



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 25, 2021

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 \$21,090,257 for the year ended June 30, 2021, a 16.3% increase over the prior year. Disbursements for the year ended June 30, 2021 totaled \$22,038,660 a 21.0% increase over the prior year. The significant increase in disbursements is primarily due to a library, public safety garage and training facility and park improvement construction projects. The significant increase in receipts is primarily due to an increase in property taxes due to an increase in assessed valuation and an increase in note proceeds.

AUDIT FINDINGS:

The report disclosed no findings we believe were necessary to report for the period July 1, 2020 through June 30, 2021.

The City Council has 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>.

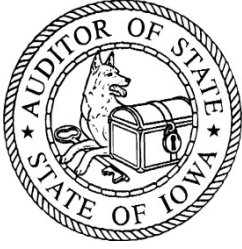
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CITY OF HIAWATHA

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

JUNE 30, 2021

City of Hiawatha



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STATE OF IOWA

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Telephone (515) 281-5834 Facsimile (515) 281-6518

October 18, 2021

Officials of the City of Hiawatha
Hiawatha, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Hiawatha for the year ended June 30, 2021. 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 that reads "Rob Sand".

Rob Sand
Auditor of State

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City of Hiawatha

Officials

<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
Troy Anderson	Water Board Trustee	Jan 2022
Ruth Hospodarsky	Water Board Trustee	Jan 2026
Robert Rampulla	Water Board Trustee	Jan 2026
Marty Recker	Water Superintendent	Indefinite
Sara Ries	Billing Clerk	Indefinite
Stacey Carter	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, 2021, 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, 2021, 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.

Emphasis of a Matter

As discussed in Note 17 to the financial statements, the City of Hiawatha adopted new accounting guidance related to Governmental Accounting Standards Board Statement No. 84, Fiduciary Activities. Our opinions are not modified with respect to this matter.

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

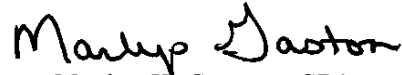
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hiawatha's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with 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 40 through 48, 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 18, 2021 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 18, 2021

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, 2021. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2021 FINANCIAL HIGHLIGHTS

- The City implemented Governmental Accounting Standards Board Statement (GASBS) No. 84, Fiduciary Activities during fiscal year 2021. The impact to the City was to rename the "Agency funds" to "Custodial Funds", in accordance with the GASBS.
- Receipts for the City's governmental activities increased 16.7%, or approximately \$2,789,000, from fiscal year 2020 to fiscal year 2021. The City received approximately \$691,000 more in property and other city tax in fiscal year 2021 than in fiscal year 2020. Operating grants, contributions and restricted interest increased approximately \$401,000 due to the Federal CARES Act receipts and additional road use tax fund receipts.
- Disbursements for the City's governmental activities increased 22.2%, or approximately \$3,805,000, from fiscal year 2020 to fiscal year 2021. The significant increase in disbursements is primarily due to increased project costs for the library construction, public safety garage, training facility, park improvements and increased public safety disbursements due to derecho repairs.
- The City's total cash basis net position decreased 4.7%, or approximately \$948,000, from June 30, 2020 to June 30, 2021. Of this amount, the net position of the governmental activities decreased approximately \$1,379,000 and the net position of the business type activities increased approximately \$431,000.

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.

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.

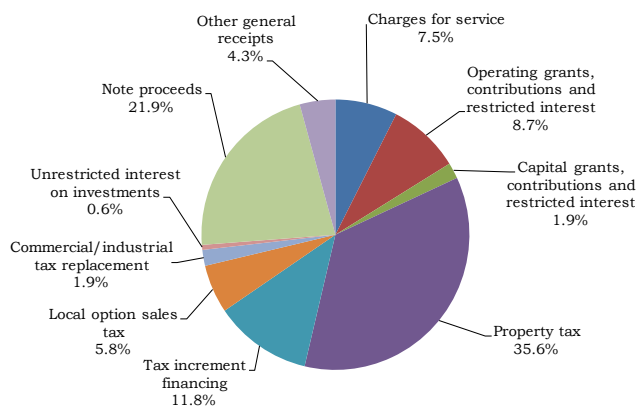
- 3) Fiduciary funds account for resources held for others. The Fiduciary funds consist of the Custodial, Flexible Benefits and the Water Department Clearing Funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

