



**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 15, 2021

Contact: Marlys Gaston  
515/281-5834

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

**FINANCIAL HIGHLIGHTS:**

The City's receipts and disbursements totaled \$5,421,031 and \$4,891,323, respectively for the year ended June 30, 2020.

**AUDIT FINDINGS:**

Sand reported eleven findings related to the receipt and disbursement of taxpayer funds. They are found on pages 38 through 48 of this report. The findings address issues such as a lack of segregation of duties, the lack of monthly bank to book reconciliations, a lack of monthly utility reconciliations and disbursements exceeded budgeted amounts. Sand provided the City with recommendations to address each of the findings.

Four of the eight findings discussed above are repeated from the prior year's Agreed-Upon Procedures report. 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>.

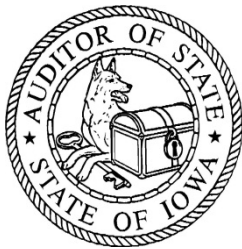
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**CITY OF HAMBURG**

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

**JUNE 30, 2020**

**City of Hamburg**



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September 15, 2021

Officials of the City of Hamburg  
Hamburg, 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 Hamburg, Iowa, for the year ended June 30, 2020. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Hamburg 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". The signature is stylized and cursive.

Rob Sand  
Auditor of State

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**City of Hamburg**

**Officials**

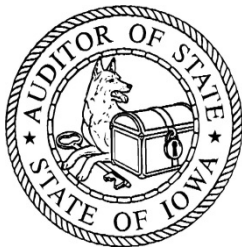
**(Before January 2020)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Cathy E. Crain	Mayor	Jan 2020
Kent Benefiel	Mayor Pro tem	Jan 2020
Ray Hendrickson	Council Member	Jan 2020
Jimmie Randolph	Council Member	Jan 2020
Russell Stockstell	Council Member	Jan 2022
Willie Thorp	Council Member	Jan 2022
Sheryl Owen	City Clerk/Treasurer	Indefinite
G. Rawson Stevens	Attorney	Indefinite

**(After January 2020)**

Cathy E. Crain	Mayor	Jan 2024
Kent Benefiel	Mayor Pro tem	Jan 2024
Ray Hendrickson	Council Member	Jan 2024
Jimmie Randolph	Council Member	Jan 2024
Russell Stockstell	Council Member	Jan 2022
Willie Thorp	Council Member	Jan 2022
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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, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Hamburg, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



### Basis for Modified Opinions

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all the prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balances at July 1, 2019.

### Modified Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2019, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Hamburg as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

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

### Other Matters

#### *Supplementary and Other Information*

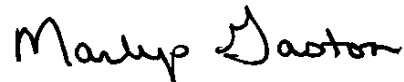
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hamburg's basic financial statements in accordance with the standards referred to in the third paragraph of this report. The supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), 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 Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 24 through 30 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 September 15, 2021 on our consideration of the City of Hamburg'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 Hamburg's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA  
Deputy Auditor of State

September 15, 2021

**City of Hamburg**

## **Basic Financial Statements**

City of Hamburg

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
Governmental activities:				
Public safety	\$ 2,746,289	138	-	225,000
Public works	388,045	25,206	904,207	-
Culture and recreation	111,796	157	23,495	-
Community and economic development	397,224	-	3,971	611,076
General government	225,475	390	-	1,994,575
Debt service	645,078	-	-	-
Total governmental activities	4,513,907	25,891	931,673	2,830,651
Business type activities:				
Water	190,222	119,021	60,178	-
Sewer	187,194	115,319	64,035	-
Total business type activities	377,416	234,340	124,213	-
<b>Total Primary Government</b>	<b>\$ 4,891,323</b>	<b>260,231</b>	<b>1,055,886</b>	<b>2,830,651</b>
<b>Component Unit:</b>				
Hamburg Hometown Pride Affiliate	\$ 7,665	-	4,958	-
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Local option sales tax				
Property tax replacement credits				
Utility excise tax				
Unrestricted interest on investments				
Loan proceeds				
Miscellaneous				
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				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonspendable				
Cemetery perpetual care				
Expendable:				
Streets				
Capital projects				
Debt service				
Capital projects				
Other purposes				
Unrestricted				
<b>Total cash basis net position</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Governmental Activities	Business Type Activities	Total	Hamburg Hometown Pride Affiliate
(2,521,151)	-	(2,521,151)	
541,368	-	541,368	
(88,144)	-	(88,144)	
217,823	-	217,823	
1,769,490	-	1,769,490	
(645,078)	-	(645,078)	
(725,692)	-	(725,692)	
-	(11,023)	(11,023)	
-	(7,840)	(7,840)	
-	(18,863)	(18,863)	
(725,692)	(18,863)	(744,555)	
			(2,707)
391,671	-	391,671	-
475	-	475	-
96,573	-	96,573	-
41,238	-	41,238	-
7,462	-	7,462	-
586	-	586	-
655,000	-	655,000	-
81,258	-	81,258	-
1,274,263	-	1,274,263	-
548,571	(18,863)	529,708	(2,707)
955,193	153,073	1,108,266	32,422
\$ 1,503,764	134,210	1,637,974	29,715
28,480	-	28,480	-
\$ 205,849	-	205,849	-
-	-	-	-
-	-	-	-
140,763	-	140,763	-
-	-	-	29,715
1,128,672	134,210	1,262,882	-
\$ 1,503,764	134,210	1,637,974	29,715

