with males set forward zero years, females set forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

The long-term expected rate of return on MFPRSI investments was determined using a building-block method in which best-estimate ranges of expected future real rates (i.e., 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 best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Large cap	7.4 %
Small cap	8.1
International large cap	7.2
Emerging markets	7.9
Global Infrastructure	7.5
Private non-core real estate	11.5
Private Credit	6.4
Private equity	10.8
Core plus fixed income	4.0
Private core real estate	7.2

G. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed contributions will be made at 9.40% of covered payroll and the City's contributions will be made at rates equal to the difference between actuarially determined rates and the member rate. Based on those assumptions, the MFPRSI's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on MFPRSI's investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Knoxville
Notes to Basic Financial Statements

NOTE 4 – PENSION PLAN (CONTINUED)

Municipal Fire and Police Retirement System of Iowa (MFPRSI) (Continued)

H. Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	1% Decrease in Discount Rate (6.5%)	Current Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the net pension Liability	\$ 1,619,312	547,211	(342,571)

I. MFPRSI's Fiduciary Net Position

Detailed information about MFPRSI's fiduciary net position is available in the separately issues MFPRSI financial report which is available on MFPRSI's website at www.mfprsi.org.

NOTE 5 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

A. Plan Description

The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under *Iowa Code* Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2022, the City contributed \$491,045 and plan members eligible for benefits contributed \$127,477 to the plan. At June 30, 2022, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

B. OPEB Benefits

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Active employees	54
Total	58

City of Knoxville
Notes to Basic Financial Statements

NOTE 6 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused holiday and vacation hours for subsequent use or for payment upon termination, retirement or death. City employees may also accumulate a limited amount of earned but unused sick leave hours for payment of subsequent health benefit cost upon retirement. The City allows employees to accumulate compensatory time during the fiscal year in lieu of overtime pay. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned holiday, vacation, sick leave and compensatory time payable to employees at June 30, 2022, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Holiday	\$ 36,153
Vacation	191,991
Sick leave	16,628
Compensatory time	56,920
Total	\$ 301,692

This liability has been computed based on rates of pay in effect at June 30, 2022.

City of Knoxville
Notes to Basic Financial Statements

NOTE 7 – INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2022, is as follows:

Transfer to	Transfer From	Amount
General	Special Revenue	
	Urban Renewal Tax Increment	\$ 3,906
	Capital Projects	9,376
	Enterprise	
	Sewer	40,000
		53,282
Special Revenue		
Road Use Tax	Nonmajor governmental fund	3,093
Special Revenue		
Tennis Courts	General	7,000
Debt Service	Special Revenue	
	Local Option Sales Tax	363,370
Capital Projects	General	25,000
	Special Revenue	
	Urban Renewal Tax Increment	520,000
	Road Use Tax	145,613
	Local Option Sales Tax	448,195
	Enterprise - Sewer	8,176
		1,146,984
Enterprise		
Airport	General	76,000
Total		\$ 1,649,729

NOTE 8 – HEALTHCARE FACILITIES REVENUE BONDS

In August 2014, the City issued a total of \$6,527,480 of revenue bonds and \$2,122,520 of revenue refunding bonds for the Knoxville Community Hospital under the provisions of Chapter 419 of the *Code of Iowa*, of which \$6,996,397 is outstanding at June 30, 2022. The bonds and related interest are payable solely from the revenues of the Knoxville Community Hospital and Clinic and the bond principal and interest do not constitute liabilities of the City.

City of Knoxville
Notes to Basic Financial Statements

NOTE 9 – RISK MANAGEMENT

The City is a member of 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 778 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, 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 property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the 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, 2022, were \$216,914.

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

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

City of Knoxville
Notes to Basic Financial Statements

NOTE 9 – RISK MANAGEMENT (CONTINUED)

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 and airport liability in the amount of \$2,000,000. 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.

NOTE 10 – CONSTRUCTION CONTRACTS

The City has entered into construction contracts totaling \$5,953,882 for various projects. As of June 30, 2022, \$654,583 has been paid on the contracts. The remaining approximately \$5,300,000 will be paid as work on the projects progresses.