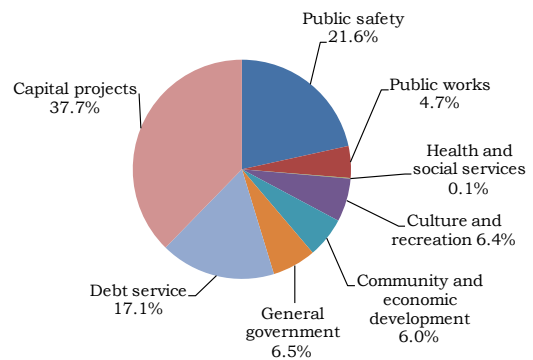
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased approximately \$1,379,000 from a year ago, from \$17,149,284 to \$15,770,114. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2021	2020
Receipts:		
Program receipts:		
Charges for service	\$ 1,470,927	1,044,344
Operating grants, contributions and restricted interest	1,701,944	1,301,110
Capital grants, contributions and restricted interest	365,115	464,362
General receipts:		
Property tax	6,917,432	6,226,884
Tax increment financing	2,287,708	2,262,069
Local option sales tax	1,130,767	1,024,755
Commercial/industrial tax replacement	373,894	359,488
Unrestricted interest on investments	111,177	123,320
Note proceeds	4,257,322	3,771,474
Other general receipts	830,971	80,634
Total receipts	<u>19,447,257</u>	<u>16,658,440</u>
Disbursements:		
Public safety	4,277,302	3,208,758
Public works	927,495	862,048
Health and social services	20,000	20,000
Culture and recreation	1,270,359	1,302,892
Community and economic development	1,159,768	1,010,989
General government	1,284,360	1,171,589
Debt service	3,372,144	4,522,769
Capital projects	7,449,449	5,061,682
Total disbursements	<u>19,760,877</u>	<u>17,160,727</u>
Change in cash basis net position before transfers	(313,620)	(502,287)
Transfers, net	139,450	104,684
Change in cash basis net position	(174,170)	(397,603)
Cash basis net position beginning of year	17,149,284	17,546,887
Cash basis net position end of year	<u>\$ 16,975,114</u>	<u>17,149,284</u>

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased 16.7%, or approximately \$2,789,000. The total cost of all programs and services increased approximately \$3,805,000. The increase in receipts was primarily the result of an increase in property tax receipts, CARES Act receipts, and note proceeds. The increase in disbursements was primarily due to the library construction, public safety garage, training facility, park improvements and increased public safety due to derecho repairs.

The cost of all governmental activities this year was \$20,965,877. However, as shown in the Cash Basis Statement of Activities and Net Position, the amount financed by taxes for these activities was \$17,427,891, 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,	
	2021	2020
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 1,467,638	1,349,269
General receipts:		
Miscellaneous	22,012	15,075
Unrestricted interest on investments	-	23,818
Total receipts	1,489,650	1,388,162
Disbursements:		
Sewer	1,072,783	1,058,663
Increase in cash basis net position before transfers	416,867	329,499
Transfers, net	13,900	(17,500)
Increase in cash basis net position	430,767	311,999
Cash basis net position beginning of year	3,077,640	2,765,641
Cash basis net position end of year	\$ 3,508,407	3,077,640

The business type activities receipts for the fiscal year were \$1,489,650 compared to \$1,388,162 last year. Disbursements for the fiscal year increased 1.3% to \$1,072,783. As a result of these items, the cash balance increased 14.0%, or approximately \$431,000 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 \$15,770,114 a decrease of approximately \$1,379,000 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 \$363,942 over the prior year to \$3,123,896. Receipts increased approximately \$1,447,000, or 29.5%, over the prior year and disbursements increased approximately \$1,130,000 over the prior year, or 24.2%. Receipts increased due to new ambulance services provided and Federal CARES Act receipts. Disbursements increased primarily due to an increase in emergency management services due to derecho disaster.
- The Special Revenue, Urban Renewal Tax Increment Fund had a cash balance of \$1,187,496 at the end of the fiscal year, which represents an increase of \$158,836 over the previous year.
- The Special Revenue, Local Option Sales Tax Fund had a cash balance of \$1,096,971 at the end of the fiscal year, which represents an increase of \$330,767 over the previous fiscal year. Receipts from the State of Iowa increased approximately \$106,000 over the previous fiscal year, or 10.3%. Cash transfers to fund capital projects increased over the previous year by \$400,000.

- The Special Revenue, Employee Benefits Fund had a cash balance of \$23,002 at the end of the fiscal year, which represents a decrease of \$117,556 from the previous fiscal year.
- The Debt Service Fund cash balance increased \$186,121 to \$458,354 during the fiscal year. The increase was due to an increase in property tax receipts.
- 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, 2021 total cash balance of the Capital Projects Fund was \$8,580,280 a decrease of \$2,523,114 from the June 30, 2020 cash balance. Disbursements increased \$2,303,531 over the previous year due to the library expansion project, public safety garage, training facility and park improvements.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance increased \$430,767 to \$3,508,407 due to receipts exceeding disbursements during the fiscal year. Charges for services increased approximately \$118,000 during the fiscal year and operating disbursements increased approximately \$14,000.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 5, 2021 and resulted in an increase in budgeted disbursements of \$8,235,731, including an increase of \$1,960,116 for public safety and an increase of \$3,424,190 for business type activities.

The City's receipts were \$3,180,900 less than budgeted, which is a 14.9% variance. The City collected less state grants for construction projects than anticipated.

