

City of Fort Madison

**Independent Auditor's Report
Management's Discussion and Analysis
Financial Statements and Supplementary Information
Independent Auditor's Reports on Internal Control and Compliance
Schedule of Findings**

June 30, 2021

C o n t e n t s

			Page
Officials			1
Independent Auditor's Report			2 - 3
Management's Discussion and Analysis			4 - 10
Basic Financial Statements:	<u>Exhibit</u>		
Government-wide Financial Statement:			
Cash Basis Statement of Activities and Net Position	A		11
Governmental Fund Financial Statement:			
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B		12
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	C		13
Proprietary Fund Financial Statement:			
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D		14
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position	E		15
Notes to Financial Statements			16 - 36
Other Information:			
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds			37
Notes to Other Information - Budgetary Reporting			38
Schedule of the City's Proportionate Share of the Net Pension Liability - IPERS			39
Schedule of the City Contributions - IPERS			40
Notes to Other Information - IPERS Pension Liability			41
Schedule of the City's Proportionate Share of the Net Pension Liability - MFPRSI			42
Schedule of City Contributions - MFPRSI			43
Notes to Other Information - MFPRSI Pension Liability			44
Supplementary Information:	<u>Schedule</u>		
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1		45
Schedule of Receipts by Source and Disbursements by Function - All Governmental Funds	2		46
Schedule of Expenditures of Federal Awards	3		47 - 48
Miscellaneous Statistical Section	4		49 - 50
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 <i>Government Auditing Standards</i>			51 - 52
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance			53 - 54
Schedule of Findings			55 - 59
Summary Schedule of Prior Audit Findings			60
Corrective Action Plan			61

City of Fort Madison

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Matt Mohrfeld	Mayor	January, 2022
Donna Amandus	Council Member	January, 2024
Rusty Andrews	Council Member	January, 2022
Rebecca Bowker	Council Member	January, 2024
Chad Cangas	Council Member	January, 2024
Mark Lair	Council Member	January, 2022
Kevin Rink	Council Member	January, 2024
Tom Schulz	Council Member	January, 2022
David A. Varley	City Manager	Indefinite
Melinda Blind	City Clerk	Indefinite
Peggy Steffensmeier	City Treasurer	Indefinite
Lynch Dallas	Attorney	Indefinite
Mark Rohloff	Police Chief	Indefinite
Joey Herren	Fire Chief	Indefinite



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Independent Auditor's Report

Honorable Mayor and
Members of the City Council
City of Fort Madison, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Fort Madison, Iowa (City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City as of June 30, 2021, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting as described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information on pages 45 through 48 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability - IPERS, the Schedule of City Contributions - IPERS, Schedule of the City's Proportionate Share of the Net Pension Liability - MFPRSI, Schedule of City Contributions - MFPRSI, and the Miscellaneous Statistical Section on pages 4 through 10, 37 through 44, and 49 through 50, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2022 on our consideration of the City'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's internal control over financial reporting and compliance.

CPA Associates PC

February 15, 2022

**City of Fort Madison
Management's Discussion and Analysis**

The City of Fort Madison (City) provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2021. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2021 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 41%, or \$4,214,828, from fiscal 2020 to fiscal 2021.

Disbursements of the City's governmental activities increased 31%, or \$3,857,075, from fiscal 2020 to fiscal 2021.

The City's total cash basis net assets decreased 4%, or \$709,072, from June 30, 2020 to June 30, 2021. Of this amount, the cash basis net position of the governmental activities decreased \$1,494,264 and the cash basis net position of business type activities increased \$785,192.

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 Statements consist 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 statements by providing information about the most significant funds.

Notes to the 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.

Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

**City of Fort Madison
Management's Discussion and Analysis**

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 accounting principles generally accepted in the United States of America. 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 two kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the water, sewer, solid waste and airport funds. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. They 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 Road Use Tax, Local Option Sales Tax, Urban Renewal Tax Increment Financing (TIF), and Economic Development 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term 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 Funds and Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Water, Sewer, Solid Waste, and Airport Funds, all of which are considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

**City of Fort Madison
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from \$14,682,222 to \$13,187,958. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		Year Ended June 30,	
		2021	2020
Receipts:			
Program receipts:			
Charges for services	\$	309,019	\$ 425,595
Operating grants, contributions and restricted interest		3,833,862	2,063,766
Capital grants and contributions		1,943,811	435,028
General receipts:			
Property tax		4,994,421	4,847,501
Local option sales tax		1,582,499	1,233,124
Tax increment financing		264,862	249,997
Unrestricted interest on investments		242,724	298,770
Bond proceeds		676,245	-
Other general receipts		698,062	776,896
Total receipts		14,545,505	10,330,677
Disbursements:			
Public safety		3,866,752	4,013,740
Public works		1,397,690	1,610,401
Culture and recreation		2,257,872	1,343,974
Community and economic development		1,006,964	1,140,533
General government		1,435,721	1,099,447
Debt service		650,563	813,083
Capital projects		5,709,720	2,447,029
Total disbursements		16,325,282	12,468,207
Change in cash basis net position before transfers		(1,779,777)	(2,137,530)
Transfers, net		285,513	568,487
Change in cash basis net position		(1,494,264)	(1,569,043)
Cash basis net position beginning of year		14,682,222	16,251,265
Cash basis net position end of year		\$ 13,187,958	\$ 14,682,222

The City's total receipts for governmental activities increased by 41%, or \$4,214,828. The total cost of all governmental programs and services increased by \$3,857,075, or 31%, with no new programs added this year.