NOTE 11 – DEVELOPMENT AND REBATE AGREEMENTS

The City has entered into three development and rebate agreements to assist in certain urban renewal projects. The City agreed to rebate incremental property tax paid by the developers in exchange for infrastructure improvements, rehabilitation and development of commercial projects constructed by the developers as set forth in the urban renewal plan and the individual development and rebate agreements. The incremental property tax to be received by the City under Chapter 403.19 of the *Code of Iowa* from the developers will be rebated for a period ranging from five to fifteen years, beginning with the tax year in which the property tax on the completed value of the improvements is first paid. Certain agreements include provisions for payment of interest.

During the year ended June 30, 2022, the City rebated \$97,998 of incremental property tax to the developers. The outstanding principal balance on these agreements at June 30, 2022, is \$243,890. No bonds or notes were issued for these projects. To the extent there is insufficient incremental property tax available on any payment date to make the required scheduled payment, the unpaid amount shall be carried over to the next payment date without accruing any further interest.

These agreements are not a general obligation of the City. However, the debt payments in the succeeding year on three agreements with annual appropriation clauses and all of the amount to be rebated for the remaining agreement are subject to the constitutional debt limitation of City.

City of Knoxville
Notes to Basic Financial Statements

NOTE 12 – TAX ABATEMENTS

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

A. 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, 2022, \$661,248 of property tax was diverted from the City under the urban renewal and economic development agreements.

NOTE 13 – EMPLOYEE HEALTH INSURANCE PLAN

The Internal Service, Self-Insurance Fund was established to account for the partial self-funding of the City's health insurance benefit plan. The plan is funded by both employee and City contributions and is administered through a service agreement with Employee Benefit Systems. The agreement is subject to automatic renewal provisions. The City assumes liability for claims up to the individual stop loss limitation of \$5,000. Claims in excess of coverage are insured through purchase of stop loss insurance.

Monthly payments of service fees and plan contributions to the Internal Service, Self-Insurance Fund are recorded as disbursements from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to Group Services from the Internal Service, Self-Insurance Fund. The amount contributed by the City for the year ended June 30, 2022 was \$165,229.

NOTE 14 – DEFICIT BALANCE

Auld Park Playground

The Governmental Nonmajor Special Revenue Fund had a deficit fund balance of \$2,082 at June 30, 2022. The deficit was the result of costs incurred prior to the availability of funds. The deficit will be eliminated through future contributions.

The Enterprise, Airport Fund had a deficit balance of \$432,382 at June 30, 2022. The deficit was the result of costs incurred prior to the availability of funds. The deficit will be eliminated through project reimbursements from a Federal Aviation Administration grant.

City of Knoxville
Notes to Basic Financial Statements

NOTE 15 – PRIOR PERIOD ADJUSTMENT

Government-Wide Financial Statements and Fund Financial Statements

The City Corrected an error related to allocation of ending cash balances that added \$588,854 to beginning fund balance to the Capital Project Fund and subtracted \$588,854 from beginning fund balance from the Proprietary Fund – Sewer.

OTHER INFORMATION

City of Knoxville
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances-
Budget and Actual (Cash basis) - All Governmental Funds and Proprietary Funds
Year Ended June 30, 2022