**Exhibit B**

## City of Hamburg

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

As of and for the year ended June 30, 2020

	Special Revenue				Total
	General	Road Use Tax	Economic Development LOST	Nonmajor	
Receipts:					
Property tax	\$ 315,825	-	-	76,321	392,146
Local option sales tax	-	-	9,658	86,915	96,573
Other city tax	39,283	-	-	9,417	48,700
Licenses and permits	1,408	-	-	10	1,418
Use of money and property	24,542	-	1	-	24,543
Intergovernmental	2,820,709	153,032	615,046	-	3,588,787
Charges for service	29,039	-	-	-	29,039
Miscellaneous	226,272	-	-	-	226,272
Total receipts	<u>3,457,078</u>	<u>153,032</u>	<u>624,705</u>	<u>172,663</u>	<u>4,407,478</u>
Disbursements:					
Operating:					
Public safety	2,746,289	-	-	-	2,746,289
Public works	111,906	248,720	-	27,419	388,045
Culture and recreation	103,865	-	-	7,931	111,796
Community and economic development	-	-	397,224	22,734	419,958
General government	202,741	-	-	-	202,741
Debt Service	645,078	-	-	-	645,078
Total disbursements	<u>3,809,879</u>	<u>248,720</u>	<u>397,224</u>	<u>58,084</u>	<u>4,513,907</u>
Excess (deficiency) of receipts over (under) disbursements	(352,801)	(95,688)	227,481	114,579	(106,429)
Other financing sources (uses):					
Loan proceeds	655,000	-	-	-	655,000
Change in cash balances	302,199	(95,688)	227,481	114,579	548,571
Cash balances (deficits) beginning of year	826,473	301,537	(89,374)	(83,443)	955,193
Cash balances end of year	<u>\$ 1,128,672</u>	<u>205,849</u>	<u>138,107</u>	<u>31,136</u>	<u>1,503,764</u>
<b>Cash Basis Fund Balances</b>					
Nonspendable - Cemetery perpetual care	\$ -	-	-	28,480	28,480
Restricted for:					
Streets	-	205,849	-	-	205,849
Local option sales tax purposes	-	-	138,107	2,656	140,763
Unassigned	1,128,672	-	-	-	1,128,672
Total cash basis fund balances	<u>\$ 1,128,672</u>	<u>205,849</u>	<u>138,107</u>	<u>31,136</u>	<u>1,503,764</u>

See notes to financial statements.

City of Hamburg

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

As of and for the year ended June 30, 2020

	Enterprise		
	Sewer	Non major Water	Total
Operating receipts:			
Charges for service	\$ 115,319	119,021	234,340
Miscellaneous	696	178	874
Total operating receipts	116,015	119,199	235,214
Operating disbursements:			
Business type activities	150,223	190,222	340,445
Deficiency of operating receipts under operating disbursements	(34,208)	(71,023)	(105,231)
Non-operating receipts (disbursements):			
Intergovernmental	63,339	60,000	123,339
Debt service	(36,971)	-	(36,971)
Net non-operating receipts (disbursements)	26,368	60,000	86,368
Deficiency of disbursements over receipts	(7,840)	(11,023)	(18,863)
Cash balances beginning of year	115,573	37,500	153,073
Cash balances end of year	\$ 107,733	26,477	134,210
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 107,733	26,477	134,210

See notes to financial statements.