**City of Fort Madison
Management's Discussion and Analysis**

The cost of all governmental activities this year was \$16,325,282 compared to \$12,468,207 last year. However, as shown in the statement of activities and net position on page 11, the amount that our taxpayers ultimately financed for these activities through City taxes was \$10,238,590 because some of the cost was paid by those who directly benefited from the programs (\$309,019) or by other governments and organizations that subsidized certain programs with grants and contributions (\$5,777,673). Overall, the City's governmental program receipts, including intergovernmental aid and fees for service, increased in fiscal 2021 from \$2,924,389 to \$6,086,692, primarily due to an increase in operating grants, contributions and restricted interest and capital grants and contributions.

	Change in Cash Basis of Net Position of Business Type Activities	
	Year Ended June 30,	
	2021	2020
Receipts:		
Program receipts:		
Water charges	\$ 3,452,585	\$ 3,376,000
Sewer charges	3,406,704	3,500,124
Solid waste charges	794,110	798,231
Airport charges	46,631	42,584
Operating grants, contributions, and restricted interest	658,232	26,098
General receipts:		
Unrestricted investment earnings	56,185	54,177
Bond proceeds	-	420,365
Miscellaneous receipts	173,388	151,812
Total receipts	8,587,835	8,369,391
Disbursements:		
Water	3,077,615	3,155,957
Sewer	3,637,531	3,422,824
Solid waste	711,594	568,252
Airport	90,390	92,332
Total disbursements	7,517,130	7,239,365
Change in cash basis net position before transfers	1,070,705	1,130,026
Transfers, net	(285,513)	(568,487)
Change in cash basis net position	785,192	561,539
Cash basis net position beginning of year	1,814,813	1,253,274
Cash basis net position end of year	\$ 2,600,005	\$ 1,814,813

Total business type activities receipts for the fiscal year were \$8,587,835 compared to \$8,369,391 last year. This increase was due primarily to the cost of living rate increase for water and sewer along with a grant payment in the sewer department. The cash balance increased by \$785,192 from the prior year largely due to the deficit from the wastewater treatment plan project being paid down. Total disbursements for the fiscal year increased by 4% to a total of \$7,517,130 due to the purchase of a sanitation truck and a project the City did for the Iowa Department of Transportation for a sewer line relocation at Henry Ladyn Drive.

**City of Fort Madison
Management's Discussion and Analysis**

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Fort Madison completed the year, its governmental funds reported a combined fund balance of \$13,187,958, a decrease of \$1,494,264 from last year's total of \$14,682,222. 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 \$196,723 to \$1,087,272. This increase is due, in part, to the City receiving higher than anticipated revenue in property tax and sales tax.

The Special Revenue, Road Use Tax Fund cash balance increased by \$225,905 to \$596,209. This increase is due to the City receiving funds from the federal government CARES Act disbursements

The Special Revenue, Local Option Sales Tax Fund was established in previous years to provide additional general fund revenues to reduce the City's reliance on property tax revenues and provide a reliable funding source for capital projects. Eighty percent of these Local Option Sales Tax revenues goes to the general fund, while the other twenty percent goes to pay for capital improvement projects. At the end of the fiscal year, the cash balance was zero.

The Special Revenue, Urban Renewal TIF Fund cash balance was \$670,124, an increase of \$61,172. This increase occurred because of the collection for LMI projects from the Innsbrook TIF.

The Economic Development Fund cash balance increased \$82,033 to \$(184,271) during the fiscal year.

The Debt Service Fund cash balance increased \$14,380 to \$48,882.

The Capital Projects Fund cash balance decreased \$2,739,692 to a balance of \$7,881,520. This was caused by spending down the funds that had been received from the state for the improvements to Highway 61.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Water Fund cash balance increased \$495,262 to \$1,934,886 mainly due to the fact that there were no large capital projects.

The Sewer Fund cash balance increased \$164,122 to \$(212,227). This is generally due to the fact that there is an annual 2% increase built into the rates. This helps increase sewer revenue from year to year. Also, capital projects were completed, including the rehabilitation of the Wastewater Treatment Plant.

The Solid Waste Fund cash balance increased \$62,107 to \$547,481. This occurred because there were no large purchases of polycart containers or sanitation vehicles.

The Airport Fund cash balance increased \$23,367 to \$98,621. This can be attributed to the fact that the airport received \$57,500 in FFA grants and did not complete a major project by fiscal year-end.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its operating budget. The amendment was approved on May 18, 2021 and resulted in an increase in budgeted receipts of \$1,014,910 and an increase in budgeted operating disbursements of \$580,790. Increases in receipts included other city taxes, intergovernmental, and miscellaneous. Increases in expenditures included general government.

**City of Fort Madison
Management's Discussion and Analysis**

DEBT ADMINISTRATION

At June 30, 2021, the City had \$42,965,143 in bonds and other long-term debt compared to \$44,219,589 last year as shown below.

	Outstanding Debt at Year-End	
	June 30, 2021	2020
General obligation bonds	\$ 5,010,000	\$ 5,480,000
Revenue bonds	37,603,500	38,319,866
Capital loan notes	161,435	215,515
Urban renewal TIFs	<u>190,208</u>	<u>204,208</u>
Total	<u>\$ 42,965,143</u>	<u>\$ 44,219,589</u>

The Constitution of the State of Iowa limits the amount of general obligation debt that 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, capital loan notes, and TIF debt of \$5,361,643 is well below the City's \$25.7 million legal debt limit.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Lee County unemployment rate changed from 8.9% in June 2020 to 6.6% in June 2021. The decrease in the unemployment rate for Lee County is mainly attributable to businesses and the community recovering from the effects of the COVID-19 pandemic. Some of the employees that were put out of work because of COVID-19 have been hired back as the businesses most affected begin to recover.