Total disbursements were \$8,560,038 less than the final amended budget. The capital projects function was \$3,776,301 less than budgeted due to actual disbursements for construction projects being less than anticipated. Public safety function disbursements were \$1,413,432 less than budgeted due to timing of the public safety garage and training facility projects.

DEBT ADMINISTRATION

At June 30, 2021, the City had \$21,990,000 of general obligation notes outstanding, compared to \$21,780,000 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 \$23,152,587, including \$1,162,587 of TIF annual appropriation developer rebate agreements, is below its constitutional debt limit of approximately \$38,624,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Hiawatha's elected officials considered many factors when setting the fiscal year 2022 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 5.7% versus 9.5% a year ago. This compares with the State's unemployment rate of 4.0% and the national rate of 5.9% percent.

The Consumer Price Index for urban consumers in June 2021 was 5.4% higher than the previous year.

These indicators were taken into account when adopting the budget for fiscal year 2022. Total projected receipts, including beginning balances available for appropriation in the budget, are \$40,621,774. The City will use its resources to finance programs currently offered and fund capital improvements. Budgeted disbursements (not including transfers) are expected to decrease 36.9% to \$21,307,770 from the final fiscal year 2021 budget. The City has added no major new programs to the fiscal year 2022 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, 2021

	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	\$ 4,277,302	1,006,248	217,035	-
Public works	927,495	-	1,055,373	-
Health and social services	20,000	-	-	-
Culture and recreation	1,270,359	45,036	223,782	-
Community and economic development	1,159,768	-	7,406	66,244
General government	1,284,360	333,313	176,348	-
Debt service	3,372,144	-	-	-
Capital projects	7,449,449	86,330	22,000	298,871
Total governmental activities	19,760,877	1,470,927	1,701,944	365,115
Business type activities:				
Sewer	1,072,783	1,467,638	-	-
Total primary government	\$ 20,833,660	2,938,565	1,701,944	365,115
Component unit:				
Hiawatha Water Department	\$ 3,150,047	1,857,339	-	-
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, including premium of \$44,194, net of \$16,872 issuance cost				
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
(3,054,019)	-	(3,054,019)	
127,878	-	127,878	
(20,000)	-	(20,000)	
(1,001,541)	-	(1,001,541)	
(1,086,118)	-	(1,086,118)	
(774,699)	-	(774,699)	
(3,372,144)	-	(3,372,144)	
(7,042,248)	-	(7,042,248)	
(16,222,891)	-	(16,222,891)	
-	394,855	394,855	
(16,222,891)	394,855	(15,828,036)	
			(1,292,708)
4,598,869	-	4,598,869	-
2,318,563	-	2,318,563	-
2,287,708	-	2,287,708	-
1,130,767	-	1,130,767	83,353
373,894	-	373,894	-
111,177	-	111,177	7,476
4,257,322	-	4,257,322	1,642,937
472,306	1,512	473,818	10,866
358,665	20,500	379,165	-
17,500	(17,500)	-	-
121,950	31,400	153,350	(153,350)
16,048,721	35,912	16,084,633	1,591,282
(174,170)	430,767	256,597	298,574
17,149,284	3,077,640	20,226,924	2,507,524
\$ 16,975,114	3,508,407	20,483,521	2,806,098
\$ 1,645,850	-	1,645,850	-
1,152,121	-	1,152,121	-
6,565,284	-	6,565,284	-
1,267,967	-	1,267,967	248,573
5,138,892	3,508,407	8,647,299	2,557,525
\$ 15,770,114	3,508,407	19,278,521	2,806,098

City of Hiawatha

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

As of and for the year ended June 30, 2021

	Special Revenue			
	General	Urban Renewal Tax Increment	Local Option Sales Tax	Employee Benefits
Receipts:				
Property tax	\$ 3,595,291	-	-	978,209
Tax increment financing	-	2,287,708	-	-
Local option sales tax	-	-	1,130,767	-
Other city tax	19,929	-	-	5,440
Licenses and permits	692,438	-	-	-
Use of money and property	138,187	-	-	-
Intergovernmental	737,182	-	-	55,847
Charges for service	702,884	-	-	-
Special assessments	-	-	-	-
Miscellaneous	467,952	-	-	-
Total receipts	6,353,863	2,287,708	1,130,767	1,039,496
Disbursements:				
Operating:				
Public safety	3,475,133	-	-	732,898
Public works	157,920	-	-	-
Health and social services	20,000	-	-	-
Culture and recreation	1,009,866	-	-	237,859
Community and economic development	41,390	1,118,378	-	-
General government	1,101,012	-	-	183,348
Debt service	-	-	-	-
Capital projects	-	-	-	2,947
Total disbursements	5,805,321	1,118,378	-	1,157,052
Excess (deficiency) of receipts over (under) disbursements	548,542	1,169,330	1,130,767	(117,556)
Other financing sources (uses):				
Note proceeds, including premium of \$44,194 and net of issuance costs of \$16,872	-	-	-	-
Refunded bond principal	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(184,600)	(1,010,494)	(800,000)	-
Component unit transfers in	-	-	-	-
Sale of property	-	-	-	-
Total other financing sources (uses)	(184,600)	(1,010,494)	(800,000)	-
Change in cash balances	363,942	158,836	330,767	(117,556)
Cash balances beginning of year	2,759,954	1,028,660	766,204	140,558
Cash balances end of year	\$ 3,123,896	1,187,496	1,096,971	23,002
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	1,187,496	-	-
Streets	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	1,096,971	23,002
Committed for equipment	-	-	-	-
Unassigned	3,123,896	-	-	-
Total cash basis fund balances	\$ 3,123,896	1,187,496	1,096,971	23,002

