

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

Contact: Ernest Ruben
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FOR RELEASE

October 27, 2023

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$27,318,088 for the year ended June 30, 2023, a 28.5% increase over the prior year. Disbursements for the year ended June 30, 2023 totaled \$18,057,708 a 1.5% decrease from the prior year. The significant increase in receipts is primarily due to a local option sales tax revenue bond issued in the current fiscal year.

AUDIT FINDINGS:

Sand reported two findings related to the receipt and disbursement of taxpayer funds. These findings are found on pages 58 through 60 of this report and address disbursements exceeding budgeted amounts. Sand provided the City with recommendations to address the findings.

Both of the findings are repeated from the prior year. 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 website at [Audit Reports – Auditor of State](#).

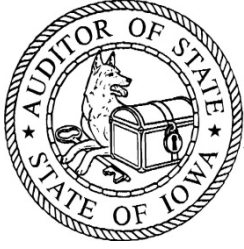
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CITY OF HIAWATHA

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

JUNE 30, 2023

City of Hiawatha



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STATE OF IOWA

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October 24, 2023

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, 2023. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

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

Rob Sand
Auditor of State

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City of Hiawatha

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bill Bennett	Mayor	Jan 1, 2024
Rob Archibald	Mayor Pro Tem	Jan 1, 2026
Jeff Cater	Council Member	Jan 1, 2024
Jerry Mohwinkle	Council Member	Jan 1, 2024
Aime Wichtendahl	Council Member	Jan 1, 2024
Steve Dodson	Council Member	Jan 1, 2026
Kim Downs	City Manager	(Resigned Sep 2022)
Dennis Marks (Appointed Oct 2022)	City Manager	Indefinite
Cindy Kudrna	Finance Director	Indefinite
Kari Graber	City Clerk	Indefinite
Mark Parmenter	City Attorney	Indefinite
Carl Ransford	Water Board Chairperson	Jan 1, 2024
Troy Anderson	Water Board Vice Chairperson	Jan 1, 2028
Mike Nessler	Water Board Trustee	Jan 1, 2026
Ruth Hospodarsky	Water Board Trustee	Jan 1, 2027
Kevin Neef	Water Board Trustee	Jan 1, 2029
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 Audit of the Financial Statements

Opinions

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, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2023, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

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

Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hiawatha's basic financial statements. We previously audited, in accordance with the standards referred to in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report, the financial statements for the nine years ended June 30, 2022 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the cash basis of accounting. The supplementary information included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information in Schedules 1 through 3 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

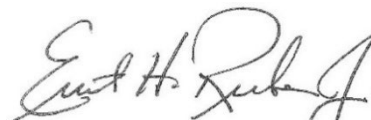
Other Information

Management is responsible for the other information included in this report. The other information comprises the Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 8 through 13 and 40 through 48 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 24, 2023 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.


Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

October 24, 2023

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, 2023. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2023 FINANCIAL HIGHLIGHTS

- Receipts for the City's governmental activities increased about 30%, or approximately \$5,906,000, from fiscal year 2022 to fiscal year 2023. This was primarily due to the issuance of a local option sales tax revenue bonds.
- Disbursements for the City's governmental activities decreased 4.8%, or approximately \$829,000, from fiscal year 2022 to fiscal year 2023. The significant decrease in disbursements is primarily due to timing of capital projects.
- The City's total cash basis net position increased 41.7%, or approximately \$9,260,000, during fiscal year 2023. Of this amount, the net position of the governmental activities increased approximately \$8,924,000 and the net position of the business type activities increased approximately \$336,000.

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.

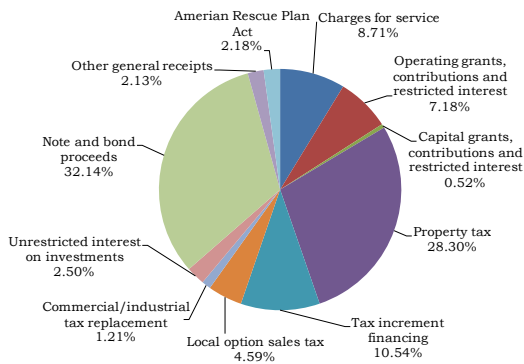
- 3) Fiduciary funds account for resources held for others. The Fiduciary funds consist of the Custodial, Flexible Benefits and the Water Department Clearing Funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

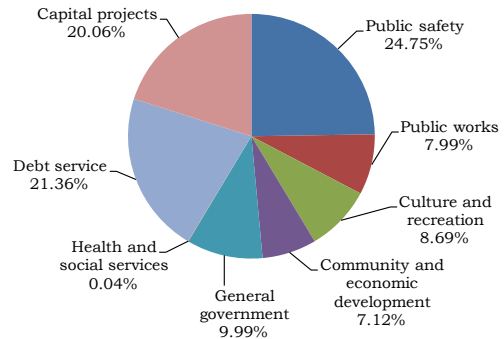
Net position may serve over time as a useful indicator of financial position. The City’s cash balance for governmental activities increased approximately \$8,924,000 from a year ago, from \$17,966,789 to \$26,891,024. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2023	2022
Receipts:		
Program receipts:		
Charges for service	\$ 2,216,747	1,961,689
Operating grants, contributions and restricted interest	1,828,752	2,339,073
Capital grants, contributions and restricted interest	131,121	227,517
General receipts:		
Property tax	7,204,270	7,254,530
Tax increment financing	2,683,775	2,573,514
Local option sales tax	1,169,158	1,387,172
Commercial/industrial tax replacement	307,858	384,824
Amerian Rescue Plan Act	554,730	-
Unrestricted interest on investments	636,132	74,081
Note proceeds	3,055,271	3,093,867
Bond proceeds	5,129,722	-
Other general receipts	542,273	257,867
Total receipts	25,459,809	19,554,134
Disbursements:		
Public safety	4,095,093	4,367,030
Public works	1,321,906	993,982
Health and social services	6,513	7,060
Culture and recreation	1,437,690	1,334,667
Community and economic development	1,178,000	1,164,023
General government	1,653,316	1,460,667
Debt service	3,533,692	3,644,819
Capital projects	3,319,364	4,402,711
Total disbursements	16,545,574	17,374,959
Change in cash basis net position before transfers	8,914,235	2,179,175
Transfers, net	10,000	17,500
Change in cash basis net position	8,924,235	2,196,675
Cash basis net position beginning of year	17,966,789	15,770,114
Cash basis net position end of year	\$ 26,891,024	17,966,789