Even with the unemployment rate at 6.6%, many industries and manufacturers in the area still find it difficult to stay fully staffed on a year-round basis. One of the difficulties they have is finding employees with the proper skills and work attitudes. The Lee County Economic Development Group has taken this on as one of its major goals and is working with the local schools and college to address this issue. Their goal is to build skills into an upcoming workforce where they can stay in the county and have a good job.

The City's sales tax revenue had a fairly significant increase this year. Changing shopping habits and the tax on internet sales have played a role in this. Also, many businesses actually increased during the COVID-19 pandemic and others are now recovering. This is a healthy sign for the City and for the condition of the local economy.

The 1% local option sales tax that is collected in the county goes into one "pot" and is then distributed to the different government entities. The City of Fort Madison receives approximately 29% of the total sales tax collected in the county.

The City is working to increase the fund balance of the General Fund. This fiscal year saw a modest increase to this fund balance. A healthy balance in the General Fund is necessary for adequate cash flow, emergencies and unexpected changes in revenue and/or expenditures.

Personnel expenses comprise 82% of total General Fund expenditures. These costs tend to rise at a higher rate than the average 2.0% annual revenue growth in the General Fund. This situation makes it difficult to maintain a balanced budget when the majority of expenses are growing at a faster rate than revenue.

**City of Fort Madison
Management's Discussion and Analysis**

The City's mil levy rate for the next year will be approximately the same as the current fiscal year. The City works hard to keep its tax rate as low as possible while still providing a good level of services to our citizens.

Enterprise funds for the City have the ability to raise their own revenue and are not dependent on the City's property tax or sales tax revenue. Because of this, they have a little more flexibility and are generally in a better financial condition than the General Fund. However, they also have major capital expenditures for equipment, improvements, and maintenance. These expenses are not consistent from year to year so it is important to plan accordingly for these costs.

The Sewer Fund is in a tight financial condition. The fund balance is far below an adequate level. This puts a strain on the fund when it has to make capital expenditures. The Sewer Fund is currently paying back the debt for the complete rehabilitation of the Waste Water Treatment Plant. However, the City is also under a mandate to take care of a few spots in the downtown area where there still exists a combined storm water and sanitary sewer system. These will be expensive projects and will require additional bond funds.

The Water Fund and the Solid Waste Fund are in good financial condition. The Water Fund has an automatic 2% rate increase built in each year in order to keep up with expenses. They each have a strong balanced budget and are carrying a good fund balance. This is important because these funds can have large expenses come up from year to year and they need to be able to fund them from their own resources. The City wants to be sure there will be sufficient funds to cover these expenses while still keeping the fund in a healthy financial condition.

American Cruise Lines is running cruise ships on the Mississippi River and Fort Madison is one of their designated stops. Each season they have 20 to 25 stops in Fort Madison. Each ship carries between 150 and 200 guests and they stop in Fort Madison for five to ten hours. While they are in town, these visitors can take a tour of local sites and attractions and they visit downtown Fort Madison. This has a small, but positive impact on our local economy.

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. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to David A. Varley, City Manager, City of Fort Madison, P.O. Box 240, Fort Madison, Iowa 52627.

BASIC FINANCIAL STATEMENTS

City of Fort Madison
Cash Basis Statement of Activities and Net Position
As of and for the Year Ended June 30, 2021

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service and Sales	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Governmental activities:							
Public safety	\$ 3,866,752	\$ 28,731	\$ 54,847	\$ -	\$ (3,783,174)	\$ -	\$ (3,783,174)
Public works	1,397,690	-	1,665,253	-	267,563	-	267,563
Culture and recreation	2,257,872	124,451	1,395,505	-	(737,916)	-	(737,916)
Community and economic development	1,006,964	22,995	-	-	(983,969)	-	(983,969)
General government	1,435,721	132,842	718,257	-	(584,622)	-	(584,622)
Debt service	650,563	-	-	-	(650,563)	-	(650,563)
Capital projects	5,709,720	-	-	1,943,811	(3,765,909)	-	(3,765,909)
Total governmental activities	<u>16,325,282</u>	<u>309,019</u>	<u>3,833,862</u>	<u>1,943,811</u>	<u>(10,238,590)</u>	<u>-</u>	<u>(10,238,590)</u>
Business type activities:							
Water	3,077,615	3,452,585	31,351	-	-	406,321	406,321
Sewer	3,637,531	3,406,704	569,384	-	-	338,557	338,557
Solid waste	711,594	794,110	-	-	-	82,516	82,516
Airport	90,390	46,631	57,497	-	-	13,738	13,738
Total business type activities	<u>7,517,130</u>	<u>7,700,030</u>	<u>658,232</u>	<u>-</u>	<u>-</u>	<u>841,132</u>	<u>841,132</u>
Total	<u>\$ 23,842,412</u>	<u>\$ 8,009,049</u>	<u>\$ 4,492,094</u>	<u>\$ 1,943,811</u>	<u>(10,238,590)</u>	<u>841,132</u>	<u>(9,397,458)</u>
General Receipts and Transfers:							
Property and other city tax levied for:							
General purposes					4,447,198	-	4,447,198
Debt service					508,783	-	508,783
State backfill					38,440	-	38,440
Tax increment financing					264,862	-	264,862
Local option sales tax					1,582,499	-	1,582,499
Unrestricted investment earnings					242,724	56,185	298,909
Bond proceeds					676,245	-	676,245
Transfers					285,513	(285,513)	-
Miscellaneous					698,062	173,388	871,450
Total general receipts and transfers					<u>8,744,326</u>	<u>(55,940)</u>	<u>8,688,386</u>
Change in cash basis net position					(1,494,264)	785,192	(709,072)
Cash basis net position beginning of year					<u>14,682,222</u>	<u>1,814,813</u>	<u>16,497,035</u>
Cash basis net position end of year					<u>\$ 13,187,958</u>	<u>\$ 2,600,005</u>	<u>\$ 15,787,963</u>
Cash Basis Net Position							
Restricted:							
Nonexpendable					\$ 223,347	\$ -	\$ 223,347
Expendable					14,230,370	203,010	14,433,380
Unrestricted					<u>(1,265,759)</u>	<u>2,396,995</u>	<u>1,131,236</u>
Total cash basis net position					<u>\$ 13,187,958</u>	<u>\$ 2,600,005</u>	<u>\$ 15,787,963</u>