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
2,303,789	-	-	6,877,289
-	-	-	2,287,708
-	-	-	1,130,767
14,774	-	-	40,143
-	-	-	692,438
-	28,245	2	166,434
112,858	202,993	1,051,228	2,160,108
-	-	57,888	760,772
-	85,690	-	85,690
-	90,273	71,696	629,921
<u>2,431,421</u>	<u>407,201</u>	<u>1,180,814</u>	<u>14,831,270</u>
-	-	69,271	4,277,302
-	-	769,575	927,495
-	-	-	20,000
-	-	22,634	1,270,359
-	-	-	1,159,768
-	-	-	1,284,360
3,372,144	-	-	3,372,144
-	7,446,502	-	7,449,449
<u>3,372,144</u>	<u>7,446,502</u>	<u>861,480</u>	<u>19,760,877</u>
<u>(940,723)</u>	<u>(7,039,301)</u>	<u>319,334</u>	<u>(4,929,607)</u>
1,205,000	3,052,322	-	4,257,322
(1,205,000)	-	-	(1,205,000)
1,010,494	1,099,600	-	2,110,094
-	-	(97,500)	(2,092,594)
116,350	5,600	-	121,950
-	358,665	-	358,665
<u>1,126,844</u>	<u>4,516,187</u>	<u>(97,500)</u>	<u>3,550,437</u>
186,121	(2,523,114)	221,834	(1,379,170)
<u>272,233</u>	<u>11,103,394</u>	<u>1,078,281</u>	<u>17,149,284</u>
<u>458,354</u>	<u>8,580,280</u>	<u>1,300,115</u>	<u>15,770,114</u>
458,354	-	-	1,645,850
-	-	1,152,121	1,152,121
-	6,565,284	-	6,565,284
-	-	147,994	1,267,967
-	2,014,996	-	2,014,996
-	-	-	3,123,896
<u>458,354</u>	<u>8,580,280</u>	<u>1,300,115</u>	<u>15,770,114</u>

City of Hiawatha

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

As of and for the year ended June 30, 2021

	<u>Enterprise</u>
	<u>Sewer</u>
Operating receipts:	
Charges for service	\$ 1,467,638
Operating disbursements:	
Business type activities	<u>1,072,783</u>
Excess of operating receipts over operating disbursements	<u>394,855</u>
Non-operating receipts:	
Miscellaneous	1,512
Sale of equipment	<u>20,500</u>
Excess of receipts over disbursements	<u>416,867</u>
Transfers:	
Transfer out	(17,500)
Component unit transfers in	<u>31,400</u>
Total transfers	<u>13,900</u>
Change in cash balances	430,767
Cash balances beginning of year	<u>3,077,640</u>
Cash balances end of year	<u>\$ 3,508,407</u>
Cash Basis Fund Balances	
Unrestricted	<u>\$ 3,508,407</u>

See notes to financial statements.

City of Hiawatha

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

As of and for the year ended June 30, 2021

Additions:	
Employee contributions	\$ 16,354
Reimbursements from the Water Department	<u>600,199</u>
Total additions	<u>616,553</u>
Deductions:	
Medical reimbursements	14,199
Payments made on behalf of the Water Department	<u>601,890</u>
Total deductions	<u>616,089</u>
Net change in cash balances	464
Cash deficit beginning of year	<u>(69,723)</u>
Cash deficit end of year	<u>\$ (69,259)</u>

See notes to financial statements.

