



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

October 29, 2020

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on City of Hiawatha, Iowa.

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$18,133,786 for the year ended June 30, 2020, a 5.4% increase over the prior year. Disbursements for the year ended June 30, 2020 totaled \$18,219,390 a 29.1% increase over the prior year. The significant increase in disbursements is primarily due to a library construction project.

AUDIT FINDINGS:

Sand reported five findings related to the receipt and disbursement of taxpayer funds and to funds held by the Hiawatha Firefighters Association, the Friends of the Hiawatha Public Library and the Friends of Hiawatha Parks and Recreation, component units of the City of Hiawatha. They are found on pages 58 through 61 of this report. The findings address issues such as a lack of segregation of duties, a lack of monthly bank to book reconciliations, not issuing prenumbered receipts for all collections and the use of debit cards. Sand provided the City and the component units with recommendations to address each of the findings.

Four of the five findings pertaining to the component units discussed above are repeated from the prior year. The City Council and the component unit management have a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

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CITY OF HIAWATHA

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

JUNE 30, 2020

City of Hiawatha



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October 23, 2020

Officials of the City of Hiawatha
Hiawatha, Iowa

Dear Board Members:

I am pleased to submit to you the financial and compliance audit report for the City of Hiawatha for the year ended June 30, 2020. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Hiawatha throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor’s Report		5-7
Management’s Discussion and Analysis		8-13
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	16-17
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	18-19
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	20
Fiduciary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	21
Notes to Financial Statements		22-36
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual – All Governmental Funds, Proprietary Fund and Component Unit		38-39
Notes to Other Information – Budgetary Reporting		41
Schedule of the City’s Proportionate Share of the Net Pension Liability		42-43
Schedule of City Contributions		44-45
Notes to Other Information – Pension Liability		46
Supplementary Information:	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	48-49
Schedule of Indebtedness	2	50-51
Note and Bond Maturities	3	52-53
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	54-55
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		56-57
Schedule of Findings		58-62
Staff		63

City of Hiawatha

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bill Bennett	Mayor	Jan 2020
Aime Wichtendahl	Mayor Pro tem	Jan 2020
Dennis Norton	Council Member	Jan 2020
Richard Olson	Council Member	Jan 2020
Rob Archibald	Council Member	Jan 2022
Steve Dodson	Council Member	Jan 2022
Kimberly Downs	City Administrator	Indefinite
Cindy Kudrna	Finance Director	Indefinite
Kari Graber	City Clerk	Indefinite
Mark Parmenter	City Attorney	Indefinite
Patrick White	Water Board Chairperson	Jan 2023
Carl Ransford	Water Board Vice Chairperson	Jan 2024
Gary Casady	Water Board Trustee	Jan 2020
Ruth Hospodarsky	Water Board Trustee	Jan 2021
Troy Anderson	Water Board Trustee	Jan 2022
Marty Recker	Water Superintendent	Indefinite
Debra Larson	Billing Clerk	Indefinite
Sara Ries	Assistant Billing Clerk	Indefinite

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bill Bennett	Mayor	Jan 2024
Aime Wichtendahl	Mayor Pro tem	Jan 2024
Rob Archibald	Council Member	Jan 2022
Steve Dodson	Council Member	Jan 2022
Jerry Mohwinkle	Council Member	Jan 2024
Richard Olson	Council Member	Jan 2024
Kimberly Downs	City Administrator	Indefinite
Cindy Kudrna	Finance Director	Indefinite
Kari Graber	City Clerk	Indefinite
Mark Parmenter	City Attorney	Indefinite
Patrick White	Water Board Chairperson	Jan 2023
Carl Ransford	Water Board Vice Chairperson	Jan 2024
Ruth Hospodarsky	Water Board Trustee	Jan 2021
Troy Anderson	Water Board Trustee	Jan 2022
Robert Rampulla	Water Board Trustee	Jan 2026
Marty Recker	Water Superintendent	Indefinite
Debra Larson	Billing Clerk	Indefinite
Sara Ries	Assistant Billing Clerk	Indefinite

City of Hiawatha



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hiawatha, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hiawatha as of June 30, 2020, 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 of Accounting

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

Other Matters

Supplementary and Other Information

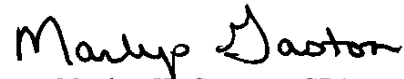
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hiawatha's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 8 through 13 and 38 through 46, 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 October 23, 2020 on our consideration of the City of Hiawatha's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Hiawatha's internal control over financial reporting and compliance.


Marlys K. Gaston, CPA
Deputy Auditor of State

October 23, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Hiawatha provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2020. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- Receipts for the City's governmental activities increased 5.7%, or approximately \$894,000, from fiscal year 2019 to fiscal year 2020. The City received approximately \$234,000 more in property and other city tax in fiscal year 2020 than in fiscal year 2019. Capital grants, contributions and restricted interest decreased approximately \$325,000 due to a decrease in library donations.
- Disbursements for the City's governmental activities increased 30.1%, or approximately \$3,968,000, from fiscal year 2019 to fiscal year 2020. The significant increase in disbursements is primarily due to increased project costs for the library construction project and increased debt service costs for scheduled payments.
- The City's total cash basis net position decreased less than one percent, or approximately \$86,000, from June 30, 2019 to June 30, 2020. Of this amount, the net position of the governmental activities decreased approximately \$398,000 and the net position of the business type activities increased approximately \$312,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

The Cash Basis Statement of Activities and Net Position is divided into the following activities:

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

Fund Financial Statements

The City has three kinds of funds:

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

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

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

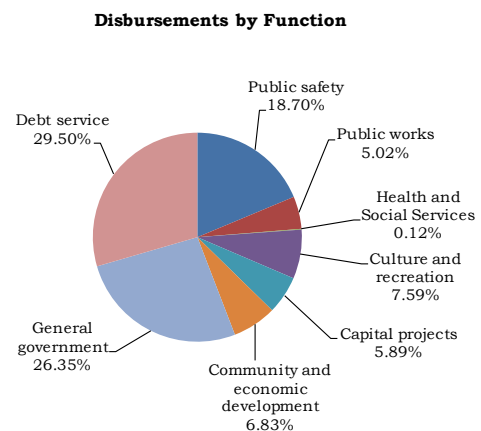
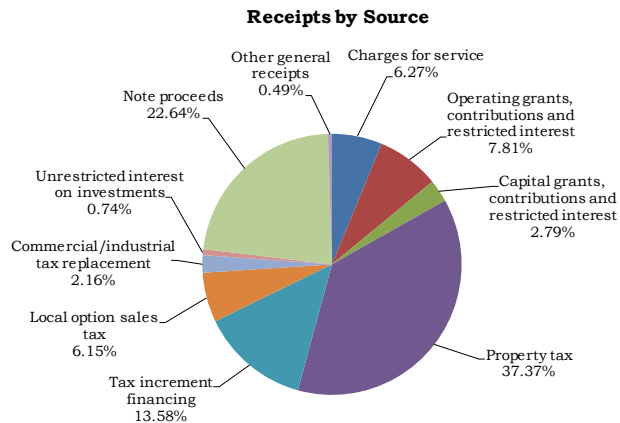
The required financial statement for the proprietary fund is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 3) Fiduciary funds account for resources held for others. The Fiduciary funds consist of the Agency, Flexible Benefits and the Water Department Clearing Funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased approximately \$398,000 from a year ago, from \$17,546,887 to \$17,149,284. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2020	2019
Receipts:		
Program receipts:		
Charges for service	\$ 1,044,344	1,122,027
Operating grants, contributions and restricted interest	1,301,110	1,421,649
Capital grants, contributions and restricted interest	464,362	789,273
General receipts:		
Property tax	6,226,884	5,991,820
Tax increment financing	2,262,069	2,247,153
Local option sales tax	1,024,755	907,746
Commercial/industrial tax replacement	359,488	350,823
Unrestricted interest on investments	123,320	145,320
Note proceeds	3,771,474	2,606,126
Other general receipts	80,634	182,121
Total receipts	<u>16,658,440</u>	<u>15,764,058</u>
Disbursements:		
Public safety	3,208,758	2,961,343
Public works	862,048	829,481
Health and social services	20,000	20,000
Culture and recreation	1,302,892	1,199,565
Community and economic development	1,010,989	706,609
General government	1,171,589	1,146,056
Debt service	4,522,769	3,581,060
Capital projects	5,061,682	2,748,826
Total disbursements	<u>17,160,727</u>	<u>13,192,940</u>
Change in cash basis net position before transfers	(502,287)	2,571,118
Transfers, net	104,684	104,874
Change in cash basis net position	(397,603)	2,675,992
Cash basis net position beginning of year	17,546,887	14,870,895
Cash basis net position end of year	<u>\$ 17,149,284</u>	<u>17,546,887</u>