City of Hamburg

Notes to Financial Statements

June 30, 2020

**(1) Summary of Significant Accounting Policies**

The City of Hamburg is a political subdivision of the State of Iowa located in Fremont County. It was first incorporated in 1867 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 Hamburg 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 Hamburg (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

Pursuant to Chapter 501B of Code of Iowa, the Hamburg Hometown Pride organization is an unincorporated nonprofit association. The Hamburg Hometown Pride organization was organized exclusively for charitable purposes for the enhancement and improvement of the City of Hamburg. The organization uses the City's tax I.D. number to operate and requests grants in the name of the City. In accordance with criteria set forth by the Governmental Accounting Standards Board, the organization meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the organization are substantially for the direct benefit of the City of Hamburg.

### 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: Fremont County Assessor's Conference Board, Fremont County Emergency Management Commission, Fremont County Landfill Commission and Fremont 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 City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental 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:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City, including the City's Permanent Fund.

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Employee Benefits Fund is used to account for the employee benefit property tax levy for the payment of General and Special Revenue, Road Use Tax Fund employee benefits.

The Economic Development LOST Fund is used to account for local option sales tax and related economic development activities authorized by local option sales tax resolution.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

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

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public works, community and economic development, debt service and business type activities functions.

**(2) Cash and Pooled Investments**

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

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Bonds and Notes Payable**

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

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 36,246	-	36,246	-	-
General obligation anticipation project note	452,776	655,000	636,410	471,366	-
Total	<u>\$ 489,022</u>	<u>655,000</u>	<u>672,656</u>	<u>471,366</u>	<u>-</u>

General Obligation Bonds

On March 27, 2002, the City issued \$369,000 of general obligation notes with interest rates ranging from 1.75% to 3.00% per annum. The notes were issued to pay the costs of construction of sewer main improvements and extensions and are payable through June 2021. During the year ended June 30, 2020, the City paid principal and interest of \$36,246 and \$725, respectively, on the notes. The bonds were paid in full in fiscal year 2020 therefore there is no balance as of June 30, 2020.

General Obligation Corporate Purpose Loan Agreement Anticipation Project Note:

On May 31, 2019, the City entered into a revenue project note agreement with an interest rate of 3.30% with Great Western Bank of Hamburg Iowa for up to \$2,00,000 with a maturity date of May 28, 2020 to be used for the purpose of paying costs of (1) constructing a water system, sanitary sewer system, storm water drainage, street and sidewalk repairs, improvements and extensions, (2) repairing and effectuating street lighting, signage and signalization improvements; (3) constructing flood control and levee improvements; (4) acquiring, demolishing and /or restoring dangerous, dilapidated and /or abandoned properties; (5) acquiring and replacing public works vehicles and equipment; (6) acquiring and replacing fire department vehicles and equipment; (7) undertaking the remediation, restoration, repair, cleanup, replacement, and improvement of property, buildings, equipment and public facilities that have been damaged by a disaster; and (8) reimbursing the City's general fund or other funds of the City for the expenditures made related to remediation, restoration, repair, and cleanup of damage caused by a disaster (collectively, the "Projects"), and is issued under authority of Section 76.13 of the Code of Iowa in anticipation of the receipt of and is payable from the proceeds (the Loan Proceeds) of an authorized loan agreement and a corresponding future issuance of General Obligation Bonds or Notes in a principal amount not to exceed \$2,000,000. On May 21, 2020, the agreement was amended to extend the maturity date to May 28, 2021. As of June 30, 2020, the City has drawn down \$1,107,776. During the year ended June 30,2020, the City drew down \$655,000 of those funds. During the year ended June 30, 2020, the City paid principal of \$629,277 and interest of \$15,801 from the General Fund and \$7,133 of principle and \$677 of interest from the Special Revenue, Local Option Sales Tax Fund on the note. The remaining balance on the note at June 30, 2020 was \$471,366.

**(4) Plan Pension**

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](http://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.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

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

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

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

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$23,878.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$220,316 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City’s proportion was 0.003805%, which was an increase of 0.001375% over its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$40,527, \$34,625 and \$43,163, respectively.

There were no non-employer contributing entities to IPERS.

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

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

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

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100.0%	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 391,211	220,316	76,972

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](http://www.ipers.org).



**(5) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and 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 to employees at June 30, 2020, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	<u>\$ 12,000</u>

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

**(6) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(7) 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 Hamburg, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Hamburg. 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 Hamburg’s operations and finances.