	Governmental Funds	Proprietary Funds	Less Funds not Required to	
	Actual	Actual	be Budgeted	Total
Receipts				
Property tax	\$ 4,275,066	\$ -	\$ -	\$ 4,275,066
Tax increment financing	671,363	-	-	671,363
Other city tax	2,325,318	-	-	2,325,318
Special assessments	3,541	-	-	3,541
Licenses and permits	42,057	-	-	42,057
Use of money and property	61,652	87,275	-	148,927
Intergovernmental	2,726,530	889,231	-	3,615,761
Charges for services	1,218,840	2,746,536	145,582	3,819,794
Miscellaneous	240,583	73,976	-	314,559
Total receipts	<u>11,564,950</u>	<u>3,797,018</u>	<u>145,582</u>	<u>15,216,386</u>
Disbursements				
Public safety	3,178,967	-	95,341	3,083,626
Public works	755,834	-	33,634	722,200
Culture and recreation	1,271,220	-	26,185	1,245,035
Community and economic development	235,022	-	-	235,022
General government	577,370	-	18,783	558,587
Debt service	1,667,681	689,480	-	2,357,161
Capital outlay	2,569,552	1,304,897	-	3,874,449
Business type activities	-	1,007,370	18,784	988,586
Total disbursements	<u>10,255,646</u>	<u>3,001,747</u>	<u>192,727</u>	<u>13,064,666</u>
Excess (deficiency) of receipts over (under) disbursements	1,309,304	795,271	(47,145)	2,151,720
Debt issuance and other financing sources (uses), net	1,595,715	264,387	-	1,860,102
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	2,905,019	1,059,658	(47,145)	4,011,822
Balances beginning of year	8,832,707	4,756,415	-	13,589,122
Prior period adjustment (see Note 15)	558,854	(558,854)	-	-
Beginning of year, restated	<u>9,391,561</u>	<u>4,197,561</u>	<u>-</u>	<u>13,589,122</u>
Balances end of year	<u>\$ 12,296,580</u>	<u>\$ 5,257,219</u>	<u>\$ (47,145)</u>	<u>\$ 17,600,944</u>

Budgeted Amounts	Final to Total
Original and Final	Variance
\$ 4,169,346	\$ 105,720
614,524	56,839
1,688,651	636,667
7,000	(3,459)
63,500	(21,443)
155,044	(6,117)
1,643,816	1,971,945
3,766,357	53,437
218,750	95,809
<u>12,326,988</u>	<u>2,889,398</u>
2,867,616	216,010
876,733	(154,533)
1,280,677	(35,642)
240,857	(5,835)
526,648	31,939
2,496,244	(139,083)
5,297,420	(1,422,971)
<u>1,536,636</u>	<u>(548,050)</u>
<u>15,122,831</u>	<u>(2,058,165)</u>
(2,795,843)	4,947,563
1,500,000	360,102
(1,295,843)	5,307,665
11,570,040	2,019,082
-	-
<u>11,570,040</u>	<u>2,019,082</u>
<u>\$ 10,274,197</u>	<u>\$ 7,326,747</u>

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City of Knoxville
Notes to Other Information – Budgetary Reporting
June 30, 2022

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

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

Formal and legal budgetary control is based upon eight major classes of disbursements known as functions, not by fund. These eight functions are: public safety, public works, 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the 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, the City had no budget amendments.

During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the public safety and general government functions.

City of Knoxville
Schedule of the Primary Government's
Proportionate Share
of the Net Pension Liability (Asset)
Iowa Public Employees' Retirement System
For the Last Eight Years*
Other Information
(In Thousands)
Year Ended June 30, 2022

Iowa Public Employee's Retirement System

	2022	2021	2020	2019
Proportion of the net pension liability (asset)				
Regular	0.018536 %	0.018025 %	0.018991 %	0.018617 %
Protective occupation	0.155870 %	0.120198 %	0.118378 %	0.112690 %
Proportionate share of the net pension liability (asset)				
Regular	\$ 26	\$ 1,257	\$ 1,107	\$ 1,178
Protective occupation	(150)	39	(36)	(2)
Covered employee payroll				
Regular	1,496	1,421	1,455	1,323
Protective occupation	936	474	446	381
Proportionate share of the net pension liability (asset) as a percentage of covered payroll				
Regular	1.74 %	88.49 %	76.08 %	89.02 %
Protective occupation	-16.03 %	8.23 %	-8.07 %	-0.53 %
Plan fiduciary net position as a percentage of the total IPERS pension liability	100.81 %	82.90 %	85.45 %	83.62 %