The City's total receipts for governmental activities increased 5.7%, or approximately \$894,000. The total cost of all programs and services increased approximately \$3,968,000. The increase in receipts was primarily the result of an increase in property tax receipts and note proceeds. The increase in disbursements was primarily due to the library construction project.

The cost of all governmental activities this year was \$17,160,727. However, as shown in the Cash Basis Statement of Activities and Net Position, the amount financed by taxes for these activities was \$14,350,911, with the remainder paid for with user fees, grants, contributions, interest on investments, fund balances and note proceeds.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2020	2019
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 1,349,269	1,290,666
General receipts:		
Miscellaneous	15,075	-
Unrestricted interest on investments	23,818	39,459
Total receipts	1,388,162	1,330,125
Disbursements:		
Sewer	1,058,663	919,505
Increase in cash basis net position before transfers	329,499	410,620
Transfers, net	(17,500)	9,600
Increase in cash basis net position	311,999	420,220
Cash basis net position beginning of year	2,765,641	2,345,421
Cash basis net position end of year	\$ 3,077,640	2,765,641

The business type activities receipts for the fiscal year were \$1,388,162 compared to \$1,330,125 last year. Disbursements for the fiscal year increased 15.1% to \$1,058,663 due to an increase in the inflow/infiltration program. As a result of these items, the cash balance increased 11.3%, or approximately \$312,000 over the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Hiawatha completed the year, its governmental funds reported a combined fund balance of \$17,149,284 a decrease of approximately \$398,000 from last year's total. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$62,531 over the prior year to \$2,759,954. Receipts decreased approximately \$53,000 from the prior year and disbursements increased approximately \$414,000 over the prior year or 9.7%.
- The Special Revenue, Urban Renewal Tax Increment Fund had a cash balance of \$1,028,660 at the end of the fiscal year, which represents an increase of \$189,505 over the previous year.
- The Special Revenue, Local Option Sales Tax Fund had a cash balance of \$766,204 at the end of the fiscal year, which represents an increase of \$624,979 over the previous fiscal year. Receipts from the State of Iowa increased approximately \$117,000 over the previous fiscal year, or 12.9%. Transfers out to fund capital projects decreased from the previous year by \$500,000.
- The Special Revenue, Employee Benefits Fund had a cash balance of \$140,558 at the end of the fiscal year, which represents a decrease of \$73,959 from the previous fiscal year.

- The Debt Service Fund cash balance increased \$168,970 to \$272,223 during the fiscal year. The increase was due to an increase in property tax receipts and an increase in transfers from the Special Revenue, Urban Renewal Tax Increment Fund for servicing general obligation debt.
- The Capital Projects Fund is a combination of several sub-funds, including the Projects Fund, the Library Project Fund, the Local Option Sales Tax (LOST) Projects Fund, the Equipment Reserve Fund and the Tax Increment Financing (TIF) Projects Fund. The June 30, 2020 total cash balance of the Capital Projects Fund was \$11,103,394 a decrease of \$1,488,848 from the June 30, 2019 cash balance. Disbursements increased \$2,297,919 over the previous year due to the library expansion project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance increased \$311,999 to \$3,077,640 due to receipts exceeding disbursements during the fiscal year. Charges for services increased approximately \$59,000 during the fiscal year and operating disbursements increased approximately \$139,000, or 15.1%. This increase in operating disbursements is due an increase in inflow/infiltration program costs.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendments were approved on May 6, 2020 and resulted in an increase in budgeted disbursements of \$6,467,204, including an increase of \$1,280,000 for debt service and an increase of \$4,911,447 for capital projects.

The City’s receipts were \$3,352,971 less than budgeted, which is a 17.4% variance.

Total disbursements were \$10,618,770 less than the final amended budget. The capital projects function was \$9,237,765 less than budgeted due to actual disbursements for construction projects being less than anticipated. Community and economic development function were \$463,636 less than budgeted due to rebate payments to developers being less than anticipated.

DEBT ADMINISTRATION

At June 30, 2020, the City had \$21,780,000 of general obligation notes and bonds outstanding, compared to \$22,085,000 at the end of the last fiscal year.

The City has obtained a bond rating and has continued to obtain favorable rates comparable to between A and AAA ratings. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$22,942,587, including \$1,162,587 of TIF annual appropriation developer rebate agreements, is below its constitutional debt limit of approximately \$37,414,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Hiawatha's elected officials considered many factors when setting the fiscal year 2021 budget, tax rates and fees charged for various City activities. One of those factors is the economy. The City of Hiawatha is located in Linn County, Iowa. The County's unemployment rate in June 2020 was 9.5% versus 2.5% a year ago. This compares with the State's unemployment rate of 5.9% and the national rate of 11.1% percent.

The Consumer Price Index for urban consumers in June 2020 was 0.6% higher than the previous year.

These indicators were taken into account when adopting the budget for fiscal year 2021. Total projected receipts, including beginning balances available for appropriation in the budget, are \$37,061,141. The City will use its resources to finance programs currently offered and fund capital improvements. Budgeted disbursements (not including transfers) are expected to decrease 14.9% to \$25,506,434 from the final fiscal year 2020 budget. The City has added no major new programs to the fiscal year 2021 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Finance Director Cindy Kudrna, 101 Emmons Street, Hiawatha, Iowa 52233-1697.