See notes to financial statements.

City of Fort Madison
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2021

	General	Special Revenue				Debt Service	Capital Projects	Other Nonmajor Governmental	Total
		Road Use Tax	Local Option Sales Tax	Urban Renewal TIF	Economic Development				
Receipts:									
Property tax	\$ 2,570,772	\$ -	\$ -	\$ -	\$ -	\$ 508,783	\$ -	\$ 1,544,080	\$ 4,623,635
Tax increment financing	-	-	-	264,862	-	-	-	-	264,862
Other city taxes	139,496	-	1,582,499	-	-	16,767	-	176,083	1,914,845
Use of money and property	66,541	-	-	10,767	-	-	173,364	16,181	266,853
Licenses and permits	136,732	-	-	-	-	-	-	-	136,732
Intergovernmental	590,109	1,653,917	-	-	624,671	16,705	1,566,391	654,868	5,106,661
Charges for services	45,605	-	-	-	-	-	-	54,399	100,004
Special assessments	22,995	-	-	-	-	-	-	-	22,995
Miscellaneous	102,512	13,436	-	-	-	-	5,914	1,310,811	1,432,673
Total receipts	<u>3,674,762</u>	<u>1,667,353</u>	<u>1,582,499</u>	<u>275,629</u>	<u>624,671</u>	<u>542,255</u>	<u>1,745,669</u>	<u>3,756,422</u>	<u>13,869,260</u>
Disbursements:									
Governmental activities:									
Public safety	3,854,330	-	-	-	-	-	-	62,225	3,916,555
Public works	-	1,421,448	-	-	-	-	-	-	1,421,448
Culture and recreation	888,880	-	-	-	-	-	-	1,385,004	2,273,884
Community and economic development	195,738	-	-	188,177	626,826	-	-	-	1,010,741
General government	1,071,368	-	-	-	-	-	-	358,053	1,429,421
Debt service	-	-	-	-	-	650,563	-	-	650,563
Capital projects	-	-	-	-	584,882	-	5,124,838	-	5,709,720
Total disbursements	<u>6,010,316</u>	<u>1,421,448</u>	<u>-</u>	<u>188,177</u>	<u>1,211,708</u>	<u>650,563</u>	<u>5,124,838</u>	<u>1,805,282</u>	<u>16,412,332</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	(2,335,554)	245,905	1,582,499	87,452	(587,037)	(108,308)	(3,379,169)	1,951,140	(2,543,072)
Other financing sources (uses):									
Bond proceeds	-	-	-	-	676,245	-	-	-	676,245
Operating transfers in (out)	<u>2,532,277</u>	<u>(20,000)</u>	<u>(1,582,499)</u>	<u>(26,280)</u>	<u>(7,175)</u>	<u>122,688</u>	<u>639,477</u>	<u>(1,372,975)</u>	<u>285,513</u>
Net change in cash balances	196,723	225,905	-	61,172	82,033	14,380	(2,739,692)	578,165	(1,581,314)
Cash balances beginning of year	<u>890,549</u>	<u>370,304</u>	<u>-</u>	<u>608,952</u>	<u>(266,304)</u>	<u>34,502</u>	<u>10,621,212</u>	<u>2,075,355</u>	<u>14,334,570</u>
Cash balances end of year	<u>\$ 1,087,272</u>	<u>\$ 596,209</u>	<u>\$ -</u>	<u>\$ 670,124</u>	<u>\$ (184,271)</u>	<u>\$ 48,882</u>	<u>\$ 7,881,520</u>	<u>\$ 2,653,520</u>	<u>\$ 12,753,256</u>
Cash Basis Fund Balances									
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 223,347	\$ 223,347
Restricted	-	596,209	-	670,124	-	48,882	11,619,467	1,295,688	14,230,370
Assigned	-	-	-	-	-	-	258,856	1,139,485	1,398,341
Unassigned	<u>1,087,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(184,271)</u>	<u>-</u>	<u>(3,996,803)</u>	<u>(5,000)</u>	<u>(3,098,802)</u>
Total cash basis fund balances	<u>\$ 1,087,272</u>	<u>\$ 596,209</u>	<u>\$ -</u>	<u>\$ 670,124</u>	<u>\$ (184,271)</u>	<u>\$ 48,882</u>	<u>\$ 7,881,520</u>	<u>\$ 2,653,520</u>	<u>\$ 12,753,256</u>

See notes to financial statements.