Municipal Fire and Police Retirement System of Iowa

	2022	2021	2020	2019
Proportion of the net pension liability	0.243666 %	0.246428 %	0.251830 %	0.270709 %
Proportionate share of the net pension liability	\$ 547	\$ 1,966	\$ 1,652	\$ 1,612
Covered employee payroll	792	783	762	787
Proportionate share of the net pension liability as a percentage of covered payroll	69.07 %	251.09 %	216.80 %	204.83 %
Plan fiduciary net position as a percentage of the total MFPRSI pension liability	93.62 %	76.47 %	79.94 %	81.07 %

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

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full ten year trend is compiled, the City will present information for those years for which information is available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.018120 %	0.018603 %	0.017779 %	0.076700 %
0.088524 %	0.086861 %	0.075167 %	0.088218 %
\$ 1,196 16	\$ 1,160 18	\$ 884 (33)	\$ 715 (69)
1,340 310	1,323 291	1,226 253	1,180 282
89.22 %	87.69 %	72.12 %	60.60 %
5.16 %	6.19 %	-13.03 %	-24.46 %
82.21 %	81.82 %	85.19 %	87.61 %
<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.269520 %	0.276902 %	0.255162 %	0.254700 %
\$ 1,581 764	\$ 1,731 750	\$ 1,199 668	\$ 923 647
206.94 %	230.80 %	179.49 %	142.66 %
80.60 %	78.20 %	83.04 %	86.27 %

City of Knoxville
Schedule of the Primary Government
Proportionate Share
of the Net Pension Liability (Asset)
Iowa Public Employees' Retirement System
Last Ten Fiscal Years
(In Thousands)
Other Information

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Iowa Public Employee's Retirement System				
Statutorily required contribution	\$ 228	\$ 202	\$ 181	\$ 181
Contributions in relation to the statutorily required contribution	<u>(228)</u>	<u>(202)</u>	<u>(181)</u>	<u>(181)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 2,432	\$ 2,125	\$ 1,880	\$ 1,885
Contributions as a percentage of covered employee payroll	9.38%	9.51%	9.63%	9.60%
Municipal Fire and Police Retirement System of Iowa				
Statutorily required contribution	\$ 225	\$ 200	\$ 198	\$ 198
Contributions in relation to the statutorily required contributions	<u>(225)</u>	<u>(200)</u>	<u>(198)</u>	<u>(198)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered employee payroll	\$ 859	\$ 792	\$ 783	\$ 762
Contributions as a percentage of covered employee payroll	26.19%	25.25%	25.29%	25.98%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 163	\$ 150	\$ 142	\$ 134	\$ 133	\$ 118
<u>(163)</u>	<u>(150)</u>	<u>(142)</u>	<u>(134)</u>	<u>(133)</u>	<u>(118)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,790	\$ 1,652	\$ 563	\$ 1,469	\$ 1,457	\$ 1,324
9.11%	9.08%	25.22%	9.12%	9.13%	8.91%
\$ 202	\$ 198	\$ 208	\$ 203	\$ 195	\$ 157
<u>(202)</u>	<u>(198)</u>	<u>(208)</u>	<u>(203)</u>	<u>(195)</u>	<u>(157)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 787	\$ 764	\$ 750	\$ 668	\$ 647	\$ 601
25.67%	25.92%	27.73%	30.39%	30.14%	26.12%

City of Knoxville
Notes to Other Information – Pension Liability (Asset)
Year ended June 30, 2022

Changes of Benefit Terms

There are no significant changes in benefit terms.

Changes of Assumptions

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

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the 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.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

City of Knoxville
Notes to Other Information – Pension Liability (Asset)
Year ended June 30, 2022

Municipal Fire and Police Retirement System

Changes of Benefit Terms

- There were no significant changes of benefit terms.