City of Hiawatha

Basic Financial Statements

City of Hiawatha

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 3,208,758	608,232	129,602	-
Public works	862,048	-	913,001	-
Health and social services	20,000	-	-	-
Culture and recreation	1,302,892	56,227	252,158	-
Community and economic development	1,010,989	-	2,352	55,517
General government	1,171,589	343,136	-	-
Debt service	4,522,769	-	3,997	-
Capital projects	5,061,682	36,749	-	408,845
Total governmental activities	17,160,727	1,044,344	1,301,110	464,362
Business type activities:				
Sewer	1,058,663	1,349,269	-	-
Total primary government	\$ 18,219,390	2,393,613	1,301,110	464,362
Component unit:				
Hiawatha Water Department	\$ 1,181,142	1,706,432	-	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Note proceeds				
Miscellaneous				
Sale of capital assets				
Primary government transfers				
Component unit transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Debt service				
Streets				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Hiawatha Water Department
(2,470,924)	-	(2,470,924)	
50,953	-	50,953	
(20,000)	-	(20,000)	
(994,507)	-	(994,507)	
(953,120)	-	(953,120)	
(828,453)	-	(828,453)	
(4,518,772)	-	(4,518,772)	
(4,616,088)	-	(4,616,088)	
(14,350,911)	-	(14,350,911)	
-	290,606	290,606	
(14,350,911)	290,606	(14,060,305)	
			525,290
4,127,619	-	4,127,619	-
2,099,265	-	2,099,265	-
2,262,069	-	2,262,069	-
1,024,755	-	1,024,755	-
359,488	-	359,488	-
123,320	23,818	147,138	24,623
3,771,474	-	3,771,474	-
79,293	-	79,293	-
1,341	15,075	16,416	-
17,500	(17,500)	-	-
87,184	-	87,184	(87,184)
13,953,308	21,393	13,974,701	(62,561)
(397,603)	311,999	(85,604)	462,729
17,546,887	2,765,641	20,312,528	2,044,795
\$ 17,149,284	3,077,640	20,226,924	2,507,524
\$ 1,300,893	-	1,300,893	-
961,757	-	961,757	-
9,309,210	-	9,309,210	-
1,023,286	-	1,023,286	214,986
4,554,138	3,077,640	7,631,778	2,292,538
\$ 17,149,284	3,077,640	20,226,924	2,507,524

City of Hiawatha

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

As of and for the year ended June 30, 2020

	Special Revenue			
	General	Urban Renewal Tax Increment	Local Option Sales Tax	Employee Benefits
Receipts:				
Property tax	\$ 3,164,390	-	-	941,359
Tax increment financing	-	2,262,069	-	-
Local option sales tax	-	-	1,024,755	-
Other city tax	16,774	-	-	5,096
Licenses and permits	604,536	-	-	-
Use of money and property	150,769	11,178	224	-
Intergovernmental	434,107	-	-	57,773
Charges for service	418,287	-	-	-
Special assessments	-	-	-	-
Miscellaneous	117,742	-	-	-
Total receipts	4,906,605	2,273,247	1,024,979	1,004,228
Disbursements:				
Operating:				
Public safety	2,442,913	-	-	682,977
Public works	144,100	-	-	-
Health and social services	20,000	-	-	-
Culture and recreation	1,026,071	-	-	214,323
Community and economic development	73,166	937,823	-	-
General government	969,324	-	-	178,220
Debt service	-	-	-	-
Capital projects	-	-	-	2,667
Total disbursements	4,675,574	937,823	-	1,078,187
Excess (deficiency) of receipts over (under) disbursements	231,031	1,335,424	1,024,979	(73,959)
Other financing sources (uses):				
Note proceeds, including premium of \$142,324 and net of issuance costs of \$15,850	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(168,500)	(1,145,919)	(400,000)	-
Component unit transfers in	-	-	-	-
Sale of property	-	-	-	-
Total other financing sources (uses)	(168,500)	(1,145,919)	(400,000)	-
Change in cash balances	62,531	189,505	624,979	(73,959)
Cash balances beginning of year	2,697,423	839,155	141,225	214,517
Cash balances end of year	\$ 2,759,954	1,028,660	766,204	140,558
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	1,028,660	-	-
Streets	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	766,204	140,558
Committed for equipment	-	-	-	-
Unassigned	2,759,954	-	-	-
Total cash basis fund balances	\$ 2,759,954	1,028,660	766,204	140,558

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
2,089,812	-	-	6,195,561
-	-	-	2,262,069
-	-	-	1,024,755
9,453	-	-	31,323
-	-	-	604,536
3,997	63,381	6,295	235,844
107,588	176,460	902,853	1,678,781
-	-	37,133	455,420
-	12,799	-	12,799
-	192,954	73,841	384,537
2,210,850	445,594	1,020,122	12,885,625
-	-	82,868	3,208,758
-	28,987	688,961	862,048
-	-	-	20,000
-	30,924	31,574	1,302,892
-	-	-	1,010,989
-	24,045	-	1,171,589
4,522,769	-	-	4,522,769
-	5,059,015	-	5,061,682
4,522,769	5,142,971	803,403	17,160,727
(2,311,919)	(4,697,377)	216,719	(4,275,102)
1,280,000	2,491,474	-	3,771,474
1,145,919	683,500	-	1,829,419
-	-	(97,500)	(1,811,919)
54,970	32,214	-	87,184
-	1,341	-	1,341
2,480,889	3,208,529	(97,500)	3,877,499
168,970	(1,488,848)	119,219	(397,603)
103,263	12,592,242	959,062	17,546,887
272,233	11,103,394	1,078,281	17,149,284
272,233	-	-	1,300,893
-	-	961,757	961,757
-	9,309,210	-	9,309,210
-	-	116,524	1,023,286
-	1,794,184	-	1,794,184
-	-	-	2,759,954
272,233	11,103,394	1,078,281	17,149,284

City of Hiawatha

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

As of and for the year ended June 30, 2020

	<u>Enterprise</u>
	<u>Sewer</u>
Operating receipts:	
Charges for service	\$ 1,349,269
Operating disbursements:	
Business type activities	<u>1,058,663</u>
Excess of operating receipts over operating disbursements	<u>290,606</u>
Non-operating receipts:	
Interest on investments	23,818
Sale of equipment	<u>15,075</u>
Excess of receipts over disbursements	<u>329,499</u>
Transfers:	
Transfer out	<u>(17,500)</u>
Change in cash balances	311,999
Cash balances beginning of year	<u>2,765,641</u>
Cash balances end of year	<u>\$ 3,077,640</u>
Cash Basis Fund Balances	
Unrestricted	<u>\$ 3,077,640</u>

See notes to financial statements.

City of Hiawatha

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

As of and for the year ended June 30, 2020

	Agency	
	Flexible Benefits	Water Department Clearing
Additions:		
Employee contributions	\$ 11,593	-
Reimbursements from the Water Department	-	534,517
Total additions	<u>11,593</u>	<u>534,517</u>
Deductions:		
Medical reimbursements	11,003	-
Payments made on behalf of the Water Department	-	542,839
Total deductions	<u>11,003</u>	<u>542,839</u>
Net change in cash balances	590	(8,322)
Cash balance (deficit) beginning of year	<u>5,993</u>	<u>(67,984)</u>
Cash balance (deficit) end of year	<u>\$ 6,583</u>	<u>(76,306)</u>

See notes to financial statements.

City of Hiawatha

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The City of Hiawatha is a political subdivision of the State of Iowa located in Linn County. It was first incorporated in 1950 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Hiawatha 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 Hiawatha (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Unit

The Hiawatha Water Department is presented in a separate column to emphasize it is legally separate from the City but is financially accountable to the City or its relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Hiawatha Water Department was established to operate the City's waterworks facilities. The Water Department is governed by a five member Board of Trustees appointed by the Mayor and approved by the City Council. Title to all property of the Water Department is held in the name of the City. A financial benefit/burden relationship exists between the City and the Water Department in that the City is authorized by statute to issue general obligation debt for a City utility and may certify taxes for the payment of the debt. The Water Department is presented as a discretely presented component unit in these financial statements.