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities increased about 30%, or approximately \$5,906,000 due to the issuance of a local option sales tax revenue bond. The total cost of all programs and services decreased approximately \$829,000 due to timing of capital projects.

The cost of all governmental activities this year was \$16,545,574. However, as shown in the Cash Basis Statement of Activities and Net Position, the amount financed by taxes for these activities was \$11,814,224, with the remainder paid for with user fees, grants, contributions, interest on investments, fund balances and note proceeds.

<u>Changes in Cash Basis Net Position of Business Type Activities</u>		
	<u>Year ended June 30,</u>	
	<u>2023</u>	<u>2022</u>
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 1,740,696	1,675,315
General receipts:		
Miscellaneous	(133,997)	2,075
Unrestricted interest on investments	1,450	21,574
Total receipts	1,608,149	1,698,964
Disbursements:		
Sewer	1,378,137	951,172
Increase in cash basis net position before transfers	230,012	747,792
Transfers, net	(10,000)	(17,500)
Increase in cash basis net position	220,012	730,292
Cash basis net position beginning of year	4,238,699	3,508,407
Cash basis net position end of year	<u>\$ 4,458,711</u>	<u>4,238,699</u>

The business type activities receipts for the fiscal year were \$1,858,279 compared to \$1,698,964 last year. Disbursements for the fiscal year increased 58.9% to \$1,512,134. The increase in receipts was primarily due to an increase in fees charged by Cedar Rapids for sewer fees. As a result of these items, the cash balance increased 7.9%, or approximately \$336,000 during fiscal year 2023.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Hiawatha completed the year, its governmental funds reported a combined fund balance of \$26,891,024, an increase of approximately \$8,924,000 over 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 \$1,319,857 to \$5,081,700. Receipts increased approximately \$856,000, or 11.8%, over the prior year and disbursements increased approximately \$160,000 over the prior year, or 2.5%. Receipts increased due to increase in interest rates during the fiscal year and the increase in fund balances earning interest.
- The Special Revenue, Urban Renewal Tax Increment Fund had a cash balance of \$2,363,774 at the end of the fiscal year, which represents an increase of \$673,729 over the previous year. The increase in cash balance is primarily due to additional tax increment financing proceeds received during the year.

- The Special Revenue, Local Option Sales Tax Fund had a cash balance of \$1,653,301 at the end of the fiscal year, which represents an increase of \$169,158 over the previous fiscal year. Local option sales tax receipts decreased approximately \$218,000 from the previous fiscal year, or 15.7%.
- The Special Revenue, Employee Benefits Fund had a cash balance of \$78,821 at the end of the fiscal year, which represents an increase of \$59,171 over the previous fiscal year.
- The Debt Service Fund cash balance increased \$400,361 to \$983,058 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, 2023 total cash balance of the capital projects fund was \$15,499,743 an increase of \$6,447,546. Note and bond proceeds issued were approximately \$5,000,000 greater than the prior year due to the issuance of a local option sales tax revenue bond and a general obligation note.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Sewer Fund cash balance increased \$336,145 to \$4,574,844 due to receipts exceeding disbursements during the fiscal year. Charges for services increased approximately \$65,000 during the fiscal year. Operating disbursements increased approximately \$561,000 due to the City of Cedar Rapids raising its sewer service fees and construction projects from catch basin repairs and Hawkeye Drive construction projects.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 3, 2023 and resulted in an increase in budgeted disbursements of \$6,144,136. This was primarily due to an increase in budgeted disbursements in the capital projects function.

The City's receipts were \$803,085 greater than budgeted, which is a 4.0% difference.

Total disbursements were \$9,109,262 less than the final amended budget. This is mainly due to not spending the anticipated capital project budgeted amount. The City exceeded the amounts budgeted in the debt service function.

DEBT ADMINISTRATION

At June 30, 2023, the City had \$21,870,000 of general obligation notes outstanding, compared to \$21,950,000 at the end of the last fiscal year. The City issued a local option sales tax revenue bond (LOST) that had no payments required during the fiscal year and has a balance at year-end of \$4,740,000. Additionally, the City had \$74,783 in lease agreements payable at June 30, 2023 compared to \$101,294 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 and lease agreements of \$23,638,983, including \$1,694,200 of TIF annual appropriation developer rebate agreements, is below its constitutional debt limit of approximately \$41,176,000. The City's outstanding LOST revenue debt is \$4,740,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Hiawatha's elected officials considered many factors when setting the fiscal year 2024 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. Unemployment in the City now stands at 3.6% versus 3.1% a year ago. This compares with the State's unemployment rate of 2.7% and the national rate of 3.6%. The Consumer Price Index for urban consumers in June 2023 was 3.0% higher than the previous year.