Changes of Assumptions

- The 2018 valuation changed postretirement mortality rates to the RP-2014 Blue Collar Healthy Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.
- The 2017 valuation added five years projection of future mortality improvement with Scale BB.
- The 2016 valuation changed postretirement mortality rates to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvement.
- The 2015 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.
- The 2014 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

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SUPPLEMENTARY INFORMATION

City of Knoxville
Schedule 1
Combining Statement of Cash Receipts,
Disbursements, and Changes in Cash Fund
Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Special Revenue			
	LMI Urban Renewal (145)	Fire rescue Donations (168)	Employee Benefits (112)	Police Retirement (117)
Receipts				
General property taxes	\$ -	\$ -	\$ 948,125	\$ 204,247
Intergovernmental	-	-	27,014	-
Use of money and property	-	37	160	274
Miscellaneous	-	3,211	-	-
Total receipts	<u>-</u>	<u>3,248</u>	<u>975,299</u>	<u>204,521</u>
Disbursements				
Current				
General government	-	-	54,001	-
Public safety	-	9,478	466,584	224,923
Public works	-	-	143,892	-
Community and economic development	-	-	29,595	-
Culture and recreation	-	-	204,163	-
Capital outlay				
Public works	-	-	-	-
Total disbursements	<u>-</u>	<u>9,478</u>	<u>898,235</u>	<u>224,923</u>
Excess of receipts over (under) disbursements	-	(6,230)	77,064	(20,402)
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(3,906)	-	-	-
Total other financing sources (uses)	<u>(3,906)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash fund balances	(3,906)	(6,230)	77,064	(20,402)
Cash Fund Balances				
Beginning of year	<u>3,906</u>	<u>24,630</u>	<u>306,483</u>	<u>421,300</u>
End of year	<u>\$ -</u>	<u>\$ 18,400</u>	<u>\$ 383,547</u>	<u>\$ 400,898</u>
Cash basis fund balances				
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for				
Employee benefits	-	-	383,547	-
Police retirement	-	-	-	400,898
Other purposes	-	18,400	-	-
Unassigned	-	-	-	-
Total cash basis fund balance	<u>\$ -</u>	<u>\$ 18,400</u>	<u>\$ 383,547</u>	<u>\$ 400,898</u>

Special Revenue

Revolving Loan (146)	Police Trust (167)	Library Gifts/ Memorials (169)	East Village Park (170)	Auld Park Playground (171)	Tennis Courts (172)	Police K9 (173, 174)	I-JOBS (111)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	51	19	-	119	-	-	-
-	24,725	7,044	-	-	-	1,100	-
-	24,776	7,063	-	119	-	1,100	-
-	-	-	-	-	-	-	-
-	694	-	-	-	-	1,407	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	3,800	-	26,909	-	-	-
-	694	3,800	-	26,909	-	1,407	-
-	24,082	3,263	-	(26,790)	-	(307)	-
-	-	-	-	-	7,000	-	-
-	-	-	-	-	-	-	(3,091)
-	-	-	-	-	7,000	-	(3,091)
-	24,082	3,263	-	(26,790)	7,000	(307)	(3,091)
115,745	2,065	31,013	25,000	24,708	14,000	4,270	3,091
<u>\$ 115,745</u>	<u>\$ 26,147</u>	<u>\$ 34,276</u>	<u>\$ 25,000</u>	<u>\$ (2,082)</u>	<u>\$ 21,000</u>	<u>\$ 3,963</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
115,745	26,147	34,276	25,000	-	21,000	3,963	-
-	-	-	-	(2,082)	-	-	-
<u>\$ 115,745</u>	<u>\$ 26,147</u>	<u>\$ 34,276</u>	<u>\$ 25,000</u>	<u>\$ (2,082)</u>	<u>\$ 21,000</u>	<u>\$ 3,963</u>	<u>\$ -</u>

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City of Knoxville
Schedule 1
Combining Statement of Cash Receipts,
Disbursements, and Changes in Cash Fund
Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2022