Blended Component Units – The Hiawatha Firefighters Association, Friends of the Hiawatha Public Library and Friends of Hiawatha Parks and Recreation are legally separate from the City but are so intertwined with the City they are, in substance, the same as the City. These component units are reported as part of the City and blended into the Special Revenue Funds of the City.

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: Linn County Assessor's Conference Board, City Assessor's Conference Board, Linn County Emergency Management Commission, Cedar Rapids/Linn County Solid Waste Agency and Linn County Joint 911 Service Board.

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 primary government and its component units. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

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:

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for local option sales tax collections authorized by referendum to be used for improvements related to the water and sewer systems, streets, public safety, parks and recreation.

The Employee Benefits Fund is used to account for the employee benefits tax levy used to fund pension and related employee benefits.

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports two fiduciary funds to account for assets held by the City as an agent for employee flexible benefit contributions and the related payments and a fund which acts as a clearing account for payments made by the City on behalf of the Water Department and the related reimbursements from the Water Department.

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

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

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

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

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

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

(2) Cash and Pooled Investments

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

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

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$10,016,646. 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.

(3) Bonds and Notes Payable

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

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation notes	\$ 20,440,000	3,645,000	3,735,000	20,350,000	2,590,000
General obligation bonds	1,645,000	-	215,000	1,430,000	225,000
Governmental activities total	<u>\$ 22,085,000</u>	<u>3,645,000</u>	<u>3,950,000</u>	<u>21,780,000</u>	<u>2,815,000</u>

General Obligation Notes

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

Year Ending June 30,	Capital Loan Note Series 2011B Issued Dec 21, 2011			Capital Loan Note Series 2012A Issued Apr 4, 2012			Capital Loan Note Series 2013A Issued May 1 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	2.15%	\$ 65,000	4,688	1.65%	\$ 130,000	10,148	1.30%	\$ 340,000	27,978
2022	2.35	70,000	3,290	1.80	135,000	8,003	1.50	340,000	23,558
2023	2.35	70,000	1,645	1.95	135,000	5,573	1.60	345,000	18,458
2024	-	-	-	2.10	140,000	2,940	1.70	345,000	12,593
2025	-	-	-	-	-	-	1.80	345,000	6,383
2026-2030	-	-	-	-	-	-	-	-	-
2031-2033	-	-	-	-	-	-	-	-	-
Total		<u>\$ 205,000</u>	<u>9,623</u>		<u>\$ 540,000</u>	<u>26,664</u>		<u>\$ 1,715,000</u>	<u>88,970</u>

Year Ending June 30,	Capital Loan Note Series 2013B Issued May 1, 2013			Capital Loan Note Series 2013C Issued May 1, 2013			Capital Loan Note Series 2015A Issued May 20, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	1.30%	\$ 350,000	36,070	2.00%	\$ 100,000	12,448	2.50%	\$ 210,000	44,700
2022	1.50	360,000	31,520	2.25	100,000	10,443	2.75	215,000	39,450
2023	1.60	360,000	26,120	2.50	100,000	8,193	2.75	220,000	33,538
2024	1.70	365,000	20,360	2.70	100,000	5,693	2.75	225,000	27,488
2025	1.80	380,000	14,155	2.85	105,000	2,992	3.00	225,000	21,300
2026-2030	1.90	385,000	7,315	-	-	-	3.00	485,000	21,900
2031-2033	-	-	-	-	-	-	-	-	-
Total		<u>\$ 2,200,000</u>	<u>135,540</u>		<u>\$ 505,000</u>	<u>39,769</u>		<u>\$ 1,580,000</u>	<u>188,376</u>

Year Ending June 30,	Capital Loan Note Series 2016 Issued May 18, 2016			Capital Loan Note Series 2017 Issued May 24, 2017			Capital Loan Note Series 2018 Issued May 2, 2018		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
	2021	2.00%	\$ 120,000	236,463	3.00%	\$ 525,000	111,900	3.000%	\$ 150,000
2022	2.00	120,000	34,063	3.00	540,000	96,150	3.000	150,000	71,169
2023	2.00	125,000	31,663	3.00	235,000	79,950	3.000	155,000	66,669
2024	2.25	130,000	29,163	3.00	240,000	72,900	3.000	160,000	62,019
2025	2.45	135,000	26,238	3.00	245,000	65,700	3.000	165,000	57,219
2026-2030	2.45-2.50	750,000	78,680	3.00	1,345,000	213,450	3.000-3.625	875,000	206,856
2031-2033	2.50	170,000	4,250	3.00	600,000	27,150	3.750-4.000	590,000	46,837
Total		\$ 1,550,000	440,520		\$ 3,730,000	667,200		\$ 2,245,000	586,438

Year Ending June 30,	Capital Loan Note Series 2019 Issued April 17, 2019			Capital Loan Note Series 2020 Issued March 18, 2020			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
	2021	3.00%	\$ 195,000	73,050	2.00%	405,000	84,848	\$ 2,590,000	717,962
2022	3.00	200,000	67,200	2.00	430,000	64,800	2,660,000	449,646	3,109,646
2023	3.00	200,000	61,200	2.00	435,000	56,200	2,380,000	389,209	2,769,209
2024	3.00	205,000	55,200	2.00	455,000	47,500	2,365,000	335,856	2,700,856
2025	3.00	215,000	49,050	2.00	455,000	38,400	2,270,000	281,437	2,551,437
2026-2030	3.00	1,160,000	145,352	2.00	1,465,000	79,700	6,465,000	753,253	7,218,253
2031-2033	3.00	260,000	7,800		-	-	1,620,000	86,037	1,706,037
Total		\$ 2,435,000	458,852		\$ 3,645,000	371,448	\$ 20,350,000	3,013,400	23,363,400

On December 21, 2011, the City issued \$1,795,000 of general obligation notes with interest rates ranging from 0.40% to 2.35% per annum. The notes were issued for streets and swimming pool improvements and ambulance equipment. During the year ended June 30, 2020, the City paid \$65,000 of principal and \$6,085 of interest on the notes.

On April 4, 2012, the City issued \$2,855,000 of general obligation notes with interest rates ranging from 0.35% to 2.10% per annum. The notes were issued for street, storm and sewer improvements and refunding debt. During the year ended June 30, 2020, the City paid \$125,000 of principal and \$11,960 of interest on the notes.

On May 1, 2013, the City issued \$3,880,000 of general obligation notes with interest rates ranging from 0.30% to 1.85% per annum. The notes were issued for street, water, storm and sewer system improvements and improvements to public buildings and land acquisition. During the year ended June 30, 2020, the City paid \$340,000 of principal and \$31,717 of interest on the notes.

On May 1, 2013, the City issued \$4,545,000 of general obligation notes with interest rates ranging from 0.30% to 1.90% per annum. The notes were issued to refund debt. During the year ended June 30, 2020, the City paid \$345,000 of principal and \$39,865 of interest on the notes.

On May 1, 2013, the City issued \$1,060,000 of general obligation notes with interest rates ranging from 0.50% to 2.85% per annum. The notes were issued to undertake an urban renewal project. During the year ended June 30, 2020, the City paid \$95,000 of principal and \$14,105 of interest on the notes.