These indicators were taken into account when adopting the budget for fiscal year 2024. Total projected receipts, including beginning balances available for appropriation in the budget, are \$51,104,553. The City will use its resources to finance programs currently offered and fund capital improvements. Budgeted disbursements (not including transfers) are expected to decrease 27.7% to \$32,766,756 from the final fiscal year 2023 budget. The City has added no major new programs to the fiscal year 2024 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, 2023

	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	\$ 4,095,093	1,672,290	507,311	-
Public works	1,321,906	-	1,007,492	-
Health and social services	6,513	-	-	-
Culture and recreation	1,437,690	119,475	286,313	-
Community and economic development	1,178,000	-	4,538	65,094
General government	1,653,316	424,373	6,940	-
Debt service	3,533,692	-	129	-
Capital projects	3,319,364	609	16,029	66,027
Total governmental activities	16,545,574	2,216,747	1,828,752	131,121
Business type activities:				
Sewer	1,378,137	1,740,696	-	-
Total primary government	\$ 17,923,711	3,957,443	1,828,752	131,121
Component unit:				
Hiawatha Water Department	\$ 4,046,506	3,833,202	-	-
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				
American Rescue Plan Act				
Unrestricted interest on investments				
General obligation notes, net of \$164,471 premium and \$29,200 issuance costs				
Local option sales tax revenue bonds, net of \$466,185 premium and \$76,463 issuance and surety costs				
Miscellaneous				
Sale of capital assets				
Primary government 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
Governmental	Business Type		Unit
Activities	Activities	Total	Hiawatha Water Department
(1,915,492)	-	(1,915,492)	
(314,414)	-	(314,414)	
(6,513)	-	(6,513)	
(1,031,902)	-	(1,031,902)	
(1,108,368)	-	(1,108,368)	
(1,222,003)	-	(1,222,003)	
(3,533,563)	-	(3,533,563)	
(3,236,699)	-	(3,236,699)	
(12,368,954)	-	(12,368,954)	
-	362,559	362,559	
(12,368,954)	362,559	(12,006,395)	
			(213,304)
4,442,747	-	4,442,747	-
2,761,523	-	2,761,523	-
2,683,775	-	2,683,775	-
1,169,158	-	1,169,158	-
307,858	-	307,858	-
554,730	-	554,730	-
636,132	1,450	637,582	36,186
3,055,271	-	3,055,271	-
5,129,722	-	5,129,722	-
368,904	(133,997)	234,907	-
173,369	-	173,369	-
10,000	(10,000)	-	-
21,293,189	(142,547)	21,150,642	36,186
8,924,235	220,012	9,144,247	(177,118)
17,966,789	4,238,699	22,205,488	2,993,602
\$ 26,891,024	4,458,711	31,349,735	2,816,484
\$ 3,366,637	-	3,366,637	10,102
1,080,030	-	1,080,030	-
15,499,743	-	15,499,743	-
1,862,914	-	1,862,914	255,248
5,081,700	4,458,711	9,540,411	2,551,134
\$ 26,891,024	4,458,711	31,349,735	2,816,484

City of Hiawatha

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

As of and for the year ended June 30, 2023

	Special Revenue			
	General	Urban Renewal Tax Increment	Local Option Sales Tax	Employee Benefits
Receipts:				
Property tax	\$ 3,684,592	-	-	733,411
Tax increment financing	-	2,683,775	-	-
Local option sales tax	-	-	1,169,158	-
Other city tax	20,595	-	-	4,149
Licenses and permits	951,708	-	-	-
Use of money and property	691,637	1,053	-	-
Intergovernmental	1,429,485	-	-	31,493
Charges for service	1,191,633	-	-	-
Special assessments	-	-	-	-
Miscellaneous	135,794	-	-	366
Total receipts	8,105,444	2,684,828	1,169,158	769,419
Disbursements:				
Operating:				
Public safety	3,569,828	-	-	443,705
Public works	158,636	-	-	-
Health and social services	6,513	-	-	-
Culture and recreation	1,283,360	-	-	120,231
Community and economic development	34,193	1,143,807	-	-
General government	1,507,004	-	-	146,312
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	6,559,534	1,143,807	-	710,248
Excess (deficiency) of receipts over (under) disbursements	1,545,910	1,541,021	1,169,158	59,171
Other financing sources (uses):				
General obligation note proceeds, net of \$164, 471 premium less \$29,200 issuance costs	-	-	-	-
Local option sales tax revenue bond, net of \$466,185 premium less \$47,400 issuance costs	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(226,053)	(867,292)	(1,000,000)	-
Sale of property	-	-	-	-
Total other financing sources (uses)	(226,053)	(867,292)	(1,000,000)	-
Change in cash balances	1,319,857	673,729	169,158	59,171
Cash balances beginning of year	3,761,843	1,690,045	1,484,143	19,650
Cash balances end of year	\$ 5,081,700	2,363,774	1,653,301	78,821
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	2,363,774	19,805	-
Streets	-	-	-	-
Capital projects	-	-	-	-
Other purposes	-	-	1,633,496	78,821
Unassigned	5,081,700	-	-	-
Total cash basis fund balances	\$ 5,081,700	2,363,774	1,653,301	78,821

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
2,742,659	-	-	7,160,662
-	-	-	2,683,775
-	-	-	1,169,158
18,864	-	-	43,608
-	-	-	951,708
129	30,201	65	723,085
118,109	-	988,462	2,567,549
-	-	-	1,191,633
-	509	-	509
187,000	51,955	234,645	609,760
3,066,761	82,665	1,223,172	17,101,447
-	-	81,560	4,095,093
-	-	1,163,270	1,321,906
-	-	-	6,513
-	-	34,099	1,437,690
-	-	-	1,178,000
-	-	-	1,653,316
3,533,692	-	-	3,533,692
-	3,319,364	-	3,319,364
3,533,692	3,319,364	1,278,929	16,545,574
(466,931)	(3,236,699)	(55,757)	555,873
-	3,055,271	-	3,055,271
-	5,129,722	-	5,129,722
867,292	1,329,553	-	2,196,845
-	-	(93,500)	(2,186,845)
-	170,000	3,369	173,369
867,292	9,684,546	(90,131)	8,368,362
400,361	6,447,847	(145,888)	8,924,235
582,697	9,051,896	1,376,515	17,966,789
983,058	15,499,743	1,230,627	26,891,024
983,058	-	-	3,366,637
-	-	1,080,030	1,080,030
-	15,499,743	-	15,499,743
-	-	150,597	1,862,914
-	-	-	5,081,700
983,058	15,499,743	1,230,627	26,891,024