**(8) Prospective Accounting Change**

The Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

**Other Information**

City of Hamburg  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances –  
 Budget and Actual – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 392,146	-	392,146
Other city tax	145,273	-	145,273
Licenses and permits	1,418	-	1,418
Use of money and property	24,543	-	24,543
Intergovernmental	3,588,787	123,339	3,712,126
Charges for service	29,039	234,340	263,379
Miscellaneous	226,272	874	227,146
Total receipts	<u>4,407,478</u>	<u>358,553</u>	<u>4,766,031</u>
Disbursements:			
Public safety	2,746,289	-	2,746,289
Public works	388,045	-	388,045
Culture and recreation	111,796	-	111,796
Community and economic development	419,958	-	419,958
General government	202,741	-	202,741
Debt service	645,078	-	645,078
Business type activities	-	377,416	377,416
Total disbursements	<u>4,513,907</u>	<u>377,416</u>	<u>4,891,323</u>
Excess of receipts over disbursements	(106,429)	(18,863)	(125,292)
Other financing sources, net	655,000	-	655,000
Change in balances	548,571	(18,863)	529,708
Balances beginning of year	955,193	153,073	1,108,266
Balances end of year	<u>\$ 1,503,764</u>	<u>134,210</u>	<u>1,637,974</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
432,406	444,406	(52,260)
121,450	95,684	49,589
350	1,356	62
2,500	3,162	21,381
135,000	145,471	3,566,655
394,865	258,160	5,219
125,000	231,139	(3,993)
<u>1,211,571</u>	<u>1,179,378</u>	<u>3,586,653</u>
188,658	3,421,152	674,863
349,490	354,239	(33,806)
174,254	174,254	62,458
8,000	397,224	(22,734)
121,000	220,128	17,387
-	-	(645,078)
352,761	369,501	(7,915)
<u>1,194,163</u>	<u>4,936,498</u>	<u>45,175</u>
17,408	(3,757,120)	3,631,828
-	3,828,966	(3,173,966)
17,408	71,846	457,862
<u>1,040,437</u>	<u>946,702</u>	<u>161,564</u>
<u>1,057,845</u>	<u>1,018,548</u>	<u>619,426</u>

City of Anamosa

Notes to Other Information – Budgetary Reporting

June 30, 2020

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the discretely presented component unit. 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 Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendments increased budgeted disbursements by \$3,742,335. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public works, community and economic development, debt service and business type activities functions.

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City of Hamburg

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

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

Other Information

	2020	2019
City's proportion of the net pension liability	0.003805%	0.002430%
City's proportionate share of the net pension liability	\$ 220	205
City's covered payroll	\$ 289	231
City's proportionate share of the net pension liability as a percentage of its covered payroll	76.12%	88.74%
IPERS' net position as a percentage of the total pension liability	84.45%	83.62%

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

See accompanying independent auditor's report.

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City of Hamburg

Schedule of City Contributions

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

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 24	27	21	21
Contributions in relation to the statutorily required contribution	<u>(24)</u>	<u>(27)</u>	<u>(21)</u>	<u>(21)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 254	286	235	235
Contributions as a percentage of covered payroll	9.44%	9.44%	8.93%	8.93%

See accompanying independent auditor's report.

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2016	2015	2014	2013	2012	2011
19	18	19	18	15	14
(19)	(18)	(19)	(18)	(15)	(14)
-	-	-	-	-	-
213	202	213	208	186	201
8.93%	8.93%	8.93%	8.67%	8.07%	6.95%



City of Hamburg

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

## **Supplementary Information**

**Schedule 1**

## City of Hamburg

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

As of and for the year ended June 30, 2020

	Special Revenue		Debt	Permanent	Total
	Employee Benefits	Local	Service	Cemetery	
		Option Sales Tax	Debt Service	Perpetual Care	
Receipts:					
Property tax	\$ 75,846	-	475	-	76,321
Local option sales tax	-	86,915	-	-	86,915
Other city tax	9,417	-	-	-	9,417
Use of money and property	-	10	-	-	10
Total receipts	<u>85,263</u>	<u>86,925</u>	<u>475</u>	<u>-</u>	<u>172,663</u>
Disbursements:					
Operating:					
Public works	27,419	-	-	-	27,419
Cultures and recreation	7,931	-	-	-	7,931
General government	22,734	-	-	-	22,734
Total disbursements	<u>58,084</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,084</u>
Excess of receipts over disbursements	27,179	86,925	475	-	114,579
Cash balances (deficits) beginning of year	(27,179)	(84,269)	(475)	28,480	(83,443)
Cash balances end of year	<u>\$ -</u>	<u>2,656</u>	<u>-</u>	<u>28,480</u>	<u>31,136</u>
<b>Cash Basis Fund Balances</b>					
Nonspendable - Cemetery perpetual care	\$ -	-	-	28,480	28,480
Restricted					
Local option sales tax purposes	-	2,656	-	-	2,656
Total cash basis fund balances	<u>\$ -</u>	<u>2,656</u>	<u>-</u>	<u>28,480</u>	<u>31,136</u>

See accompanying independent auditor's report.