On May 20, 2015, the City issued \$3,720,000 of general obligation notes with interest ranging from 1.50% to 3.00% per annum. The notes were issued to undertake an urban renewal projects, acquire and construct a new park, improvements at the public works facility and bus shelter, acquire ambulance and equipment, improve streets, storm sewers, sanitary sewers, and water lines and refund debt. During the year ended June 30, 2020, the City paid \$210,000 of principal and \$49,950 of interest on the notes.

On May 18, 2016, the City issued \$2,945,000 of general obligation notes with interest rates ranging from 2.00% to 2.50% per annum. The notes were issued to undertake street, storm, water and sanitary sewer improvements, purchase fire department equipment, refund debt and improve parks, city hall, jails, community center and fire station. During the year ended June 30, 2020, the City paid \$345,000 of principal and \$43,363 of interest on the notes.

On May 24, 2017, the City issued \$5,265,000 of general obligation notes with interest rate of 3.00% per annum. The notes were issued for capital improvements, equipment and vehicle acquisition, refunding capital loan notes and paying the costs of undertaking an urban renewal project. During the year ended June 30, 2020, the City paid \$520,000 of principal and \$127,500 of interest on the notes.

On May 2, 2018, the City issued \$2,475,000 of general obligation notes with interest rates ranging from 1.85% to 4.00% per annum. The notes were issued for enlarging the library and street, storm and sanitary sewer capital project improvements. During the year ended June 30, 2020, the City paid \$145,000 of principal and \$78,351 of interest on the notes.

On April 17, 2019, the City issued \$2,515,000 of general obligation notes with an interest rate of 3.00% per annum. The notes were issued for street, water, storm and sewer system improvements, fire and emergency service equipment, fleet storage facility for police and community development departments. During the year ended June 30, 2020, the City paid \$80,000 of principal and \$79,013 of interest on the notes.

On March 18, 2020, the City issued \$3,645,000 of general obligation notes with an interest rate of 2.00% per annum. The notes were issued for fire equipment, traffic control devices, park improvements and street and storm water improvements. Additionally, the notes refunded the general obligation capital loan note issued in May 2011. The City obtained an economic gain, difference between the present value of the debt service payments on the old and new debt, of approximately \$83,499. During the year ended June 30, 2020, no principal or interest was paid on the notes.

General Obligation Bonds

The City’s June 30, 2020 general obligation bonds payable is as follows:

Year	General Obligation Bonds Series 2014A		
	Issued May 1, 2014		
Ending June 30,	Interest Rates	Principal	Interest
2021	2.00%	\$ 225,000	32,590
2022	2.00	225,000	28,090
2023	2.10	235,000	23,590
2024	2.30	240,000	18,655
2025	2.50	250,000	13,135
2026	2.70	255,000	6,885
Total		\$ 1,430,000	122,945

On May 1, 2014, the City issued \$2,650,000 of general obligation bonds with interest rates ranging from 2.00% to 2.70% per annum. The bonds were issued for streets, storm sewers and sewer construction projects, city hall and library construction, police department equipment purchases and urban renewal projects. During the year ended June 30, 2020, the City paid \$215,000 of principal and \$36,890 of interest on the bonds.

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by 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.

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 at 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.

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

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

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 17.02%.

The City’s contributions to IPERS for the year ended June 30, 2020 were \$351,573.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$1,380,678 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City’s proportion was 0.023843%, which was a decrease of 0.002288% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$453,562, \$273,987 and \$376,347, respectively.

There were no non-employer contributing entities to IPERS.

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan 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%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	100.0%	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City’s proportionate share of the net pension liability	\$ 3,439,499	1,380,678	(345,008)

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

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer 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, 2020, the City contributed \$491,813 and plan members eligible for benefits contributed \$12,113 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by City of Hiawatha 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 result in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services.

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	6
Active employees	<u>53</u>
Total	<u>59</u>

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation and sick leave payable to employees at June 30, 2020, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 341,000
Sick leave	<u>126,000</u>
Total	<u>\$ 467,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2020.

(7) Construction Contracts

The City entered into various construction contracts during the year. Unpaid contract commitments as of June 30, 2020 totaled \$2,867,836. The balance on these contracts will be paid as work on the projects progresses.

(8) Urban Renewal Project Rebate and Economic Development Agreements

Rebate Agreements

The City has 27 active tax increment financing agreements. The City agreed to assist in urban renewal projects by rebating incremental property tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of up to five years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The total amount to be rebated in fiscal year 2020 for the active tax increment financing agreements is not to exceed \$1,223,925. The actual amount rebated during the year ended June 30, 2020 was \$881,968.

Economic Development Agreements

On November 7, 2018, the City approved Resolution No. 18-204 pledging financial support of \$12,000 for fiscal year 2020 to Entrepreneurial Development Center Inc. (EDC) for services provided to businesses. The contribution was appropriated from the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa.

On November 7, 2018, the City approved Resolution No. 18-205 pledging financial support of \$10,000 for fiscal year 2020 to Cedar Rapids Metro Economic Alliance for services provided to attract businesses and assist existing companies with expansion projects, job placement and recruitment. The contribution was appropriated from the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa.

On November 21, 2018, the City approved Resolution No. 18-217 pledging financial support of \$20,000 for fiscal year 2020 to Hiawatha Economic Development Corporation (HEDCO) to support in carrying out their initiatives of cultivating economic growth in the City of Hiawatha by serving as an advocate for existing businesses and businesses looking to move their operations to Hiawatha. The contribution was appropriated from the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa.

The above agreements are not general obligations of the City. However, the agreements are subject to the constitutional debt limitation of the City.

The rebate agreements and economic development contributions are subject to an annual contribution and only the amount payable in the succeeding year is subject to the constitutional debt limitation.

(9) Sewer Maintenance Agreement

The City entered into an agreement with the City of Cedar Rapids to discharge all waste collected in its sanitary sewer system into the City of Cedar Rapids' interceptor for treatment. The City agreed to share the operation, maintenance and construction costs of the water pollution control facility of the City of Cedar Rapids. The City's share of the operation and maintenance costs for the year ended June 30, 2020 totaled \$630,952.

(10) Midwestern Disaster Area Revenue Bonds

The City has issued a total of \$3,000,000 of Midwestern disaster area revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$1,844,832 is outstanding at June 30, 2020. The bonds and related interest are payable solely from revenues derived from the project to be financed and the bond principal and interest do not constitute liabilities of the City.

(11) 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 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual 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 operating contributions which are necessary to fund, on a cash basis, the Pool's general property and administrative expenses, reinsurance premiums, losses and loss expense 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, 2020 were \$125,040.

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 the risk-sharing protection provided by the City's risk-sharing certificate.

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

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and 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 per accident. 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.

(12) Solid Waste Agreement

On October 19, 1994, the City entered into a 28E Agreement with Cedar Rapids/Linn County Solid Waste Agency to be an associate member of the Agency. The Cedar Rapids/Linn County Solid Waste Agency was created under Chapter 28E of the Code of Iowa by the City of Cedar Rapids and Linn County to provide for the proper and efficient management and disposal of solid waste. The 28E Agreement between the City of Cedar Rapids and Linn County became fully operative on July 1, 1994 and shall continue until June 30, 2044. At termination, each member and associate member shall make such guarantees as are necessary to facilitate closure of all solid waste disposal sites. All solid waste fees are collected by private solid waste handlers who are licensed by the City.