Exhibit C

City of Hiawatha

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

As of and for the year ended June 30, 2023

	<u>Enterprise</u>
	<u>Sewer</u>
Operating receipts:	
Charges for service	\$ 1,740,696
Operating disbursements:	
Business type activities	<u>1,378,137</u>
Excess of operating receipts over operating disbursements	<u>362,559</u>
Non-operating receipts:	
Interest on investments	1,450
Miscellaneous	116,133
Capital outlay	<u>(133,997)</u>
Net non-operating receipts (disbursements)	<u>(16,414)</u>
Excess of receipts over disbursements	346,145
Operating transfer out	<u>(10,000)</u>
Change in cash balances	336,145
Cash balances beginning of year	<u>4,238,699</u>
Cash balances end of year	<u>\$ 4,574,844</u>
Cash Basis Fund Balances	
Unrestricted	<u>\$ 4,574,844</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, 2023

Additions:	
Employee contributions	\$ 32,528
Reimbursements from the Water Department	<u>737,979</u>
Total additions	<u>770,507</u>
Deductions:	
Medical reimbursements	30,495
Payments made on behalf of the Water Department	<u>744,206</u>
Total deductions	<u>774,701</u>
Net change in cash balances	(4,194)
Cash deficit beginning of year	<u>(69,017)</u>
Cash deficit end of year	<u><u>\$ (73,211)</u></u>

See notes to financial statements.

City of Hiawatha

Notes to Financial Statements

June 30, 2023

(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, 2021 assessed property valuations; is for the tax accrual period July 1, 2022 through June 30, 2023 and reflects tax asking contained in the budget certified to the City Council in March 2022.

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

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

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2023, disbursements exceeded the amounts budgeted in the debt service function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2023 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to 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 \$7,483,540. 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, Notes and Leases Payable

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

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation notes	\$ 21,950,000	2,920,000	3,000,000	21,870,000	3,160,000
Local option sales tax revenue bonds	-	4,740,000	-	4,740,000	-
Lease agreements	101,294	-	26,511	74,783	27,046
Governmental activities total	\$ 22,051,294	7,660,000	3,026,511	26,684,783	3,187,046

General Obligation Notes

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

Year Ending June 30,	Capital Loan Note Series 2012A Issued Apr 4, 2012			Capital Loan Note Series 2013A Issued May 1, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	2.10%	\$ 140,000	2,940	1.70%	\$ 345,000	12,593
2025		-	-	1.80	345,000	6,383
2026		-	-		-	-
2027		-	-		-	-
2028		-	-		-	-
2029-2033		-	-		-	-
2034-2038		-	-		-	-
Total		\$ 140,000	2,940		\$ 690,000	18,976

Year Ending June 30,	Capital Loan Note Series 2013B Issued May 1, 2013			Capital Loan Note Series 2013C Issued May 1, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	1.70%	\$ 365,000	20,360	2.70%	\$ 100,000	5,693
2025	1.80	380,000	14,155	2.85	105,000	2,992
2026	1.90	385,000	7,315		-	-
2027		-	-		-	-
2028		-	-		-	-
2029-2033		-	-		-	-
2034-2038		-	-		-	-
Total		\$ 1,130,000	41,830		\$ 205,000	8,685

Year Ending June 30,	Capital Loan Note Series 2015A Issued May 20, 2015			Capital Loan Note Series 2016 Issued May 18, 2016		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	2.75%	\$ 225,000	27,488	2.25%	\$ 130,000	29,163
2025	3.00	225,000	21,300	2.45	135,000	26,238
2026	3.00	240,000	14,550	2.45	140,000	22,930
2027	3.00	245,000	7,350	2.50	145,000	19,500
2028		-	-	2.50	150,000	15,875
2029-2033		-	-	2.50	485,000	24,625
2034-2038		-	-		-	-
Total		\$ 935,000	70,688		\$ 1,185,000	138,331

Year Ending June 30,	Capital Loan Note Series 2017			Capital Loan Note Series 2018		
	Issued May 24, 2017			Issued May 2, 2018		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	3.00%	\$ 240,000	72,900	3.000%	\$ 160,000	62,019
2025	3.00	245,000	65,700	3.000	165,000	57,219
2026	3.00	255,000	58,350	3.000	165,000	52,269
2027	3.00	260,000	50,700	3.250	170,000	47,319
2028	3.00	265,000	42,900	3.375	175,000	41,794
2029-2033	3.00	1,165,000	88,650	3.500-4.000	955,000	112,313
2034-2038		-	-		-	-
Total		<u>\$ 2,430,000</u>	<u>379,200</u>		<u>\$ 1,790,000</u>	<u>372,933</u>

Year Ending June 30,	Capital Loan Note Series 2019			Capital Loan Note Series 2020		
	Issued Apr 17, 2019			Issued Mar 18, 2020		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	3.00%	\$ 205,000	55,200	2.00%	\$ 455,000	47,500
2025	3.00	215,000	49,050	2.00	455,000	38,400
2026	3.00	220,000	42,600	2.00	470,000	29,300
2027	3.00	225,000	36,000	2.00	240,000	19,900
2028	3.00	230,000	29,250	2.00	245,000	15,100
2029-2033	3.00	745,000	45,300	2.00	510,000	15,400
2034-2038		-	-		-	-
Total		<u>\$ 1,840,000</u>	<u>257,400</u>		<u>\$ 2,375,000</u>	<u>165,600</u>