City of Hiawatha

Notes to Financial Statements

June 30, 2021

(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, even though the latter are excluded from the government-wide financial statement. 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 custodial 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 the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

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, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to 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 \$7,500,002. 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, 2021 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation notes	\$ 20,350,000	4,230,000	2,590,000	21,990,000	3,140,000
General obligation bonds	1,430,000	-	1,430,000	-	-
Governmental activities total	<u>\$ 21,780,000</u>	<u>4,230,000</u>	<u>4,020,000</u>	<u>21,990,000</u>	<u>3,140,000</u>

General Obligation Notes

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

Year	Capital Loan Note Series 2011B			Capital Loan Note Series 2012A			Capital Loan Note Series 2013A		
	Issued Dec 21, 2011			Issued Apr 4, 2012			Issued May 1 2013		
Ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
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		-	-		-	-		-	-
2027-2031		-	-		-	-		-	-
2032-2033		-	-		-	-		-	-
Total		<u>\$ 140,000</u>	<u>4,935</u>		<u>\$ 410,000</u>	<u>16,516</u>		<u>\$ 1,375,000</u>	<u>60,992</u>

Year	Capital Loan Note Series 2013B			Capital Loan Note Series 2013C			Capital Loan Note Series 2015A		
	Issued May 1, 2013			Issued May 1 ,2013			Issued May 20, 2015		
Ending June 30,	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
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	1.90	385,000	7,315		-	-	3.00	240,000	14,550
2027-2031		-	-		-	-	3.00	245,000	7,350
2032-2033		-	-		-	-		-	-
Total		<u>\$ 1,850,000</u>	<u>99,470</u>		<u>\$ 405,000</u>	<u>27,321</u>		<u>\$ 1,370,000</u>	<u>143,676</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			Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest	Rates	Principal	Interest
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	2.45	140,000	22,930	3.00	255,000	58,350	3.000	165,000	52,269
2027-2031	2.50	780,000	60,000	3.00	1,385,000	173,100	3.000-3.625	900,000	177,469
2032-2033		-	-	3.00	305,000	9,150	3.750-4.000	400,000	23,956
Total		\$ 1,430,000	204,057		\$ 3,205,000	555,300		\$ 2,095,000	510,770

Year Ending June 30,	Capital Loan Note Series 2019 Issued April 17, 2019			Capital Loan Note Series 2020 Issued March 18, 2020			Capital Loan Note Series 2021 Issued May 6, 2021		
	Interest			Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest	Rates	Principal	Interest
2022	3.00%	\$ 200,000	67,200	2.00%	430,000	64,800	1.00%	480,000	48,475
2023	3.00	200,000	61,200	2.00	435,000	56,200	1.00	475,000	40,528
2024	3.00	205,000	55,200	2.00	455,000	47,500	1.00	480,000	35,778
2025	3.00	215,000	49,050	2.00	455,000	38,400	1.00	490,000	30,978
2026	3.00	220,000	42,600	2.00	470,000	29,300	1.00	500,000	26,077
2027-2031	3.00	1,200,000	110,550	2.00	995,000	50,400	1.00-1.25	1,275,000	79,798
2032-2033		-	-		-	-	1.35-1.40	530,000	10,998
Total		\$ 2,240,000	385,800		\$ 3,240,000	286,600		\$ 4,230,000	272,632

Year Ending June 30,	Total		
	Principal	Interest	Total
2022	\$ 3,140,000	498,121	3,638,121
2023	2,855,000	429,737	3,284,737
2024	2,845,000	371,634	3,216,634
2025	2,760,000	312,415	3,072,415
2026	2,375,000	253,391	2,628,391
2027-2031	6,780,000	658,667	7,438,667
2032-2033	1,235,000	44,104	1,279,104
Total	\$ 21,990,000	2,568,069	24,558,069

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, 2021, the City paid \$65,000 of principal and \$4,688 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, 2021, the City paid \$130,000 of principal and \$10,148 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, 2021, the City paid \$340,000 of principal and \$27,978 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, 2021, the City paid \$350,000 of principal and \$36,070 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, 2021, the City paid \$100,000 of principal and \$12,443 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, 2021, the City paid \$210,000 of principal and \$44,700 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, 2021, the City paid \$120,000 of principal and \$36,463 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, 2021, the City paid \$525,000 of principal and \$111,900 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, 2021, the City paid \$150,000 of principal and \$75,669 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, 2021, the City paid \$195,000 of principal and \$73,050 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. During the year ended June 30, 2021, the City paid \$405,000 of principal and \$84,848 of interest on the notes.

On May 6, 2021 the City issued \$4,230,000 of general obligation capital loan notes, Series 2021. The notes bear interest rates ranging from 1.00% to 1.40% per annum. The notes were issued for street, water, storm and sewer system improvements, fire truck and safety equipment and park improvements and playground equipment. Additionally, the notes refunded the \$2,650,000 general obligation bonds issued in May 2014. The City obtained an economic gain, difference between the present value of the debt service payments on the old and new debt, of approximately \$1,428. During the year ended June 30, 2021, no principal or interest was paid on the note.

General Obligation Bonds

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 sewer and sewer construction projects, city hall and library construction, police department equipment purchases and urban renewal projects. During the year ended June 30, 2021, the City made scheduled payments of principal and interest of \$225,000 and \$32,590, respectively. The remaining principal of \$1,205,000 was refunded with proceeds from the May 6, 2021 general obligation note issued.