City of Fort Madison
Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position
Governmental Funds
As of and for the Year Ended June 30, 2021

Total governmental funds cash balances (page 12) \$ 12,753,256

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

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

434,702

Cash basis net position of governmental activities (page 11) \$ 13,187,958

Change in cash balances (page 12) \$ (1,581,314)

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

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

87,050

Change in cash basis net position of governmental activities (page 11) \$ (1,494,264)

See notes to financial statements.

City of Fort Madison
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the Year Ended June 30, 2021

	Enterprise				Total	Internal
	Water	Sewer	Solid Waste	Airport		Employee Health
Operating Receipts:						
Charges for service	\$ 3,441,182	\$ 3,393,760	\$ 789,069	\$ 46,631	\$ 7,670,642	\$ 259,398
Total operating receipts	<u>3,441,182</u>	<u>3,393,760</u>	<u>789,069</u>	<u>46,631</u>	<u>7,670,642</u>	<u>259,398</u>
Operating Disbursements:						
Public safety	-	-	-	-	-	57,149
Public works	-	-	-	-	-	6,941
Culture and recreation	-	-	-	-	-	1,386
General government	-	-	-	-	-	22,045
Business type activities	1,845,332	1,323,154	562,430	61,552	3,792,468	44,493
Total operating disbursements	<u>1,845,332</u>	<u>1,323,154</u>	<u>562,430</u>	<u>61,552</u>	<u>3,792,468</u>	<u>132,014</u>
Excess of operating receipts over operating disbursements	<u>1,595,850</u>	<u>2,070,606</u>	<u>226,639</u>	<u>(14,921)</u>	<u>3,878,174</u>	<u>127,384</u>
Non-operating receipts (disbursements):						
Special assessments	11,403	12,944	5,041	-	29,388	-
Intergovernmental	124,940	569,384	-	57,497	751,821	-
Interest on investments	40,285	3,021	10,923	1,956	56,185	-
Customer deposits	21,325	-	-	-	21,325	-
Miscellaneous	31,351	-	19,450	7,673	58,474	-
Capital projects	(420,965)	(827,396)	(149,946)	(28,838)	(1,427,145)	-
Debt service	(838,927)	(1,498,924)	-	-	(2,337,851)	-
Net non-operating receipts (disbursements)	<u>(1,030,588)</u>	<u>(1,740,971)</u>	<u>(114,532)</u>	<u>38,288</u>	<u>(2,847,803)</u>	<u>-</u>
Excess of receipts over disbursements	565,262	329,635	112,107	23,367	1,030,371	127,384
Transfers in (out)	<u>(70,000)</u>	<u>(165,513)</u>	<u>(50,000)</u>	<u>-</u>	<u>(285,513)</u>	<u>-</u>
Change in cash balances	495,262	164,122	62,107	23,367	744,858	127,384
Cash balances beginning of year	<u>1,439,624</u>	<u>(376,349)</u>	<u>485,374</u>	<u>75,254</u>	<u>1,623,903</u>	<u>538,562</u>
Cash balances end of year	<u>\$ 1,934,886</u>	<u>\$ (212,227)</u>	<u>\$ 547,481</u>	<u>\$ 98,621</u>	<u>\$ 2,368,761</u>	<u>\$ 665,946</u>
Cash Basis Fund Balances						
Restricted for equipment replacement	\$ 126,000	\$ 69,096	\$ -	\$ -	\$ 195,096	-
Restricted for capital projects	7,914	-	-	-	7,914	-
Unrestricted	<u>1,800,972</u>	<u>(281,323)</u>	<u>547,481</u>	<u>98,621</u>	<u>2,165,751</u>	<u>665,946</u>
Total cash basis fund balances	<u>\$ 1,934,886</u>	<u>\$ (212,227)</u>	<u>\$ 547,481</u>	<u>\$ 98,621</u>	<u>\$ 2,368,761</u>	<u>\$ 665,946</u>

See notes to financial statements.

City of Fort Madison
Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position
Proprietary Funds
As of and for the Year Ended June 30, 2021

Total enterprise funds cash balances (page 14) \$ 2,368,761

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

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

231,244

Cash basis net position of business type activities (page 11) \$ 2,600,005

Change in cash balances (page 14) \$ 744,858

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

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

40,334

Change in cash basis net position of business type activities (page 11) \$ 785,192

See notes to financial statements.

City of Fort Madison
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The City of Fort Madison (City) is a political subdivision of the State of Iowa located in Lee County. It was incorporated in 1838 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities, solid waste removal, and a municipal airport for its citizens.

Reporting Entity

For financial reporting purposes, the City 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 (GASB) 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.

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: Planning and Zoning Commission, Board of Adjustments, Airport Commission, Great River Regional Waste Authority, 28E purchasing arrangements, regional planning commission, E911 joint service boards, Southeast Iowa area safety support organizations, ambulance associations, and drug task force.

Basis of Presentation

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

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

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

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

City of Fort Madison
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

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

The Economic Development Fund is used to account for improvements to the economic growth of the City.

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 with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

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

City of Fort Madison
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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

The Enterprise, Solid Waste Fund accounts for the operation and maintenance of the City's garbage pick-up system.

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

The City also reports the following proprietary fund:

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

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 accounting principles generally accepted in the United States of America.