Year Ending June 30,	Capital Loan Note Series 2021			Capital Loan Note Series 2022		
	Issued May 6, 2021			Issued May 18, 2022		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2024	1.00%	\$ 480,000	35,778	3.00%	\$ 185,000	88,650
2025	1.00	490,000	30,978	3.00	185,000	83,100
2026	1.00	500,000	26,077	3.00	190,000	77,550
2027	1.00	250,000	21,078	3.00	195,000	71,850
2028	1.00	250,000	18,578	3.00	200,000	66,000
2029-2033	1.00	1,305,000	51,142	3.00	1,080,000	237,600
2034-2038		-	-	3.00	920,000	69,450
Total		<u>\$ 3,275,000</u>	<u>183,631</u>		<u>\$ 2,955,000</u>	<u>694,200</u>

Year Ending June 30,	Capital Loan Note Series 2023			Totals		
	Issued May 3, 2023			Principal	Interest	Total
	Interest Rates	Principal	Interest	Principal	Interest	Total
2024	5.00%	\$ 130,000	129,580	\$ 3,160,000	589,864	3,749,864
2025	5.00	145,000	123,350	3,090,000	518,865	3,608,865
2026	5.00	150,000	116,100	2,715,000	447,041	3,162,041
2027	5.00	160,000	108,600	1,890,000	382,297	2,272,297
2028	5.00	165,000	100,600	1,680,000	330,097	2,010,097
2029-2033	4.00-5.00	970,000	371,300	7,215,000	946,330	8,161,330
2034-2038	4.00	1,200,000	148,000	2,120,000	217,450	2,337,450
Total		<u>\$ 2,920,000</u>	<u>1,097,530</u>	<u>\$ 21,870,000</u>	<u>3,431,944</u>	<u>25,301,944</u>

On December 21, 2011, the City issued \$1,795,000 of general obligation notes with interest rates ranging from .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, 2023, the City paid the remaining \$70,000 of principal and \$1,645 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, 2023, the City paid \$135,000 of principal and \$5,573 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, 2023, the City paid \$345,000 of principal and \$18,458 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, 2023, the City paid \$360,000 of principal and \$26,120 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, 2023, the City paid \$100,000 of principal and \$8,193 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, 2023, the City paid \$220,000 of principal and \$33,538 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, 2023, the City paid \$125,000 of principal and \$31,663 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, 2023, the City paid \$235,000 of principal and \$79,950 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, 2023, the City paid \$155,000 of principal and \$66,669 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, 2023, the City paid \$200,000 of principal and \$61,200 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, 2023, the City paid \$435,000 of principal and \$56,200 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, 2023, the City paid \$475,000 of principal and \$40,528 of interest on the notes.

On April 20, 2022 the City issued \$3,100,000 of general obligation capital loan notes, Series 2022. The notes bear interest at 3.00% per annum. The notes were issued for street, sidewalks, storm sewers, water lines, ambulances, fire equipment, fire stations, urban renewal projects, park and recreation and construction of a building for rock storage. During fiscal year 2023, the City paid \$145,000 of principal and \$96,358 of interest on the notes.

On May 3, 2023 the City issued \$2,920,000 of general obligation capital loan notes, Series 2023. The notes bear interest at 4.00% to 5.00% per annum. The notes were issued for building storage for rock and sand, equipping of recreation grounds and parks including the Emmons St Trail Bridge, and improvements at Turtle Creek Park. During fiscal year 2023, the City did not make any payments of principal or interest on the note.

LOST Revenue Bond

On May 3, 2023 the City issued \$4,740,000 of local option sales and services tax revenue bonds. The bonds bear interest at 5% per annum and are payable through 2034. Proceeds from the bonds provided financing for the construction of a new fire station and improvements to the current fire station.

Year Ending June 30,	LOST Revenue Bond, Series 2023B			
	Issued May 3, 2023			
	Interest Rates	Principal	Interest	Total
2024	5.00%	\$ -	237,658	237,658
2025	5.00	380,000	237,000	617,000
2026	5.00	395,000	218,000	613,000
2027	5.00	415,000	198,250	613,250
2028	5.00	435,000	177,500	612,500
2029-2033	5.00	2,530,000	537,750	3,067,750
2034	5.00	585,000	29,250	614,250
Total		\$ 4,740,000	1,635,408	6,375,408

The City has pledged future local option sales tax receipts to repay \$4,740,000 of local option sales and services tax revenue bonds issued in May 2023. The bonds are payable through 2034. The bonds are payable solely from future local option sales tax receipts. The total principal and interest remaining to be paid on the bonds is \$6,375,408. For the year ended June 30, 2023 the City collected \$1,169,158 of local option sales tax. During the year ended June 30, 2023 the City did not make any payments of principal or interest on the bonds.

The resolution providing for the issuance of the local option sales tax revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from future local option sales tax receipts and the bond holders hold a lien on the future local option tax receipts received by the City.
- b) Sufficient monthly transfers shall be made to a separate local option sales tax sinking account for the purpose of making the bond principal and interest payments when due.
- c) The City purchased a surety bond policy eliminating the requirement for a reserve fund.

Lease Agreements

On December 3, 2020, the City entered into a lease agreement for printers. The agreement required monthly payments of \$1,124 over 5 years with an estimated implicit interest rate of 2.0% and final payment due December 1, 2025. During the year ended June 30, 2023, the City paid principal of \$12,692 and interest of \$795 on the agreement.