	Permanent Cemetery Perpetual Care (500)	Total Other Governmental Funds
Receipts		
General property taxes	\$ -	\$ 1,152,372
Intergovernmental	-	27,014
Use of money and property	382	1,042
Miscellaneous	7,726	43,806
Total receipts	8,108	1,224,234
Disbursements		
Current		
General government	-	54,001
Public safety	-	703,086
Public works	-	143,892
Community and economic development	-	29,595
Culture and recreation	-	204,163
Capital outlay		
Public works	-	30,709
Total disbursements	-	1,165,446
Excess of receipts over (under) disbursements	8,108	58,788
Other financing sources (uses)		
Transfers in	-	7,000
Transfers out	-	(6,997)
Total other financing sources (uses)	-	3
Net change in cash fund balances	8,108	58,791
Cash Fund Balances		
Beginning of year	293,974	1,270,185
End of year	\$ 302,082	\$ 1,328,976
Cash basis fund balances		
Nonspendable - Cemetery perpetual care	\$ 302,082	\$ 302,082
Restricted for		
Employee benefits	-	383,547
Police retirement	-	400,898
Other purposes	-	244,531
Unassigned	-	(2,082)
Total cash basis fund balance	\$ 302,082	\$ 1,328,976

City of Knoxville
Schedule 2
Schedule of Receipts by Source
and Disbursements by Function - All Governmental Funds
For the Last Ten Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Receipts				
Property tax	\$ 4,275,066	\$ 4,095,625	\$ 4,018,237	\$ 3,725,933
Tax increment financing	671,363	639,317	705,342	554,290
Local option sales tax	1,559,315	1,329,780	1,036,803	976,998
Other city tax	766,003	157,827	167,909	154,071
Licenses and permits	42,057	649,988	640,953	724,703
Use of money and property	61,652	47,843	68,400	78,138
Intergovernmental	2,726,530	1,641,650	1,280,395	1,747,137
Charges for services	1,218,840	1,300,798	1,097,187	1,053,792
Special assessments	3,541	5,002	2,216	22,676
Miscellaneous	240,583	356,359	380,515	491,587
	<u>\$ 11,564,950</u>	<u>\$ 10,224,189</u>	<u>\$ 9,397,957</u>	<u>\$ 9,529,325</u>
Total				
Disbursements				
Operating				
Public safety	\$ 3,178,967	\$ 2,800,199	\$ 2,565,457	\$ 2,342,047
Public works	755,834	746,854	1,133,704	1,072,731
Culture and recreation	1,271,220	1,298,910	1,309,821	1,221,450
Community and economic development	235,022	227,671	232,486	234,584
General government	577,370	558,072	524,453	473,045
Debt service	1,667,681	2,231,931	1,814,891	2,025,268
Capital projects	2,569,552	1,857,996	2,269,249	5,744,964
	<u>\$ 10,255,646</u>	<u>\$ 9,721,633</u>	<u>\$ 9,850,061</u>	<u>\$ 13,114,089</u>
Total				

2018	2017	2016	2015	2014	2013
\$ 3,278,739	\$ 3,244,449	\$ 3,163,894	\$ 2,952,466	\$ 2,908,791	\$ 2,822,795
605,296	571,856	516,947	531,120	354,277	242,252
881,054	965,912	857,197	852,184	753,295	672,951
165,729	171,605	179,984	832,504	823,177	547,177
669,066	653,541	661,710	84,821	29,897	20,168
56,769	41,068	35,683	36,753	50,721	5,753
1,818,141	1,107,919	1,196,943	951,196	825,512	999,335
926,035	870,382	964,298	969,587	872,637	909,812
4,136	5,451	6,279	7,497	7,693	6,247
528,048	705,729	245,553	370,466	267,730	286,362
<u>\$ 8,933,013</u>	<u>\$ 8,337,912</u>	<u>\$ 7,828,488</u>	<u>\$ 7,588,594</u>	<u>\$ 6,893,730</u>	<u>\$ 6,512,852</u>
\$ 2,263,598	\$ 2,135,749	\$ 2,351,445	\$ 2,274,531	\$ 1,839,305	\$ 1,744,882
1,790,243	847,096	1,190,738	748,405	776,841	787,203
1,282,690	1,144,213	1,153,498	1,095,737	1,070,274	1,032,710
250,107	245,541	588,485	351,878	193,813	222,805
446,103	465,034	544,330	523,097	458,176	506,108
1,934,567	1,685,972	1,510,074	1,558,643	1,511,847	878,514
1,439,095	1,736,599	1,544,971	1,425,184	2,282,626	1,579,394
<u>\$ 9,406,403</u>	<u>\$ 8,260,204</u>	<u>\$ 8,883,541</u>	<u>\$ 7,977,475</u>	<u>\$ 8,132,882</u>	<u>\$ 6,751,616</u>