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

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

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

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 1 1/2% per month penalty for delinquent payments; is based on January 1, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

City of Fort Madison
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

Committed - Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Council.

Assigned - Amounts the City Council intends to use for specific purpose.

Unassigned - All amounts not included in the preceding classifications.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements did not exceed the amount budgeted in any category.

Subsequent Events

The City performed an evaluation of subsequent events through February 15, 2022, which is the date the financial statements were issued. There were no subsequent events that required disclosure or recognition in the financial statements as of June 30, 2021.

Note 2. Cash and Cash Equivalents

The City's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

At June 30, 2021, the City had an investment in a certificate of deposit totaling \$2,000,000 with a maturity of March 21, 2022.

The City had no investments meeting the disclosure requirements of GASB Statement No. 40. The City received \$312,052 in interest income during the year.

City of Fort Madison
Notes to Financial Statements

Note 3. Self-Insured Health Benefits

The City of Fort Madison has agreed to provide certain health benefits to its employees. The City pays 100% of the premium for health insurance for all full-time employees selecting single coverage. For full-time employees selecting family coverage, the City pays the cost of single coverage plus 81.75% of the premium difference between single and family coverage. The City reimburses employees for their deductible after the employees have reached their out-of-pocket maximum of \$6,000 per individual and \$12,000 per family. The City's maximum reimbursement for the period January 1, 2021 to December 31, 2021 is \$308,000. The City's cost related to this reimbursement for the year ended June 30, 2021 was \$132,014.

Note 4. Post-Closure Care Costs

The City was previously a member of the Lee County Solid Waste Commission, a political subdivision pursuant to the Code of Iowa Chapter 28E. The landfill was closed in 1990 and is required to perform certain maintenance and monitoring functions at the site for thirty years after closure. The City paid \$17,651 for the year ended June 30, 2021 for these costs.

Note 5. Deficit Balance

The following Funds had deficit balances at June 30, 2021:

Special Revenue, Economic Development	\$ (184,271)
Enterprise, Sewer	(212,227)

Note 6. Bonds and Notes Payable

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 5,480,000	\$ -	\$ 470,000	\$ 5,010,000	\$ 495,000
Capital loan notes	215,515	-	54,080	161,435	52,284
Urban renewal tax increment	<u>204,208</u>	<u>-</u>	<u>14,000</u>	<u>190,208</u>	<u>15,000</u>
Governmental activities total	<u>\$ 5,899,723</u>	<u>\$ -</u>	<u>\$ 538,080</u>	<u>\$ 5,361,643</u>	<u>\$ 562,284</u>
Business type activities:					
Water revenue bonds/notes	\$ 13,968,145	\$ -	\$ 506,890	\$ 13,461,255	\$ 531,229
Sewer revenue bonds/notes	<u>24,351,721</u>	<u>676,245</u>	<u>885,721</u>	<u>24,142,245</u>	<u>951,000</u>
Business-type activities total	<u>\$ 38,319,866</u>	<u>\$ 676,245</u>	<u>\$ 1,392,611</u>	<u>\$ 37,603,500</u>	<u>\$ 1,482,229</u>

City of Fort Madison
Notes to Financial Statements

Note 6. Bonds and Notes Payable (continued)

General Obligation Bonds and Capital Loan Notes

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

<u>Year Ending June 30,</u>	General Obligation Bonds					
	Issued August 22, 2013			Issued November 18, 2015		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2022	3.00%	\$ 290,000	\$ 151,513	2.00%	\$ 205,000	\$ 16,700
2023	3.00%	300,000	142,813	2.00%	205,000	12,600
2024	3.00%	305,000	133,813	2.00%	210,000	8,500
2025	3.25%	315,000	124,663	2.00%	215,000	4,300
2026	3.50%	325,000	114,425		-	-
2027-2031	3.50-4.00%	1,810,000	385,175		-	-
2032-2033	4.00%	830,000	50,200		-	-
		\$ 4,175,000	\$ 1,102,602		\$ 835,000	\$ 42,100

<u>Year Ending June 30,</u>	Capital Loan Note					
	Street Sweeper					
	Issued March 19, 2020			Total		
Interest Rate	Principal	Interest	Principal	Interest	Total	
2022	2.89%	\$ 52,284	\$ 4,673	\$ 547,284	\$ 172,886	\$ 720,170
2023	2.89%	53,797	3,160	558,797	158,573	717,370
2024	2.89%	55,354	1,602	570,354	143,915	714,269
2025		-	-	530,000	128,963	658,963
2026		-	-	325,000	114,425	439,425
2027-2031		-	-	1,810,000	385,175	2,195,175
2032-2033		-	-	830,000	50,200	880,200
		\$ 161,435	\$ 9,435	\$ 5,171,435	\$ 1,154,137	\$ 6,325,572

On August 22, 2013, the City issued \$6,000,000 of general obligation bonds with an interest rate of 2.00-4.00% per annum. The bonds were issued to finance various public improvement projects and the acquisition of playground equipment and public safety equipment. During the year ended June 30, 2021, the City paid \$280,000 of principal and \$159,913 of interest on the bonds.

On November 18, 2015, the City issued \$2,095,000 of general obligation bonds with an interest rate of 2.00% per annum. The bonds were issued to reduce interest on outstanding refunding bonds. During the year ended June 30, 2021, the City paid \$190,000 of principal and \$20,500 of interest on the bonds.