(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 2021, 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 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 were \$382,134.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$1,968,503 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.028023%, which was an increase of 0.004180% over its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$482,621, \$781,566 and \$50,394, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on 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:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100.0%</u>	

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

Sensitivity of 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	\$ 4,156,785	1,968,503	134,798

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, 2021, the City contributed \$581,622 and plan members eligible for benefits contributed \$13,909 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by 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, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	5
Active employees	<u>55</u>
Total	<u>60</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, 2021, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 255,000
Sick leave	<u>143,000</u>
Total	<u>\$ 398,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2021.

(7) Construction Contracts

The City has entered into various construction contracts totaling \$6,539,798. The unpaid contract balance as of June 30, 2021 totaled \$1,368,992. The balance will be paid as work on the projects progresses.

(8) Urban Renewal Project Rebate and Economic Development Agreements

Rebate Agreements

The City has 22 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 2021 for the active tax increment financing agreements is not to exceed \$1,425,725. The actual amount rebated during the year ended June 30, 2021 was \$1,066,378.

Economic Development Agreements

On October 16, 2019, the City approved Resolution No. 19-191 pledging financial support of \$12,000 for fiscal year 2021 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 October 16, 2019, the City approved Resolution No. 19-192 pledging financial support of \$15,000 for fiscal year 2021 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 October 16, 2019, the City approved Resolution No. 19-193 pledging financial support of \$25,000 for fiscal year 2021 to Hiawatha Economic Development Corporation (HEDCO) to support 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, 2021 totaled \$611,883.

(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 \$1,709,744 is outstanding at June 30, 2021. 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 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual 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, 2021 were \$134,764.

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, 2021, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and 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, 2021 is as follows:

Transfer to	Transfer From	Amount
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	\$ 1,010,494
Capital Projects	General	184,600
	Special Revenue:	
	Local Option Sales Tax	800,000
	Road Use Tax	97,500
	Enterprise:	
	Sewer	17,500
		<u>1,099,600</u>
Total		<u>\$ 2,110,094</u>
<u>Transfers from Component Unit:</u>		
Debt Service	Enterprise:	
	Water Operating	\$ 116,350
Capital Projects	Water Operating	5,600
Enterprise:		
Sewer	Water Operating	<u>31,400</u>
Total		<u>\$ 153,350</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, 2021, \$374,644 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 reasonably estimate the potential impact to the City of Hiawatha's operations and finances.

(17) Accounting Change

Governmental Accounting Standards Board Statement (GASBS) No. 84, Fiduciary Activities, was implemented during fiscal year 2021. The new requirements change the definition of fiduciary activity and establish new financial reporting requirements for state and local governments which report fiduciary activity. The impact to the City of Hiawatha was to rename "Agency Funds" to Custodial Funds" in accordance with the GASBS.

(18) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

Other Information

City of Hiawatha

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, 2021

	Governmental Funds Actual	Proprietary Fund Actual	Component Unit Actual	Less Funds not Required to be Budgeted	Total
Receipts:					
Property tax	\$ 6,877,289	-	-	-	6,877,289
Tax increment financing	2,287,708	-	-	-	2,287,708
Other city tax	1,170,910	-	-	-	1,170,910
Licenses and permits	692,438	-	-	-	692,438
Use of money and property	166,434	-	7,476	2	173,908
Intergovernmental	2,160,108	-	-	-	2,160,108
Charges for service	760,772	1,467,638	3,164,388	1,487,287	3,905,511
Special assessments	85,690	-	-	-	85,690
Miscellaneous	629,921	1,512	274,457	31,361	874,529
Total receipts	14,831,270	1,469,150	3,446,321	1,518,650	18,228,091
Disbursements:					
Public safety	4,277,302	-	-	9,104	4,268,198
Public works	927,495	-	-	-	927,495
Health and social services	20,000	-	-	-	20,000
Culture and recreation	1,270,359	-	-	22,634	1,247,725
Community and economic development	1,159,768	-	-	-	1,159,768
General government	1,284,360	-	-	-	1,284,360
Debt service	3,372,144	-	-	-	3,372,144
Capital projects	7,449,449	-	-	-	7,449,449
Business type activities	-	1,072,783	4,637,334	1,462,129	4,247,988
Total disbursements	19,760,877	1,072,783	4,637,334	1,493,867	23,977,127
Excess (deficiency) of receipts over (under) disbursements	(4,929,607)	396,367	(1,191,013)	24,783	(5,749,036)
Other financing sources (uses), net	3,550,437	34,400	1,489,587	-	5,074,424
Change in balances	(1,379,170)	430,767	298,574	24,783	(674,612)
Balances beginning of year	17,149,284	3,077,640	2,507,524	183,917	22,550,531
Balances end of year	\$ 15,770,114	3,508,407	2,806,098	208,700	21,875,919