City of Hamburg  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2020

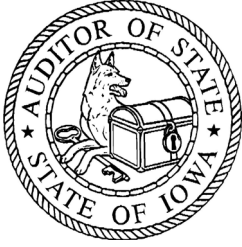
Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
Direct:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4421-DRIA	\$ 617,645
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Agriculture:			
Community Facilities Loans and Grants	10.766		<u>225,000</u>
U.S. Department of Housing and Urban Development			
Iowa Economic Development Authority (IEDA):			
Community Development Block Grant (Sewer Project)	14.218		<u>3,339</u>
Total Indirect			<u>228,339</u>
Total Federal Awards			<u>\$ 845,984</u>

**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Hamburg under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Hamburg, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Hamburg.

**Summary of Significant Accounting Policies** – Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** – The City of Hamburg has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.



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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 Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Hamburg, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 15, 2021. 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. Our report expressed modified opinions on the governmental activities, the business type activities, the discretely presented component unit and the aggregate remaining fund information since we were unable to satisfy ourselves as to the distribution by fund of the total July 1, 2019 fund balance.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

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 Hamburg's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-20 through II-D-20 to be material weaknesses.

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. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-E-20 to be a significant deficiency.

#### Compliance and Other Matters

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

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

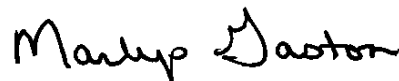
#### City of Hamburg's Responses to the Findings

The City of Hamburg's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Hamburg'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

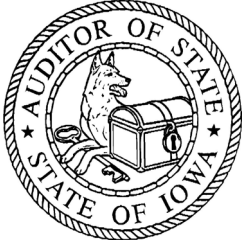
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance 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 Hamburg 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

September 15, 2021



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Rob Sand  
Auditor of State

Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Hamburg, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Hamburg's major federal program for the year ended June 30, 2020. The City of Hamburg's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Hamburg's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hamburg's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Hamburg's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Hamburg complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

## Report on Internal Control Over Compliance

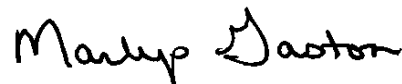
The management of the City of Hamburg is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Hamburg's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hamburg's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item III-A-20, we consider to be a material weakness.

The City of Hamburg's response to the internal control over compliance finding identified in our audit is reported in the accompanying Schedule of Findings and Questioned Costs. The City of Hamburg's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Marlys K. Gaston, CPA  
Deputy Auditor of State

September 15, 2021



City of Hamburg

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

**Part I: Summary of the Independent Auditor's Results:**

- (a) Modified opinions were issued on the governmental activities, the business type activities, the discretely presented component unit and the aggregate remaining fund information, which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over federal program was noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 97.036 – Disaster Grants – Public Assistance/Presidentially Declared Disaster.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Hamburg did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-20 Segregation of Duties

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

Condition – Generally, one or two individuals have control over the following areas for which no compensating controls exist:

- (1) Accounting system – performance of all accounting functions and having custody of assets.
- (2) Cash – initiating cash receipt and disbursement transactions, handling and recording cash and reconciling bank accounts.
- (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (4) Long-term debt – maintaining long-term debt records and handling and recording cash and reviewing compensated absence records.
- (5) Receipts – opening mail, collecting, depositing, recording, and reconciling.
- (6) Disbursements – purchasing, disbursement preparation, recording, check writing, signing, and reconciling.
- (7) Payroll – entering rates into the system, preparing, reconciling, recording, and distributing.
- (8) Journal entries are not reviewed and approved by an independent person.

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

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Reviews of journal entries and reconciliations should be performed by independent persons and should be evidenced by the signature or initials of the reviewer and the date of the review.

City of Hamburg

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Response – The City will implement procedures to comply with segregation of duties to the best of our ability with limited staff. The City will utilize Council Members, the Mayor and CPA, when possible, to segregate duties.

Conclusion – Responses accepted.