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**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Basic Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Knoxville
Knoxville, Iowa

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Knoxville as of and for the year ended June 30, 2022, and the related notes to basic financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 26, 2023. Our report expressed unmodified opinions on 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. general accepted accounting principles. Our report expressed an adverse opinion on the aggregate discretely presented component units due to the omission of the Knoxville Low Rent Housing Agency, Knoxville Municipal Waterworks and the Fire/Rescue Association of Knoxville, Iowa.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the 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 basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Internal Control over Financial Reporting (Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be material weaknesses in internal control, Audit Findings I-A-22, I-B-22, and I-C-22.

Compliance and Other Matters

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

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying The City should continue to monitor duties and further segregate accounting duties where practical. The City's response was not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

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.

BerganKDV, Ltd.

Minneapolis, Minnesota
January 26, 2023

City of Knoxville
Schedule of Findings and Responses
Year ended June 30, 2022

Part I: Findings Related to the Financial Statements

I-A-22 LACK OF SEGREGATION OF ACCOUNTING 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 identified may have control over the following areas for which no compensating controls exist.

1. Cash – handling petty cash and reconciling.
2. Investments – recording, custody, record-keeping, and reconciliation.
3. Long-term debt – recording and reconciling, including compensated absences.
4. Disbursements – preparing disbursements, check signing, recording and reconciling.
5. Payroll – entering pay rates, preparing and recording payroll, control of undistributed warrants, and maintaining personnel files.
6. Receipts – opening mail, collecting receipts and recording receipts with independent reconciliation of recorded receipts to the deposit.
7. Journal entries – independent review of non-recurring entries.
8. Employees have the ability to change the bank account that the square payment processing system uses and these deposits are not reviewed or reconciled.
9. Utility receipts from the Water Works and ambulance receipts from the 3rd party biller are not independently reconciled by City staff.

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 or Potential 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.

City of Knoxville
Schedule of Findings and Responses
Year ended June 30, 2022

Part I: Findings Related to the Financial Statements (Continued)

I-A-22 LACK OF SEGREGATION OF ACCOUNTING DUTIES (CONTINUED)

Recommendation

We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. The City should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons and should be documented by the signature or initials of the reviewer and the date of the review.

Response

The City strives for segregation of duties when possible. With a limited staff this can be difficult at times but having a separate review process of items listed above helps to have multiple individuals reviewing the same items to deter those issues.

Conclusion

Response accepted.

I-B-22 RECORDS OF ACCOUNT

Criteria

An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling the Recreation Centers bank and book balances with those of the City.

Condition

The Recreation Center maintained a checking account separate from the City Clerk's records. The transactions are reported to the City monthly and balances periodically transferred into the City's checking account. However, the balance of the checking account of \$35,041 at the end of the fiscal year was not included in the City's records.

Cause

Procedures have not been designed and implemented to ensure appropriate accounting records are maintained, reconciled and recorded.

Effect or Potential Effect

Inadequate records can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

City of Knoxville
Schedule of Findings and Responses
Year ended June 30, 2022

Part I: Findings Related to the Financial Statements (Continued)

I-B-22 RECORDS OF ACCOUNT (CONTINUED)

Recommendation

Chapter 384.20 of the *Code of Iowa* states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose." The year-end balance of the separate checking account maintained by the Recreation Center should be included in the City records.

Response

The City will transfer any remaining balance in the Recreation Center checking account by June 30 each year and will ensure that amount is included in the City records.

Conclusion

Response accepted.