On May 14, 2021, the City entered into a lease agreement for library printers. The agreement requires monthly payments of \$1,234 over 5 years, with an estimated implicit interest rate of 2.0% and final payment due May 1, 2026. During the year ended June 30, 2023, the City paid principal of \$13,819 and interest of \$989 on the agreement.

Future principal and interest lease payments as of June 30, 2023 are as follows:

Year Ending June 30,	Printer		Library Printer	
	Principal	Interest	Principal	Interest
2024	\$ 12,948	540	\$ 14,098	710
2025	13,210	278	14,383	425
2026	6,705	39	13,439	135
Total	\$ 32,863	857	\$ 41,920	1,270

Year Ending June 30,	Totals		
	Principal	Interest	Total
2024	\$ 27,046	1,250	28,296
2025	27,593	703	28,296
2026	20,144	174	20,318
Total	\$ 74,783	2,127	76,910

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

The City’s contributions to IPERS for the year ended June 30, 2023 were \$425,823.

Net Pension Liability, Pension Expense (Reduction), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2023, the City reported a net pension liability of \$401,010 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on the City’s share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2022, the City’s proportion was 0.010614%, which was a decrease of 0.430334% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the City’s pension expense (reduction), deferred outflows of resources and deferred inflows of resources totaled \$(48,244), \$245,038 and \$376,123, respectively.

There were no non-employer contributing entities to IPERS.

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

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

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

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	3.57%
International equity	17.5	4.79
Global smart beta equity	6.0	4.16
Core plus fixed income	20.0	1.66
Public credit	4.0	3.77
Cash	1.0	0.77
Private equity	13.0	7.57
Private real assets	8.5	3.55
Private credit	8.0	3.63
Total	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 (asset) liability	\$ 2,131,452	401,010	(1,119,911)

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, 2023, the City contributed \$419,229 and plan members eligible for benefits contributed \$14,235 to the plan. At June 30, 2023, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by 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, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	4
Active employees	<u>58</u>
Total	<u>62</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, 2023, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 302,000
Sick leave	<u>154,000</u>
Total	<u>\$ 456,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2023.

(7) Construction Contracts

The City has entered into various construction contracts totaling \$4,290,599. The unpaid contract balance as of June 30, 2023 totaled \$704,590. 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 27 active tax increment financing agreements. The City agreed to assist in urban renewal projects by rebating incremental property tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of up to five years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The total amount to be rebated in fiscal year 2023 for the active tax increment financing agreements is not to exceed \$1,694,200. The actual amount rebated during the year ended June 30, 2023 was \$1,034,807.

Economic Development Agreements

On October 20, 2021, the City approved Resolution No. 21-237 pledging financial support of \$14,000 for fiscal year 2023 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 20, 2021, the City approved Resolution No. 21-238 pledging financial support of \$20,000 for fiscal year 2023 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 20, 2021, the City approved Resolution No. 21-238 pledging financial support of \$25,000 for fiscal year 2023 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.

In August 2022, the City entered into a professional agreement with a local economic development business to identify retail trade areas and to recruit businesses for targeted retail zones. The project will be financed through tax increment financing. Payments totaling \$50,000 were made during fiscal year ended June 30, 2023 with payments of \$45,000 due the next two fiscal years.

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) 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 \$1,409,080 is outstanding at June 30, 2023. 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.

(10) 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 800 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, employment practices liability, public officials liability, cyber liability, law enforcement liability, property and surety bond. 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, 2023 were \$205,925.

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, 2023, 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.

(11) 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.

(12) Interfund Transfers

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

Transfer to	Transfer From	Amount
Debt Service	Special Revenue: Urban Renewal Tax Increment	\$ 867,292
Capital Projects	General	226,053
	Special Revenue: Local Option Sales Tax	1,000,000
	Road Use Tax	93,500
	Enterprise: Sewer	10,000
		1,329,553
Total		\$ 2,196,845

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

(13) 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, 2023, \$375,157 of property tax was diverted from the City under the urban renewal and economic development agreements.

(14) 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.

(15) Subsequent Event

In July 2023, the City entered into a construction contract for \$479,475 for metal building to house the generator for new fire station. In August 2023, the City entered into a guaranteed maximum price for the construction manager for the new fire station of \$6,015,466.

Other Information

City of Hiawatha

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

Other Information

Year ended June 30, 2023

	Governmental Funds Actual	Proprietary Fund Actual	Component Unit Actual	Less Funds not Required to be Budgeted
Receipts:				
Property tax	\$ 7,160,662	-	-	-
Tax increment financing	2,683,775	-	-	-
Other city tax	1,212,766	-	-	-
Licenses and permits	951,708	-	-	-
Use of money and property	723,085	1,450	36,186	65
Intergovernmental	2,567,549	-	-	-
Charges for service	1,191,633	1,740,696	3,611,199	1,776,725
Special assessments	509	-	-	-
Miscellaneous	609,760	(133,997)	222,003	64,924
Total receipts	17,101,447	1,608,149	3,869,388	1,841,714
Disbursements:				
Public safety	4,095,093	-	-	13,081
Public works	1,321,906	-	-	-
Health and social services	6,513	-	-	-
Culture and recreation	1,437,690	-	-	34,099
Community and economic development	1,178,000	-	-	-
General government	1,653,316	-	-	-
Debt service	3,533,692	-	-	-
Capital projects	3,319,364	-	-	-
Business type activities	-	1,378,137	4,046,506	1,767,181
Total disbursements	16,545,574	1,378,137	4,046,506	1,814,361
Excess (deficiency) of receipts over (under) disbursements	555,873	230,012	(177,118)	27,353
Other financing sources (uses), net	8,368,362	(10,000)	-	-
Change in balances	8,924,235	220,012	(177,118)	27,353
Balances beginning of year	17,966,789	4,238,699	2,993,602	206,682
Balances end of year	\$ 26,891,024	4,458,711	2,816,484	234,035