II-B-20 Segregation of Duties – Hamburg Hometown Pride

Hamburg Hometown Pride – One important aspect of internal control is the segregation of duties among volunteers to prevent an individual from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another.

Condition – For the Hamburg Hometown Pride, a discretely presented component unit, the responsibilities for deposit preparation, cash disbursement and bank reconciliation functions are not properly segregated. These duties are handled by one individual. In addition, mail is not opened by someone independent of the cash receipt functions and an initial listing of receipts is not prepared and tested by an independent mail opener.

Cause – The Hamburg Hometown Pride has a limited number of 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 the component unit's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of individuals. However, the Hamburg Hometown Pride should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including Board members. An initial listing of receipts should be prepared and tested by an independent mail opener and that independent individual should document this review of mail receipts by signing or initialing and dating each listing.

Response – Hamburg Hometown Pride has no employees. Members are all community volunteers. The only receipts received by mail are the grant checks received from the SW Iowa Community Foundation, and a few other donation transactions through the year. The Treasurer reports each deposit and disbursement transaction during the monthly HHP monthly meeting which is open to the public. All monies are spent for community betterment projects for the purpose of improving first impressions. Projects are all visible to the public. Actions are conducted with complete transparency.

HHP volunteers would be happy to have the City Clerk take over the responsibilities of accepting deposits and writing the limited number of checks until we have our 501c3 in place which will be later this Fall.

City of Hamburg

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Conclusion – Response acknowledged. The Hamburg Hometown Pride should review its operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including Board members.

II-C-20 Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances. Supervisory review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – Monthly bank to book reconciliations which include all accounts, cash and investment balances, are not reconciled monthly.

Cause – Procedures have not been designed and implemented to ensure monthly bank to book reconciliations are performed which include all accounts held by the City.

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

Recommendation – The City should implement procedures to ensure monthly bank to book reconciliation are performed which include all accounts held by the City. In addition, an independent person should review the bank reconciliations and document their review by signing or initialing and dating the monthly reconciliations.

Response – The City will begin June 30, 2021 with the CPA reviewing reconciliations prepared with new software.

Conclusion – Response acknowledged. The City should ensure the reconciliations prepared by the new software incorporate all City accounts, including savings accounts and investments.

II-D-20 Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – The City does not maintain delinquent account listings. Accordingly, reconciliations of utility billings, collections and delinquent accounts are not prepared.

Cause – Policies have not been established and procedures have not been implemented to require the preparation of delinquent account listings and the reconciliation of utility billings, collections and delinquent accounts.

City of Hamburg

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Effect – This condition could result in improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – The City should adopt policy requiring the preparation of delinquent account listings and reconciliations of delinquent accounts to utility billings and collections. The delinquent account listings and the reconciliations of utility billings, collections and delinquent accounts should be reviewed by someone independent of handling utility billings and collections and maintaining the delinquent account listings.

Response – The City will adopt a policy to maintain a delinquent account listing containing delinquent account balances. The City Clerk will reach out to a City that uses the same software to implement adequate reconciliation procedures.

Conclusion – Response accepted.

II-E-20 Annual Financial Report

Criteria – Chapter 384.22 of the Code of Iowa requires the City’s Annual Financial Report (AFR) contain a “summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures...”

Condition – Total receipts and disbursements reported on AFR trace to the City’s “Client Profit and Loss Statement” report; however, individual receipts by source and disbursements by function do not. In addition, balances reported in the AFR do not agree with the City’s records and the governmental fund total beginning balance did not trace to prior year ending balance.

Cause – Policies have not been established and procedures have not been implemented to ensure all amounts in the AFR are supported by the City’s financial records. Also, policies have not been established to require independent review of the AFR.

Effect – The AFR does not accurately reflect the City’s financial activity for the fiscal year ended June 30, 2020.

Recommendation – The City should establish procedures to ensure the AFR beginning balances and financial activity is properly supported and reported.

Response – The recent implementation of municipal software will correct these errors in the future.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Hamburg

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

**Part III: Findings and Questioned Costs for Federal Awards:**

**INSTANCE OF NON-COMPLIANCE:**

No matters noted.

**INTERNAL CONTROL DEFICIENCY:**

**CFDA Number 97.036: Disaster Grants – Public Assistance (Presidentially Declared Disasters)**

**Pass-through Entity Identifying Number: FEMA-4016-DRIA**

**Federal Award Year: 2020**

**Prior Year Finding Number: N/A**

**U.S. Department of Homeland Security**

**Passed through Iowa Department of Homeland Security and Emergency Management**

III-A-20      Segregation of Duties – The City did not properly segregate collection,  
(2020-001)      deposit and record-keeping for receipts, including those related to federal  
programs. See item II-A-20.