I-C-22 PRIOR PERIOD ADJUSTMENT

Criteria

Internal control that supports the City's ability to initiate, record, process and report financial data requires controls to ensure all required adjustments to the financial statements are properly recorded on a timely basis.

Condition

During the course of our audit, a prior period adjustment was identified due to an error in the reconciliation of amounts transferred to the Capital Projects Fund related to Sewer Fund purposes.

Cause

Procedures have not been designed and implemented to ensure appropriate reconciliation of resources allocated between governmental activities and business-type activities.

Effect or Potential Effect

Internal controls that fail to identify necessary adjustments timely could result in material misstatements to the financial statements.

Recommendation

Review City processes to reconcile activity and related allocations of funds to ensure cash balances are reported in the proper fund.

City of Knoxville
Schedule of Findings and Responses
Year ended June 30, 2022

Part I: Findings Related to the Financial Statements (Continued)

I-C-22 PRIOR PERIOD ADJUSTMENT (CONTINUED)

Response

The City will review process for reporting and reconciling resources dedicated to certain fund activity to ensure resources and related cash balances are reported in the proper fund.

Conclusion

Response accepted.

Part II: Other Findings Related to Required Statutory Reporting

II-A-22 *Certified Budget*

Disbursements during the year ended June 30, 2022, exceeded the amounts budgeted in the public safety and general government functions. 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.

II-B-22 *Questionable Disbursements*

We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-22 *Travel Expense*

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-22 *Business Transactions*

No business transactions between City and City officials or employees were noted.

City of Knoxville
Schedule of Findings and Responses
Year ended June 30, 2022

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

II-E-22 *Restricted Donor Activity*

No Transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

II-F-22 *Bond Coverage*

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

II-G-22 *Council Minutes*

No transactions were found that we believe should have been approved in the Council minutes but were not.

II-H-22 *Deposits and Investments*

No instances of noncompliance with the deposit and investment provision of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-I-22 *Revenue Bonds and Notes*

No instances of non-compliance with the revenue bond and note resolutions were noted.

II-J-22 *Annual Urban Renewal Report*

The annual urban renewal report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

II-K-22 *Tax Increment Financing*

The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates. Also, the Sample City properly completed the Tax Increment Debt Certificate Forms to request TIF properly taxes.

II-L-22 *Annual Urban Renewal Report*

The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 as required by Chapter 384.22(2)(a) of the Code of Iowa and no exceptions were noted.

II-M-22 *Unclaimed Property*

Chapters 556.8 and 556.11 of the *Code of Iowa* require each City to report and remit obligations, including checks, outstanding for more than two years to the Office of Treasurer of State annually. The City did not remit these obligations as required.

Recommendation

Outstanding checks should be reviewed annually and items over two years old should be remitted to the Office of Treasurer of State, as required.

City of Knoxville
Schedule of Findings and Responses
Year ended June 30, 2022

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

II-M-22 *Unclaimed Property (Continued)*
Response

This will be something the staff will work on this fiscal year and will report in the future.

Conclusion

Response accepted.

II-N-22 *Financial Condition*

The Enterprise, Airport Fund and Nonmajor Special Revenue Fund - Auld Park Playground had deficit balances of \$432,382 and \$2,082, respectively at June 30, 2022.

Recommendation

The City should investigate alternatives to eliminate this deficit and return the Airport Fund and Auld Park Playground to a sound financial condition.

Response

The Airport Fund is continually reviewed and had a deficit balance due to airport improvements which will be repaid by a Federal Aviation Administration and a separate state grant upon completion. The Auld Park playground is continually reviewed and had a deficit balance due to timing of contributions.

Conclusion

Response accepted.

II-O-22 *Transfers*

Rule 545-2.5 of the Iowa Administrative Code requires transfers between funds be passed by resolution and include a clear statement of the reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred. During fiscal year 2022, the City made transfers that were not passed by resolution.

Recommendation

The City should comply with the Iowa Administrative Code and approve transfers by a resolution which includes the required information.

Response

We will ensure a resolution has been passed before making any transfers in the future.

Conclusion

Response accepted.