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
6,815,839	6,862,108	15,181
2,237,000	2,237,000	50,708
946,269	900,000	270,910
582,050	594,050	98,388
266,500	174,500	(592)
4,944,354	6,335,049	(4,174,941)
3,649,861	4,036,961	(131,450)
-	-	85,690
244,280	269,323	605,206
19,686,153	21,408,991	(3,180,900)
3,721,514	5,681,630	1,413,432
1,305,328	1,305,328	377,833
20,000	20,000	-
1,422,790	1,478,490	230,765
1,586,025	1,586,025	426,257
1,343,306	1,382,284	97,924
3,367,744	4,572,744	1,200,600
9,674,003	11,225,750	3,776,301
3,065,724	6,489,914	2,241,926
25,506,434	33,742,165	9,765,038
(5,820,281)	(12,333,174)	6,584,138
2,280,000	6,739,000	(1,664,576)
(3,540,281)	(5,594,174)	4,919,562
15,094,988	15,094,988	7,455,543
11,554,707	9,500,814	12,375,105

City of Hiawatha

City of Hiawatha

Notes to Other Information – Budgetary Reporting

June 30, 2021

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 \$1,722,838 and increased budgeted disbursements by \$8,235,731. 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 Seven Years*
(In Thousands)

Other Information

	2021	2020	2019	2018
City's proportion of the net pension liability	0.028023%	0.023843%	0.026131%	0.026972%
City's proportionate share of the net pension liability	\$ 1,968	1,381	1,654	1,797
City's covered payroll	\$ 3,646	3,431	3,344	3,245
City's proportionate share of the net pension liability as a percentage of its covered payroll	53.98%	40.25%	49.46%	55.38%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

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

See accompanying independent auditor's report.

2017	2016	2015
0.027589%	0.022786%	0.017629%
1,736	1,126	699
3,170	2,969	2,729
54.76%	37.93%	25.61%
81.82%	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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 382	352	335	311
Contributions in relation to the statutorily required contribution	<u>(382)</u>	<u>(352)</u>	<u>(335)</u>	<u>(311)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 4,010	3,646	3,431	3,344
Contributions as a percentage of covered payroll	9.53%	9.65%	9.76%	9.30%

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
302	295	279	257	235	137
(302)	(295)	(279)	(257)	(235)	(137)
-	-	-	-	-	-
3,245	3,170	2,969	2,729	2,523	1,646
9.31%	9.31%	9.40%	9.42%	9.31%	8.32%

City of Hiawatha

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the 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, 2021

	Road Use Tax	Fire Department Trust	Police Forfeiture	Special K-9 Donations
Receipts:				
Use of money and property	\$ -	-	-	-
Intergovernmental	1,051,228	-	-	-
Charges for services	-	-	57,888	-
Miscellaneous	6,211	4,832	-	29,292
Total receipts	1,057,439	4,832	57,888	29,292
Disbursements:				
Operating:				
Public safety	-	1,063	36,533	22,571
Public works	769,575	-	-	-
Culture and recreation	-	-	-	-
Total disbursements	769,575	1,063	36,533	22,571
Excess (deficiency) of receipts over (under) disbursements	287,864	3,769	21,355	6,721
Other financing sources (uses):				
Transfers out	(97,500)	-	-	-
Change in cash balances	190,364	3,769	21,355	6,721
Cash balances beginning of year	961,757	8,267	13,072	34,913
Cash balances end of year	\$ 1,152,121	12,036	34,427	41,634
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ 1,152,121	-	-	-
Other purposes	-	12,036	34,427	41,634
Total cash basis fund balances	\$ 1,152,121	12,036	34,427	41,634

See accompanying independent auditor's report.

Revenue				
Hiawatha Firefighters Association	Friends of the Hiawatha Public Library	Friends of Hiawatha Parks and Recreation		Total
-	2	-		2
-	-	-		1,051,228
-	-	-		57,888
9,118	1,909	20,334		71,696
9,118	1,911	20,334		1,180,814
9,104	-	-		69,271
-	-	-		769,575
-	3,568	19,066		22,634
9,104	3,568	19,066		861,480
14	(1,657)	1,268		319,334
-	-	-		(97,500)
14	(1,657)	1,268		221,834
22,546	12,961	24,765		1,078,281
22,560	11,304	26,033		1,300,115
-	-	-		1,152,121
22,560	11,304	26,033		147,994
22,560	11,304	26,033		1,300,115

City of Hiawatha

City of Hiawatha

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Custodial Funds

As of and for the year ended June 30, 2021

	Flexible Benefits	Water Department Clearing	Total
Additions:			
Employee contributions	\$ 16,354	-	16,354
Reimbursements from the Water Department	-	600,199	600,199
Total additions	<u>16,354</u>	<u>600,199</u>	<u>616,553</u>
Deductions:			
Medical reimbursements	14,199	-	14,199
Payments made on behalf of the Water Department	-	601,890	601,890
Total deductions	<u>14,199</u>	<u>601,890</u>	<u>616,089</u>
Net change in cash balances	2,155	(1,691)	464
Cash balance (deficit) beginning of year	<u>6,583</u>	<u>(76,306)</u>	<u>(69,723)</u>
Cash balance (deficit) end of year	<u>\$ 8,738</u>	<u>(77,997)</u>	<u>(69,259)</u>

See notes to financial statements.