On March 19, 2020, the City entered into a government obligation contract for the purchase of a street sweeper with a cost of \$215,515. During the year ended June 30, 2021, the City paid \$54,080 of principal and \$2,877 of interest on the contract.

City of Fort Madison
Notes to Financial Statements

Note 6. Bonds and Notes Payable (continued)

Urban Renewal Tax Increment Financing Revenue Bonds

The City's June 30, 2021 urban renewal tax increment financing revenue bonds payable is as follows:

Year Ending June 30,	Urban Renewal TIF		
	Bluff Subdivision		
	Issued July 1, 2011		
	Interest Rate	Principal	Interest
2022	5.00%	\$ 15,000	\$ 9,450
2023	5.00%	16,000	8,700
2024	5.00%	17,000	7,900
2025	5.00%	18,000	7,050
2026	5.00%	18,000	6,150
2027-2031	5.00%	106,208	16,250
		\$ 190,208	\$ 55,500

The City issued \$290,000 of urban renewal tax increment financing (TIF) revenue bonds in July 2011 for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The bonds are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. For the current year, principal and interest paid and total TIF receipts were \$24,150 and \$275,629, respectively.

Revenue Bonds/Notes

A summary of the City's June 30, 2021 revenue bonds and notes payable is as follows:

Year Ending June 30,	Water Revenue Bonds								
	Issued October 14, 2009			Issued November 18, 2009			Issued December 23, 2009		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2022	1.75%	\$ 259,000	\$ 134,383	1.75%	\$ 50,000	\$ 8,943	1.75%	\$ 61,000	\$ 29,278
2023	1.75%	267,000	129,850	1.75%	51,000	8,068	1.75%	63,000	28,210
2024	1.75%	276,000	125,178	1.75%	53,000	7,175	1.75%	65,000	27,108
2025	1.75%	285,000	120,348	1.75%	55,000	6,248	1.75%	67,000	25,970
2026	1.75%	294,000	115,360	1.75%	57,000	5,285	1.75%	69,000	24,798
2027-2031	1.75%	1,709,000	496,125	1.75%	245,000	10,866	1.75%	380,000	105,070
2032-2036	1.75%	2,386,000	320,688		-	-	1.75%	446,000	69,580
2037-2041	1.75%	2,203,000	107,676		-	-	1.75%	522,000	27,981
		\$7,679,000	\$1,549,608		\$ 511,000	\$ 46,585		\$1,673,000	\$ 337,995

City of Fort Madison
Notes to Financial Statements

Note 6. Bonds and Notes Payable (continued)

Water Revenue Bonds										
Year Ending June 30,	Issued May 11, 2011			Issued October 26, 2011			Issued March 30, 2018			
	Interest			Interest			Interest			
	Rate	Principal	Interest	Rate	Principal	Interest	Rate	Principal	Interest	
2022	3.00%	\$ 75,000	\$ 62,040	3.00%	\$ 11,000	\$ 8,670	3.63%	\$ 75,229	\$ 53,732	
2023	3.00%	78,000	59,790	3.00%	12,000	8,340	3.63%	76,592	51,005	
2024	3.00%	80,000	57,450	3.00%	12,000	7,980	3.63%	77,981	48,228	
2025	3.00%	83,000	55,050	3.00%	12,000	7,620	3.63%	79,394	45,401	
2026	3.00%	85,000	52,560	3.00%	13,000	7,260	3.63%	80,833	42,523	
2027-2031	3.00%	470,000	222,750	3.00%	71,000	30,240	3.63%	426,680	167,587	
2032-2036	3.00%	551,000	147,540	3.00%	82,000	18,990	3.63%	466,775	87,397	
2037-2041	3.00%	<u>415,000</u>	<u>55,260</u>	3.00%	<u>66,000</u>	<u>5,790</u>	3.63%	<u>198,771</u>	<u>10,840</u>	
		<u>\$1,837,000</u>	<u>\$ 712,440</u>		<u>\$ 279,000</u>	<u>\$ 94,890</u>		<u>\$1,482,255</u>	<u>\$ 506,713</u>	

Sewer Revenue Bonds										
Year Ending June 30,	Issued April 19, 2004			Issued October 1, 2008			Issued May 29, 2015			
	Interest			Interest			Interest			
	Rate	Principal	Interest	Rate	Principal	Interest	Rate	Principal	Interest	
2022	1.75%	\$ 43,000	\$ 3,990	1.75%	\$ 82,000	\$ 11,025	1.99%	\$ 97,000	\$ 60,476	
2023	1.75%	44,000	2,700	1.75%	85,000	9,590	1.99%	99,000	58,546	
2024	1.75%	46,000	1,380	1.75%	87,000	8,103	1.99%	101,000	56,576	
2025		-	-	1.75%	90,000	6,580	1.99%	104,000	54,566	
2026		-	-	1.75%	93,000	5,005	1.99%	106,000	52,496	
2027-2031		-	-	1.75%	193,000	5,092	1.99%	566,000	229,905	
2032-2036		-	-		-	-	1.99%	633,000	170,961	
2037-2041		-	-		-	-	1.99%	707,000	105,152	
2042-2046		-	-		-	-	1.99%	<u>626,000</u>	<u>31,501</u>	
		<u>\$ 133,000</u>	<u>\$ 8,070</u>		<u>\$ 630,000</u>	<u>\$ 45,395</u>		<u>\$3,039,000</u>	<u>\$ 820,179</u>	