(13) Interfund Transfers

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

Transfer to	Transfer From	Amount
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	\$ 1,145,919
Capital Projects	General	168,500
	Special Revenue:	
	Local Option Sales Tax	400,000
	Road Use Tax	97,500
	Enterprise:	
	Sewer	17,500
		<u>683,500</u>
Total		<u>\$ 1,829,419</u>
<u>Transfers from Component Unit:</u>		
Debt Service	Enterprise:	
	Water Operating	\$ 54,970
Capital Projects	Water Operating	32,214
Total		<u>\$ 87,184</u>

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

(14) Tax Abatements

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

City Tax Abatements

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

For the year ended June 30, 2020, \$328,021 of property tax was diverted from the City under the urban renewal and economic development agreements.

(15) Water Department Clearing Fund

The City pays certain disbursements on behalf of the Hiawatha Water Department, a discrete component unit of the City. The Water Department reimburses the City each month for the prior month's disbursements. Since those disbursements are included in the Water Department's financial statement, the disbursements are already included in the Statement of Activities. To avoid double counting as disbursements, the Clearing Fund activity is recorded in an Agency Fund of the City. The nature of the City's Agency Fund results in a negative cash balance at the end of each month, which is cleared out by the receipt of the reimbursement from the Water Department in the following month.

(16) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including that of the City of Hiawatha, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Hiawatha. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonable estimate the potential impact to the City of Hiawatha's operations and finances.

(17) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity.

Other Information

City of Hiawatha

Budgetary Comparison Schedule
of Receipts, Disbursements and Changes in Balances -
Budget and Actual – All Governmental Funds, Proprietary Fund
and Component Unit

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Fund Actual	Component Unit Actual	Less Funds not Required to be Budgeted	Total
Receipts:					
Property tax	\$ 6,195,561	-	-	-	6,195,561
Tax increment financing	2,262,069	-	-	-	2,262,069
Other city tax	31,323	-	-	-	31,323
Licenses and permits	604,536	-	-	-	604,536
Use of money and property	235,844	23,818	24,623	10	284,275
Intergovernmental	1,678,781	-	-	-	1,678,781
Charges for service	455,420	1,349,269	2,894,074	1,357,067	3,341,696
Special assessments	12,799	-	-	-	12,799
Miscellaneous	384,537	-	169,425	52,861	501,101
Total receipts	11,860,870	1,373,087	3,088,122	1,409,938	14,912,141
Disbursements:					
Public safety	3,208,758	-	-	14,270	3,194,488
Public works	862,048	-	-	-	862,048
Health and social services	20,000	-	-	-	20,000
Culture and recreation	1,302,892	-	-	31,574	1,271,318
Community and economic development	1,010,989	-	-	-	1,010,989
General government	1,171,589	-	-	-	1,171,589
Debt service	4,522,769	-	-	-	4,522,769
Capital projects	5,061,682	-	-	-	5,061,682
Business type activities	-	1,058,663	2,538,209	1,349,269	2,247,603
Total disbursements	17,160,727	1,058,663	2,538,209	1,395,113	19,362,486
Excess (deficiency) of receipts over (under) disbursements	(5,299,857)	314,424	549,913	14,825	(4,450,345)
Other financing sources (uses), net	3,877,499	(2,425)	(87,184)	-	3,787,890
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,422,358)	311,999	462,729	14,825	(662,455)
Balances beginning of year	17,546,887	2,765,641	2,044,795	169,092	22,188,231
Balances end of year	\$ 16,124,529	3,077,640	2,507,524	183,917	21,525,776

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
6,229,451	6,229,451	(33,890)
2,287,216	2,287,216	(25,147)
920,042	920,042	(888,719)
590,300	600,300	4,236
264,700	237,450	46,825
4,821,857	4,823,207	(3,144,426)
3,339,621	3,575,867	(234,171)
-	13,000	(201)
658,298	603,334	(102,233)
19,111,485	19,289,867	(4,377,726)
3,284,628	3,423,102	228,614
941,067	934,567	72,519
20,000	20,000	-
1,264,792	1,378,797	107,479
1,474,625	1,474,625	463,636
1,357,791	1,378,069	206,480
3,326,076	4,606,076	83,307
9,388,000	14,299,447	9,237,765
2,457,073	2,466,573	218,970
23,514,052	29,981,256	10,618,770
(4,402,567)	(10,691,389)	6,241,044
-	3,645,000	142,890
(4,402,567)	(7,046,389)	6,383,934
17,736,525	17,736,525	4,451,706
13,333,958	10,690,136	10,835,640

City of Hiawatha

City of Hiawatha

Notes to Other Information – Budgetary Reporting

June 30, 2020

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, including the discretely presented component unit and excluding the blended component units. However, the sewer and storm water fees collected by the Hiawatha Water Department and remitted to the City of Hiawatha have been deducted in the column “Less Funds not Required to be Budgeted” since these are intra agency transactions not required to be budgeted. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Enterprise Fund and the discretely presented component unit. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted receipts by \$178,382 and increased budgeted disbursements by \$6,467,204. The budget amendment is reflected in the final budgeted amounts.

City of Hiawatha

Schedule of the City's Proportionate Share of the Net Pension Liability

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

Other Information

	2020	2019	2018	2017
City's proportion of the net pension liability	0.023843%	0.026131%	0.026972%	0.027589%
City's proportionate share of the net pension liability	\$ 1,381	1,654	1,797	1,736
City's covered payroll	\$ 3,431	3,344	3,245	3,170
City's proportionate share of the net pension liability as a percentage of its covered payroll	40.25%	49.46%	55.38%	54.76%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

* 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.

See accompanying independent auditor's report.

2016	2015
0.022786%	0.017629%
1,126	699
2,969	2,729
37.93%	25.61%
85.19%	87.61%

City of Hiawatha

Schedule of City Contributions

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

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 352	335	311	302
Contributions in relation to the statutorily required contribution	<u>(352)</u>	<u>(335)</u>	<u>(311)</u>	<u>(302)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 3,646	3,431	3,344	3,245
Contributions as a percentage of covered payroll	9.65%	9.76%	9.30%	9.31%

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
295	279	257	235	137	100
(295)	(279)	(257)	(235)	(137)	(100)
-	-	-	-	-	-
3,170	2,969	2,729	2,523	1,646	1,444
9.31%	9.40%	9.42%	9.31%	8.32%	6.93%

City of Hiawatha

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

Supplementary Information

City of Hiawatha

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

As of and for the year ended June 30, 2020

	Road Use Tax	Fire Department Trust	Police Forfeiture	Special K-9 Donations
Receipts:				
Use of money and property	\$ 6,196	89	-	-
Intergovernmental	902,853	-	-	-
Charges for services	-	-	37,133	-
Miscellaneous	-	2,992	-	17,988
Total receipts	909,049	3,081	37,133	17,988
Disbursements:				
Operating:				
Public safety	-	4,889	33,611	30,098
Public works	688,961	-	-	-
Culture and recreation	-	-	-	-
Total disbursements	688,961	4,889	33,611	30,098
Excess (deficiency) of receipts over (under) disbursements	220,088	(1,808)	3,522	(12,110)
Other financing sources (uses):				
Transfers out	(97,500)	-	-	-
Change in cash balances	122,588	(1,808)	3,522	(12,110)
Cash balances beginning of year	839,169	10,075	9,550	47,023
Cash balances end of year	\$ 961,757	8,267	13,072	34,913
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ 961,757	-	-	-
Other purposes	-	8,267	13,072	34,913
Total cash basis fund balances	\$ 961,757	8,267	13,072	34,913

See accompanying independent auditor's report.