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
7,160,662	7,139,315	7,139,315	21,347
2,683,775	2,441,297	2,441,297	242,478
1,212,766	1,045,614	1,045,614	167,152
951,708	642,400	668,400	283,308
760,656	81,300	468,300	292,356
2,567,549	2,006,478	2,950,508	(382,959)
4,766,803	4,687,281	4,803,331	(36,528)
509	-	-	509
632,842	283,800	667,550	(34,708)
20,737,270	18,327,485	20,184,315	552,955
4,082,012	4,562,532	4,538,596	456,584
1,321,906	1,276,776	1,808,776	486,870
6,513	20,000	20,000	13,487
1,403,591	1,389,984	1,447,542	43,951
1,178,000	1,959,200	1,804,900	626,900
1,653,316	1,618,410	2,818,839	1,165,523
3,533,692	3,533,587	3,533,295	(397)
3,319,364	3,929,400	8,546,077	5,226,713
3,657,462	4,965,349	4,881,349	1,223,887
20,155,856	23,255,238	29,399,374	9,243,518
581,414	(4,927,753)	(9,215,059)	9,796,473
8,358,362	3,400,000	8,270,000	88,362
8,939,776	(1,527,753)	(945,059)	9,884,835
24,992,408	23,000,101	23,000,101	1,992,307
33,932,184	21,472,348	22,055,042	11,877,142

City of Hiawatha

City of Hiawatha

Notes to Other Information – Budgetary Reporting

June 30, 2023

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds, 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 disbursements by \$6,144,136. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2023, disbursements exceeded the amounts budgeted in the debt service function.

City of Hiawatha

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

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

Other Information

	2023	2022	2021	2020
City's proportion of the net pension liability	0.010614%	0.440948% **	0.028023%	0.023843%
City's proportionate share of the net pension liability (asset)	\$ 401	(1,522)	1,968	1,381
City's covered payroll	\$ 4,183	4,010	3,646	3,431
City's proportionate share of the net pension liability as a percentage of its covered payroll	9.59%	-37.96%	53.98%	40.25%
IPERS' net position as a percentage of the total pension liability	91.40%	100.81%	82.90%	85.45%

* 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.

** Overall plan net pension asset.

See accompanying independent auditor's report.

2019	2018	2017	2016	2015
0.026131%	0.026972%	0.027589%	0.022786%	0.017629%
1,654	1,797	1,736	1,126	699
3,344	3,245	3,170	2,969	2,729
49.46%	55.38%	54.76%	37.93%	25.61%
83.62%	82.21%	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

	2023	2022	2021	2020
Statutorily required contribution	\$ 426	392	382	352
Contributions in relation to the statutorily required contribution	(426)	(392)	(382)	(352)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 4,540	4,183	4,010	3,646
Contributions as a percentage of covered payroll	9.38%	9.37%	9.53%	9.65%

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
335	311	302	295	279	257
(335)	(311)	(302)	(295)	(279)	(257)
-	-	-	-	-	-
3,431	3,344	3,245	3,170	2,969	2,729
9.76%	9.30%	9.31%	9.31%	9.40%	9.42%

City of Hiawatha

Notes to Other Information – Pension Liability

Year ended June 30, 2023

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

The 2018 valuation implemented the following refinements as a result of 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, 2023

				Special
	Road Use Tax	Fire Department Trust	Park Trust	Police Forfeiture
Receipts:				
Use of money and property	\$ -	-	-	-
Intergovernmental	988,462	-	-	-
Miscellaneous	106,896	28,456	11,769	-
Total receipts	1,095,358	28,456	11,769	-
Disbursements:				
Operating:				
Public safety	-	49,211	-	7,042
Public works	1,163,270	-	-	-
Culture and recreation	-	-	-	-
Total disbursements	1,163,270	49,211	-	7,042
Excess (deficiency) of receipts over (under) disbursements	(67,912)	(20,755)	11,769	(7,042)
Other financing sources (uses):				
Sale of capital assets	3,369	-	-	-
Transfers out	(93,500)	-	-	-
Change in cash balances	(158,043)	(20,755)	11,769	(7,042)
Cash balances beginning of year	1,238,073	33,946	-	7,764
Cash balances end of year	\$ 1,080,030	13,191	11,769	722
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ 1,080,030	-	-	-
Other purposes	-	13,191	11,769	722
Total cash basis fund balances	\$ 1,080,030	13,191	11,769	722

See accompanying independent auditor's report.

Revenue				
K-9 Donations	Hiawatha Firefighters Association	Friends of the Hiawatha Public Library	Friends of the Hiawatha Parks and Recreation	Total
-	55	10	-	65
-	-	-	-	988,462
22,600	22,719	12,256	29,949	234,645
22,600	22,774	12,266	29,949	1,223,172
12,226	13,081	-	-	81,560
-	-	-	-	1,163,270
-	-	6,947	27,152	34,099
12,226	13,081	6,947	27,152	1,278,929
10,374	9,693	5,319	2,797	(55,757)
-	-	-	-	3,369
-	-	-	-	(93,500)
10,374	9,693	5,319	2,797	(145,888)
42,383	23,509	9,684	21,156	1,376,515
52,757	33,202	15,003	23,953	1,230,627
-	-	-	-	1,080,030
52,757	33,202	15,003	23,953	150,597
52,757	33,202	15,003	23,953	1,230,627