City of Hamburg

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

**Other Findings Related to Required Statutory Reporting:**

IV-A-20 Certified Budget – Disbursements at year end exceeded the amount budgeted in the public works, community and economic development, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City will amend prior to exceeding budget in accordance with Iowa Code Chapter 384.20

Conclusion – Response accepted.

IV-B-20 Questionable Disbursements – No disbursements we believe may meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-20 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-20 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.

IV-E-20 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Ray Hendrickson, City Council Member, Uncle owns Hendrickson Construction	Flood clean up	\$ 8,330

The transaction with Hendrickson Construction may represent a conflict of interest since the transactions exceeded \$6,000 and were not competitively bid in accordance with Chapter 362.5(3)(d).

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – This expense was in direct response to the emergency of the flood of 2019.

Conclusion – Response acknowledged. The City should consult legal counsel to determine the disposition of this matter.

City of Hamburg

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

- IV-F-20 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.
- IV-G-20 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- IV-H-20 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.
- IV-I-20 Payment of the General Obligation Sewer Improvement Note – The general obligation sewer improvement note was paid from the Enterprise, Sewer Fund. Chapter 384.4 of the Code of Iowa states, in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the Enterprise, Sewer Fund to the Debt Service Fund for future funding contributions. Payments on the notes should then be disbursed from the Debt Service Fund.

Response – Transfers from the Sewer Fund to the Debt Service Fund will be made and all payments will be disbursed from the Debt Service Fund for future payments.

Conclusion – Response accepted.

- IV-J-20 Hamburg Hometown Pride – Hamburg hometown pride (HHP) is an affiliate of Fremont County Hometown Pride which was established in 2013. Fremont County Hometown Pride was an affiliate of Keep America Beautiful, a statewide non-profit organization. Affiliates were part of the state program for 5 years offering program support and technical assistance. After five years the affiliates were to establish their own entity and operate without the assistance from Keep Iowa Beautiful. HHP did not pursue obtaining non-profit status while three other affiliates of Fremont County Hometown Pride complied with this directive and are operating as separate 501C organizations.

HHP appears to be operating as an unincorporated nonprofit association under Chapter 501B of the Code of Iowa. Chapter 501B.2(8) defines an unincorporated nonprofit association as an unincorporated organization consisting of two or more members joined under an agreement that is oral, in a record, or implied from conduct, for one or more common, nonprofit purposes. HHP purpose is to provide community improvement projects in Hamburg Iowa. HHP does not have a separate tax ID number. HHP established a checking account in Hamburg Hometown Pride’s name using the City’s tax ID number with the City’s permission. HHP applies for grants from SW Community Foundation each year under the City of Hamburg’s tax ID number. When grant funds are received, they are deposited into HHP checking account. Funds in HHP’s checking account are maintained by HHP’s Treasurer who provides a monthly report at the HHP meeting which is open to the public.



City of Hamburg

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Recommendation – Hamburg Hometown Pride should seek legal advice as to their status as a 501B non-profit. Funds applied for and received under the City’s name and using their tax ID should be turned over to the City of Hamburg. Hamburg Hometown Pride should immediately cease using the City of Hamburg’s tax identification number and should immediately cease using the City of Hamburg’s name and tax ID number to apply for grants.

Response – Hamburg Hometown Pride volunteers are not aware of 501B, so we will explore that. HHP can turn the money over to the City of Hamburg. HHP requested that 8 years ago when the organization was forming. The City Clerk requested we get second account number (due to how busy the city hall is) we would do our own deposits and paying of any bills. HHP would require assurance that all of the funds will be spent for the intended purpose for which they were received. Each grant and donation has been received for a specific community betterment purpose. Therefore, donor intent needs to be followed, and annual reports are required back to the foundations who granted the funds to ensure the money was used for the intended purpose.

HHP did meet with an attorney in 2015 to pursue obtaining independent 501(c)(3) non-profit status. However, was hard to justify the \$2,000 cost of attorney fees and IRS application fees plus the annual \$2,000 cost for accounting fees to file the 990 based on the limited amount of money being received and disbursed each year. HHP also explored applying for 501(c)(3) status on a county-wide basis with other Hometown Pride affiliates. However, donors wanted to contribute to specific community projects rather than into a shared pool of funds. Three communities did decide to form their own 501(c)(3)’s. The other communities kept operating under their City’s tax ID’s.