Revenue				
Hiawatha Firefighters Association	Friends of the Hiawatha Public Library	Friends of Hiawatha Parks and Recreation		Total
-	10	-		6,295
-	-	-		902,853
-	-	-		37,133
26,403	6,566	19,892		73,841
26,403	6,576	19,892	1,020,122	
14,270	-	-		82,868
-	-	-		688,961
-	7,824	23,750		31,574
14,270	7,824	23,750		803,403
12,133	(1,248)	(3,858)		216,719
-	-	-		(97,500)
12,133	(1,248)	(3,858)		119,219
10,413	14,209	28,623		959,062
22,546	12,961	24,765		1,078,281
-	-	-		961,757
22,546	12,961	24,765		116,524
22,546	12,961	24,765		1,078,281

City of Hiawatha
Schedule of Indebtedness
Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Capital loan note series 2011	May 18, 2011	1.00-3.65%	\$ 3,605,000
Capital loan note series 2011B	Dec 21, 2011	0.40-2.35	1,795,000
Capital loan note series 2012A	Apr 4, 2012	0.35-2.10	2,855,000
Capital loan note series 2013A	May 1, 2013	0.30-1.85	3,880,000
Capital loan note series 2013B	May 1, 2013	0.30-1.90	4,545,000
Capital loan note series 2013C	May 1, 2013	0.50-2.85	1,060,000
Capital loan note series 2015A	May 20, 2015	1.50-3.00	3,720,000
Capital loan note series 2016	May 18, 2016	2.00-2.50	2,945,000
Capital Loan note series 2017	May 24, 2017	3.00	5,265,000
Capital Loan note series 2018	May 2, 2018	1.85-4.00	2,475,000
Capital Loan note series 2019	Apr 17, 2019	3.00	2,515,000
Capital Loan note series 2020	Mar 18, 2020	2.00	3,645,000
Total			,
General obligation bonds:			
Series 2014A	May 1, 2014	2.00-2.70%	\$ 2,650,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,465,000	-	1,465,000	-	47,470
270,000	-	65,000	205,000	6,085
665,000	-	125,000	540,000	11,960
2,055,000	-	340,000	1,715,000	31,717
2,545,000	-	345,000	2,200,000	39,865
600,000	-	95,000	505,000	14,105
1,790,000	-	210,000	1,580,000	49,950
1,895,000	-	345,000	1,550,000	43,363
4,250,000	-	520,000	3,730,000	127,500
2,390,000	-	145,000	2,245,000	78,351
2,515,000	-	80,000	2,435,000	79,013
-	3,645,000	-	3,645,000	-
\$ 20,440,000	3,645,000	3,735,000	20,350,000	529,379
1,645,000	-	215,000	1,430,000	36,890

City of Hiawatha
 Note and Bond Maturities
 June 30, 2020

Year Ending June 30,	General				
	Capital Loan Note Series 2011B			Capital Loan Note Series 2012A	
	Issued Dec 21, 2011			Issued Apr 4, 2012	
	Interest			Interest	
	Rates	Amount	Rates	Amount	
2021	2.15%	\$ 65,000	1.65%	\$ 130,000	
2022	2.35	70,000	1.80	135,000	
2023	2.35	70,000	1.95	135,000	
2024		-	2.10	140,000	
2025		-		-	
2026		-		-	
2027		-		-	
2028		-		-	
2029		-		-	
2030		-		-	
2031		-		-	
2032		-		-	
2033		-		-	
Total		<u>\$ 205,000</u>		<u>\$ 540,000</u>	

Year Ending June 30,	General										
	Capital Loan Note Series 2013C			Capital Loan Note Series 2015A			Capital Loan Note Series 2016			Capital Loan Note Series 2017	
	Issued May 1, 2013			Issued May 20, 2015			Issued May 18, 2016			Issued May 24, 2017	
	Interest			Interest			Interest			Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	
2021	2.00%	\$ 100,000	2.50%	\$ 210,000	2.00%	\$ 120,000	3.00%	\$ 525,000			
2022	2.25	100,000	2.75	215,000	2.00	120,000	3.00	540,000			
2023	2.50	100,000	2.75	220,000	2.00	125,000	3.00	235,000			
2024	2.70	100,000	2.75	225,000	2.25	130,000	3.00	240,000			
2025	2.85	105,000	3.00	225,000	2.45	135,000	3.00	245,000			
2026	-	-	3.00	240,000	2.45	140,000	3.00	255,000			
2027	-	-	3.00	245,000	2.50	145,000	3.00	260,000			
2028	-	-	-	-	2.50	150,000	3.00	265,000			
2029	-	-	-	-	2.50	155,000	3.00	280,000			
2030	-	-	-	-	2.50	160,000	3.00	285,000			
2031	-	-	-	-	2.50	170,000	3.00	295,000			
2032	-	-	-	-	-	-	3.00	305,000			
2033	-	-	-	-	-	-	-	-			
Total		<u>\$ 505,000</u>		<u>\$ 1,580,000</u>		<u>\$ 1,550,000</u>		<u>\$ 3,730,000</u>			

See accompanying independent auditor's report.

City of Hiawatha

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

For the Last Ten Years

	2020	2019	2018	2017
Receipts:				
Property tax	\$ 6,195,561	5,957,534	5,617,474	5,503,119
Tax increment financing	2,262,069	2,247,153	2,090,809	1,684,560
Local option sales tax	1,024,755	907,746	900,762	996,530
Other city tax	31,323	34,286	36,241	32,977
Licenses and permits	604,536	653,891	582,670	643,832
Use of money and property	235,844	311,583	173,375	82,600
Intergovernmental	1,678,781	1,474,632	1,684,460	1,473,704
Charges for service	455,420	411,997	407,872	423,673
Special assessments	12,799	35,996	77,065	2,068
Miscellaneous	384,537	1,063,647	571,780	385,856
Total	\$ 12,885,625	13,098,465	12,142,508	11,228,919
Disbursements:				
Operating:				
Public safety	\$ 3,208,758	2,961,343	2,812,589	3,022,173
Public works	862,048	829,481	1,071,652	893,554
Health and social services	20,000	20,000	20,000	20,000
Culture and recreation	1,302,892	1,199,565	1,172,871	1,149,893
Community and economic development	1,010,989	706,609	534,778	452,335
General government	1,171,589	1,146,056	1,246,957	1,160,638
Debt service	4,522,769	3,581,060	3,411,972	3,052,918
Capital projects	5,061,682	2,748,826	2,759,067	3,342,369
Total	\$ 17,160,727	13,192,940	13,029,886	13,093,880

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
5,493,244	5,162,938	5,225,654	4,669,303	4,672,857	4,623,136
2,113,286	1,979,524	1,725,842	2,037,467	2,200,459	1,803,156
933,893	884,979	938,472	887,535	963,802	916,326
35,799	32,448	81,648	105,870	33,315	34,879
297,796	246,189	211,064	217,390	219,117	221,051
57,070	64,588	53,638	49,955	54,952	53,244
1,554,758	1,265,839	1,893,520	1,143,168	1,962,305	965,976
341,673	465,500	359,124	384,090	280,317	368,643
20,829	20,690	127,213	54,050	8,308	16,150
341,157	211,248	319,066	262,714	202,516	201,039
11,189,505	10,333,943	10,935,241	9,811,542	10,597,948	9,203,600
2,663,676	2,734,395	2,442,144	2,298,698	2,125,619	2,242,129
759,638	703,335	660,902	672,815	694,613	673,193
20,000	20,000	20,000	14,500	19,500	18,500
1,104,426	1,028,834	966,848	908,408	839,416	861,197
437,219	318,977	250,077	453,642	503,720	360,720
1,107,582	1,126,072	1,082,634	934,634	959,966	1,039,325
3,160,275	3,308,864	3,057,630	2,845,514	3,468,756	3,759,876
4,586,473	3,325,908	3,859,465	3,515,993	4,580,163	6,073,153
13,839,289	12,566,385	12,339,700	11,644,204	13,191,753	15,028,093



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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hiawatha, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 23, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify deficiencies in internal control described as items (A) through (D) in the accompanying Schedule of Findings we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hiawatha's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial 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 non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of non-compliance or other matters which is described in the accompanying Schedule of Findings.