City of Hiawatha

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

For the Last Ten Years

	2021	2020	2019	2018
Receipts:				
Property tax	\$ 6,877,289	6,195,561	5,957,534	5,617,474
Tax increment financing	2,287,708	2,262,069	2,247,153	2,090,809
Local option sales tax	1,130,767	1,024,755	907,746	900,762
Other city tax	40,143	31,323	34,286	36,241
Licenses and permits	692,438	604,536	653,891	582,670
Use of money and property	166,434	235,844	311,583	173,375
Intergovernmental	2,160,108	1,678,781	1,474,632	1,684,460
Charges for service	760,772	455,420	411,997	407,872
Special assessments	85,690	12,799	35,996	77,065
Miscellaneous	629,921	384,537	1,063,647	571,780
Total	<u>\$ 14,831,270</u>	<u>12,885,625</u>	<u>13,098,465</u>	<u>12,142,508</u>
Disbursements:				
Operating:				
Public safety	\$ 4,277,302	3,208,758	2,961,343	2,812,589
Public works	927,495	862,048	829,481	1,071,652
Health and social services	20,000	20,000	20,000	20,000
Culture and recreation	1,270,359	1,302,892	1,199,565	1,172,871
Community and economic development	1,159,768	1,010,989	706,609	534,778
General government	1,284,360	1,171,589	1,146,056	1,246,957
Debt service	3,372,144	4,522,769	3,581,060	3,411,972
Capital projects	7,449,449	5,061,682	2,748,826	2,759,067
Total	<u>\$ 19,760,877</u>	<u>17,160,727</u>	<u>13,192,940</u>	<u>13,029,886</u>

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
5,503,119	5,493,244	5,162,938	5,225,654	4,669,303	4,672,857
1,684,560	2,113,286	1,979,524	1,725,842	2,037,467	2,200,459
996,530	933,893	884,979	938,472	887,535	963,802
32,977	35,799	32,448	81,648	105,870	33,315
643,832	297,796	246,189	211,064	217,390	219,117
82,600	57,070	64,588	53,638	49,955	54,952
1,473,704	1,554,758	1,265,839	1,893,520	1,143,168	1,962,305
423,673	341,673	465,500	359,124	384,090	280,317
2,068	20,829	20,690	127,213	54,050	8,308
385,856	341,157	211,248	319,066	262,714	202,516
11,228,919	11,189,505	10,333,943	10,935,241	9,811,542	10,597,948
3,022,173	2,663,676	2,734,395	2,442,144	2,298,698	2,125,619
893,554	759,638	703,335	660,902	672,815	694,613
20,000	20,000	20,000	20,000	14,500	19,500
1,149,893	1,104,426	1,028,834	966,848	908,408	839,416
452,335	437,219	318,977	250,077	453,642	503,720
1,160,638	1,107,582	1,126,072	1,082,634	934,634	959,966
3,052,918	3,160,275	3,308,864	3,057,630	2,845,514	3,468,756
3,342,369	4,586,473	3,325,908	3,859,465	3,515,993	4,580,163
13,093,880	13,839,289	12,566,385	12,339,700	11,644,204	13,191,753



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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, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 18, 2021. 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 as a basis for designing 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. We identified deficiencies in internal control described as items (A) through (C) 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

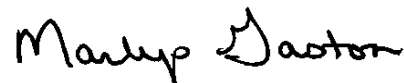
The City of Hiawatha's Responses to the Findings

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 18, 2021

City of Hiawatha
Schedule of Findings
Year ended June 30, 2021

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 and preparing, 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.

(B) 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.

City of Hiawatha

Schedule of Findings

Year ended June 30, 2021

Condition – The Hiawatha Firefighters Association have a debit card available for use by employees and volunteers. 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.

Recommendation – The Hiawatha Firefighters Association should prohibit the use of debit cards.

Response – 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 acknowledged. The Hiawatha Firefighters Association should prohibit the use of debit cards.

(C) Hiawatha Friends of Park and Recreation Prenumbered 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 establishing policies regarding recording cash receipts.

Condition – Prenumbered receipts for donations and other miscellaneous collections 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, 2021

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2021 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 – The Special Revenue, Tax Increment Financing (TIF) Fund properly disbursed payments for TIF loans and rebates. Also, the City of Hiawatha properly completed the Tax Increment Debt Certificate Forms to request TIF receipts.
- (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

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Katherine L. Rupp, CPA, Manager
Sidot K. Shipley, Senior Auditor
Jesse K. Villalobos, Staff Auditor
Enoch Duval, Assistant Auditor
Zachary T. Shaw, Assistant Auditor