A Hamburg City Council member and the Hamburg City Clerk were part of the original HHP committee. However, after several years they decided on their own to quit attending. Others were asked, but no one else representing the City chose to attend meetings. Every HHP meeting was open to the public. Minutes were published in the local newspaper.

Conclusions – Response acknowledged. Hometown Pride should continue to seek legal advice as to their status as a 501B nonprofit organization. All funds collected under the City's name with the City's tax ID number and still remaining on hand should be turned over to the City. The City and HHP should then work together to ensure the proper use of the donated funds. Hamburg Hometown Pride should immediately cease using the City of Hamburg’s tax ID number and should immediately cease using the City of Hamburg’s name and tax ID number to apply for grants.

IV-K-20 Donations – In 2013 when Fremont County Hometown Pride was created, affiliate communities were asked to be part of the County wide projects. A Fremont County Community Coach was hired, and his position was funded by Keep Iowa Beautiful for five years. The City of Hamburg does not have voting rights or oversight of the affiliate. Prior to and during year ended June 30, 2020, the City has donated funds to the Fremont County Hometown Pride for an LED sign at the City park in the amount of \$22,000, the Community Coach in the amount of \$2,000 per year for two additional years of coaching and a feasibility study in the amount of \$2,000. There were no agreements in place for any services to be provided to the City.

City of Hamburg

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 of the Constitution of the State of Iowa states, "...no public money or property shall be appropriated for local or private purposes, unless such appropriations, compensation, or claim, be allowed by two thirds of the members elected to each branch of the General Assembly."

At least six official Iowa Attorney General Opinions since 1972 have consistently concluded that "a governmental body may not donate public funds to a private entity, even if the entity is established for charitable educational purposes and performs work which the government can't perform directly. The Opinions further state, "Even if the function of a private non-profit corporation fits within the scope of activities generally recognized as serving a public purpose, a critical question exists regarding whether funds or property transferred to a private entity will indeed be used for those public purpose.

Political subdivisions and municipalities, including cities, counties, schools and townships are municipal – governmental entities. As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support 'public' services which are the same or similar to the services provided by government, the private organization are not subject to the same degree of public accountability and oversight as governmental entities.

Recommendation – We are not aware of any statutory authority for the City to donate public funds to private non-profit organizations. The City should immediately cease making future such donations.

Response – The City Council will inform Hometown Pride the City can no longer donate to Hamburg Hometown Pride.

Conclusions – Response accepted.

IV-L-20 Water Meters – We identified a water billing for the Public Works Director which did not recalculate and was not supported by a meter reading. Upon inquiry, the City Clerk disclosed 50 of the approximately 465 water meters in the City of Hamburg water system do not work. In order to calculate the monthly billings, the City Clerk estimates monthly water usage to bill. There is no policy setting guidelines as to how the City Clerk calculates the usage. The City Clerk stated that she estimates usage based upon other households of similar size.

During fieldwork, it was determined the Public Works Director owed the City of Hamburg and additional \$139 for the miscalculated bill. AOS obtained documentation of the payment to the City during fieldwork.

Recommendation – The City should maintain water meters in working order and establish policies and procedures to ensure the City properly bills and collects for water usage according to City policy. In addition, any estimated billings for non-working meters should be reviewed by an independent person. The review of the estimates should be documented by the signature or initials of the reviewer and the date of the review.

City of Hamburg

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

Response – The City Clerk added 28,000 gallons to the Public Works Director water bill to account for filling his personal swimming pool. The City Clerk changed the usage but did not change the meter reading which did not allow the bill to calculate correctly. The Public Works Director paid the City \$139 with a personal check #168 in April 2021. Several City meters are estimated. The City Council approved an upgrade to our Badger Meter Reading System because we cannot install new meters on the old system. We have ordered the new system and the City Clerk and other staff will be trained how to use it. When the City ordered the new system, they also approved ordering new meters.

Conclusion – Response acknowledged. The City should establish policies and procedures to ensure the City properly bills and collects for water usage according to City policy. If estimated billings are continued until the new meters are installed, those billings, including estimated usage should be reviewed and approved by an independent person. The review should be evidenced by the signature or initials of the reviewer and the date of the review.

Conclusion – Response accepted.

City of Hamburg

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy  
Deborah J. Moser, CPA, Manager  
Nichole D. Tucker, Senior Auditor  
Tristan J. Swiggum, Assistant Auditor  
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