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

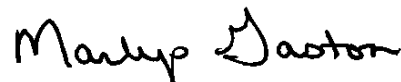
The City of Hiawatha's Response to the Findings

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

Purpose of this Report

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

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



Marlys K. Gaston, CPA
Deputy Auditor of State

October 23, 2020

City of Hiawatha
Schedule of Findings
Year ended June 30, 2020

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties for Component Units

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 financial statements.

Condition – For the Hiawatha Firefighters Association, Friends of the Hiawatha Public Library and Friends of Hiawatha Parks and Recreation, one individual has control over collecting, depositing, reconciling, preparing and signing and mailing checks for which no compensating controls exist.

Cause – The component units noted above have a limited number of employees/volunteers and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

Effect – Inadequate segregation of duties could adversely affect each component units' ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees/volunteers in the normal course of performing their assigned functions.

Recommendation – The City should work with the component units to develop operating procedures to obtain the maximum internal control possible under the circumstances. Currently available staff, including elected officials or other City employees, should be utilized to provide additional control through a review of financial transactions and reconciliations.

Response – The City will be reviewing the operating procedures with component units to try to establish better internal controls. City employees will be utilized to provide additional control through a review of transactions and reconciliations.

Conclusion – Response accepted.

City of Hiawatha

Schedule of Findings

Year ended June 30, 2020

(B) Bank Reconciliation

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by reconciling bank and book balances.

Condition – For the Friends of Hiawatha Parks and Recreation, bank reconciliations were not performed on a monthly basis. Additionally, the bank reconciliations were not reviewed by an independent person.

Cause – Procedures have not been designed and implemented to ensure all accounts are reconciled and the amounts recorded in the books and bank accounts are complete and accurate to ensure proper accounting.

Effect – The lack of a complete bank to book reconciliation and a lack of independent review of the reconciliation can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – Monthly bank reconciliations should be performed and reconciled to book balances. In addition, the reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the independent reviewer and the date of review.

Response – The City will review the operating procedures with component units to establish better internal controls, including preparation and review of bank reconciliations by an independent person and documentation by initials and date of review. City employees will be utilized to provide additional control through a review of transactions and reconciliations.

Conclusion – Response accepted.

(C) Debit Card

Criteria – Internal controls over safeguarding assets constitutes a process, effected by an entity's governing body, management and other personnel designated to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establishing policies addressing proper asset use and proper supporting documentation.

Condition – The Friends of Hiawatha Parks and Recreation and Hiawatha Firefighters Association have a debit card available for use by employees. Unlike credit cards, debit cards offer limited ability to set guidelines for access and limited, if any, repercussions for fraudulent transactions. In addition, there is no process for prior approval of purchases made with a debit card.

Cause – Officials have been unaware of the repercussions of allowing the use of debit cards.

Effect – Allowing the use of debit cards could result in unauthorized transactions and the opportunity for misappropriations.

City of Hiawatha

Schedule of Findings

Year ended June 30, 2020

Recommendation – The Friends of Hiawatha Parks and Recreation and Hiawatha Firefighters Association should prohibit the use of debit cards.

Response – The City will work with the Friends of Hiawatha Parks and Recreation to prohibit the use of a debit card. The Hiawatha Firefighters Association has a debit card policy that states the card holder is personally liable for an improper charge. The Association plans to continue utilizing the debit card under this policy.

Conclusion – Response accepted.

(D) Hiawatha Friends of Park and Recreation Receipts

Criteria – Internal controls over safeguarding assets constitute a process, effected by an entity's governing body, management and other personnel designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions and safeguarding assets from error or misappropriation. Such processes include establish polices regarding initial transaction recording.

Condition – Receipts for donations and other miscellaneous receipts were only generated when requested by the donor.

Cause – Policies and procedures have not been implemented to require prenumbered receipts for all collections.

Effect – Lack of issuing prenumbered receipts for all collections can result in unrecorded transactions, undetected errors and opportunity for misappropriation.

Recommendation – Prenumbered receipts should be issued for all collections.

Response – The City will be reviewing the operating procedures with component units and separately maintained accounts to try to establish better internal controls. City employees will be utilized to provide additional control through a review of transactions and reconciliations.

Conclusion – Response acknowledged. Prenumbered receipts should be issued for all collections.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Hiawatha
Schedule of Findings
Year ended June 30, 2020

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2020 did not exceed the amount budgeted.
- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) 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.
- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (7) City Council Meeting Minutes – No transactions were found that we believe should have been approved in the City Council meeting minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (9) Tax Increment Financing – Chapter 403.19(10)(b) of the code of Iowa provides moneys in the Special Revenue, Tax Increment Financing (TIF) Fund shall not be used for any purpose except for the payment of loans advances, indebtedness or bonds which qualify for payment from the TIF fund. During the year ended June 30, 2020, the city paid \$13,855 in legal and recording fees from the TIF Fund. These costs do not represent TIF obligations and, accordingly, are not an allowable use of tax increment financing receipts.

Recommendation – The City should reimburse the TIF Fund from an allowable fund, such as the General Fund, for the \$13,855 of legal and recording fees. If disbursements are for a qualified TIF project, the City may approve an advance (interfund loan) from the General Fund to The TFI Fund and certify the advance to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the General Fund to repay the advance.

Response – The City will not use the TIF fund to pay fees or any related costs directly to vendors. These will be paid out of the General Fund.

Conclusion – Response accepted.

- (10) Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department on Management on or before December 1 and no exceptions were noted.

City of Hiawatha

Schedule of Findings

Year ended June 30, 2020

- (11) Fund Transfers – In accordance with Chapter 545-2.1 of the Administrative Code of Iowa, a fund transfer resolution must be completed for all transfers between funds and must include a clear statement of the reason or purpose of 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 the year ended June 30, 2020, the City did not adopt a resolution, including the required elements, for transfers between the Special Revenue, Local Option Sales Tax and Urban Renewal Tax Increment Funds for \$400,000 and \$1,145,919 to Capital Projects and Debt Service Funds.

Recommendation – The City should comply with the Administrative Code of Iowa and complete a fund transfer resolution for all transfers between funds.

Response – The City will be more aware of any interfund transfer activity and balances and will have approval from the City Council prior to the transfer, by resolution.

Conclusion – Response accepted.

City of Hiawatha

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Katherine L. Rupp, CPA, Manager
Matthew A. Miller, Senior Auditor
David A. Slocum, Staff Auditor
Joseph G. Timmons, Assistant Auditor
William R. Bamber, Assistant Auditor