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, 2023

	Flexible Benefits	Water Water Clearing	Total
Additions:			
Employee contributions	\$ 32,528	-	32,528
Reimbursements from the Water Department	-	737,979	737,979
Total additions	32,528	737,979	770,507
Deductions:			
Medical reimbursements	30,495	-	30,495
Payments made on behalf of the Water Department	-	744,206	744,206
Total deductions	30,495	744,206	774,701
Net change in cash balances	2,033	(6,227)	(4,194)
Cash balance (deficit) beginning of year	12,240	(81,257)	(69,017)
Cash balance (deficit) end of year	\$ 14,273	(87,484)	(73,211)

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

	2023	2022	2021	2020
Receipts:				
Property tax	\$ 7,160,662	7,208,859	6,877,289	6,195,561
Tax increment financing	2,683,775	2,573,514	2,287,708	2,262,069
Local option sales tax	1,169,158	1,387,172	1,130,767	1,024,755
Other city tax	43,608	45,671	40,143	31,323
Licenses and permits	951,708	799,910	692,438	604,536
Use of money and property	723,085	225,963	166,434	235,844
Intergovernmental	2,567,549	2,636,828	2,160,108	1,678,781
Charges for service	1,191,633	1,097,099	760,772	455,420
Special assessments	509	2,451	85,690	12,799
Miscellaneous	609,760	268,292	629,921	384,537
Total	<u>\$ 17,101,447</u>	<u>16,245,759</u>	<u>14,831,270</u>	<u>12,885,625</u>
Disbursements:				
Operating:				
Public safety	\$ 4,095,093	4,367,030	4,277,302	3,208,758
Public works	1,321,906	993,982	927,495	862,048
Health and social services	6,513	7,060	20,000	20,000
Culture and recreation	1,437,690	1,334,667	1,270,359	1,302,892
Community and economic development	1,178,000	1,164,023	1,159,768	1,010,989
General government	1,653,316	1,460,667	1,284,360	1,171,589
Debt service	3,533,692	3,644,819	3,372,144	4,522,769
Capital projects	3,319,364	4,402,711	7,449,449	5,061,682
Total	<u>\$ 16,545,574</u>	<u>17,374,959</u>	<u>19,760,877</u>	<u>17,160,727</u>

See accompanying independent auditor's report.

2019	2018	2017	2016	2015	2014
5,957,534	5,617,474	5,503,119	5,493,244	5,162,938	5,225,654
2,247,153	2,090,809	1,684,560	2,113,286	1,979,524	1,725,842
907,746	900,762	996,530	933,893	884,979	938,472
34,286	36,241	32,977	35,799	32,448	81,648
653,891	582,670	643,832	297,796	246,189	211,064
311,583	173,375	82,600	57,070	64,588	53,638
1,474,632	1,684,460	1,473,704	1,554,758	1,265,839	1,893,520
411,997	407,872	423,673	341,673	465,500	359,124
35,996	77,065	2,068	20,829	20,690	127,213
1,063,647	571,780	385,856	341,157	211,248	319,066
13,098,465	12,142,508	11,228,919	11,189,505	10,333,943	10,935,241
2,961,343	2,812,589	3,022,173	2,663,676	2,734,395	2,442,144
829,481	1,071,652	893,554	759,638	703,335	660,902
20,000	20,000	20,000	20,000	20,000	20,000
1,199,565	1,172,871	1,149,893	1,104,426	1,028,834	966,848
706,609	534,778	452,335	437,219	318,977	250,077
1,146,056	1,246,957	1,160,638	1,107,582	1,126,072	1,082,634
3,581,060	3,411,972	3,052,918	3,160,275	3,308,864	3,057,630
2,748,826	2,759,067	3,342,369	4,586,473	3,325,908	3,859,465
13,192,940	13,029,886	13,093,880	13,839,289	12,566,385	12,339,700



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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the 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 Hiawatha, Iowa, as of and for the year ended June 30, 2023, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 24, 2023. 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.

Report on 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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of 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 that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2023-001 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Hiawatha's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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 noncompliance 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 the accompanying Schedule of Findings.

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

City of Hiawatha's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City of Hiawatha's responses to the findings identified in our audit and described in the accompanying Schedule of Findings. The City of Hiawatha's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

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



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

October 24, 2023

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2023-001 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 Hiawatha Firefighters Association, Friends of the Hiawatha Public Library and Friends of Hiawatha Parks and Recreation should develop operating procedures to obtain the maximum internal control possible under the circumstances. Currently, available staff/volunteers 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.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Hiawatha

Schedule of Findings

Year ended June 30, 2023

Findings Related to Required Statutory Reporting:

2023-A Certified Budget – Disbursements during the year ended June 30, 2023 exceeded the amounts budgeted in the capital projects functions prior to the budget amendment. Disbursements at June 30, 2022 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – I will be more attentive when preparing the budget amendment documents and verify all funds are adequately amended as necessary.

Conclusion – Response accepted.

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

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

2023-D Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Bill Bennett, Mayor, owns 5 Seasons Motorsports, Inc.	Police equipment and repairs	\$ 467

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, these transactions do not appear to represent a conflict of interest since the total transactions were less than \$6,000 during the fiscal year.

2023-E 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.

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

2023-G City Council Meeting Minutes – No transactions were found that we believe should have been approved in the City Council meeting minutes but were not.

2023-H 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.

City of Hiawatha

Schedule of Findings

Year ended June 30, 2023

- 2023-I 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 property taxes.
- 2023-J 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 as required by Chapter 384.22(2)(a) of the Code of Iowa and no exceptions were noted.

City of Hiawatha

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Deputy
Katherine L. Rupp, CPA, Manager
David A. Slocum, CPA, Senior Auditor
Enoch Duval, Staff Auditor
Sydney L. Steffen, Assistant Auditor