Sewer Revenue Bonds										
Year Ending June 30,	Issued December 18, 2015			Issued January 20, 2017			Issued August 18, 2017			
	Interest			Interest			Interest			
	Rate	Principal	Interest	Rate	Principal	Interest	Rate	Principal	Interest	
2022	1.75%	\$ 92,000	\$ 25,638	2.05%	\$ 518,000	\$ 362,552	1.75%	\$ 119,000	\$ 38,780	
2023	1.75%	94,000	24,028	2.05%	530,000	352,416	1.75%	121,000	36,698	
2024	1.75%	95,000	22,383	2.05%	542,000	341,551	1.75%	124,000	34,580	
2025	1.75%	97,000	20,720	2.05%	553,000	330,440	1.75%	126,000	32,410	
2026	1.75%	99,000	19,023	2.05%	565,000	319,103	1.75%	129,000	30,205	
2027-2031	1.75%	527,000	68,408	2.05%	3,008,000	1,416,755	1.75%	682,000	116,340	
2032-2036	1.75%	461,000	20,368	2.05%	3,336,000	1,095,295	1.75%	624,000	54,162	
2037-2041		-	-	2.05%	3,695,000	738,984		-	-	
2042-2046		-	-	2.05%	4,093,000	344,175		-	-	
2047		-	-	2.05%	<u>110,245</u>	<u>17,416</u>		-	-	
		<u>\$1,465,000</u>	<u>\$ 200,568</u>		<u>\$16,950,245</u>	<u>\$5,318,687</u>		<u>\$1,925,000</u>	<u>\$ 343,175</u>	

City of Fort Madison
Notes to Financial Statements

Note 6. Bonds and Notes Payable (continued)

Year Ending <u>June 30.</u>	<u>Total</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 1,482,229	\$ 799,507	\$ 2,281,736
2023	1,520,592	769,241	2,289,833
2024	1,558,981	737,692	2,296,673
2025	1,551,394	705,353	2,256,747
2026	1,590,833	673,618	2,264,451
2027-2031	8,277,680	2,869,138	11,146,818
2032-2036	8,985,775	1,984,981	10,970,756
2037-2041	7,806,771	1,051,683	8,858,454
2042-2046	4,719,000	375,676	5,094,676
2047-2051	<u>110,245</u>	<u>17,416</u>	<u>127,661</u>
	<u>\$ 37,603,500</u>	<u>\$ 9,984,305</u>	<u>\$ 47,587,805</u>

The City has pledged future water customer receipts, net of specified operating disbursements, to repay six revenue bond issues. The bonds were issued between October 2009 and March 2018. Proceeds from the notes provided financing for the construction of several water system projects and construction of a new water treatment plant. The notes are payable solely from water customer net receipts and are payable through 2041. The total principal and interest remaining to be paid on the notes is \$16,709,486. For the current year, principal and interest paid and total customer net receipts were \$807,898 and \$1,595,850, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay six revenue bond issues. The bonds were issued between April 2004 and August 2017. Proceeds from the notes provided financing for the construction of several sewer system projects and waste water treatment plant rehabilitation. The notes are payable solely from sewer customer net receipts and are payable through 2046. The total principal and interest remaining to be paid on the notes is \$30,878,319. For the current year, principal and interest paid and total customer net receipts were \$1,430,872 and \$2,070,606, respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) Water user charges must be established at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements due in the same year.
- (c) Sewer user charges must be established at a level which produces and maintains net revenues at a level not less than 110% of principal and interest requirements due in the same year.

City of Fort Madison
Notes to Financial Statements

Note 7. Pension and Retirement Benefits

Plan Description

Iowa Public Employees' Retirement System (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 IPERS. IPERS issues a stand-alone financial report which is available to the public by mail at P.O. 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.

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.

City of Fort Madison
Notes to Financial Statements

Note 7. Pension and Retirement Benefits (continued)

Contributions

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

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll for a total rate of 15.73%.

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$293,759.

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

At June 30, 2021, the City reported a liability of \$2,655,678 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.037805%, which was a decrease of 0.001083% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City pension expense, deferred outflows of resources and deferred inflows of resources totaled \$410,282, \$1,033,366 and \$540,858 respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions

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

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

City of Fort Madison
Notes to Financial Statements

Note 7. Pension and Retirement Benefits (continued)

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

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

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

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

Discount Rate

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

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, 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.

City of Fort Madison
Notes to Financial Statements

Note 7. Pension and Retirement Benefits (continued)

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 4,428,118	\$ 2,655,678	\$ 1,169,513

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.

Note 8. Risk Management

The City is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual casualty operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300% of basis rate.

The Pool also provides property coverage. Members who elect such coverage make annual property operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2021 were \$120,589.

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 for risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

City of Fort Madison
Notes to Financial Statements

Note 8. Risk Management (continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2021, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workmen's compensation and various types of liability insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 9. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2021, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 527,496
Sick leave	<u>128,624</u>
	<u>\$ 656,120</u>

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

Note 10. Municipal Fire and Police Retirement System of Iowa (MFPRSI)

Plan Description

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

City of Fort Madison
Notes to Financial Statements

Note 10. Municipal Fire and Police Retirement System of Iowa (MFPRSI) (continued)

MFPRSI benefits are established under Chapter 411 of the Code of Iowa and the administrative rules thereunder. Chapter 411 of the Code of Iowa and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits

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

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

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

Disability and Death Benefits

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

City of Fort Madison
Notes to Financial Statements

Note 10. Municipal Fire and Police Retirement System of Iowa (MFPRSI) (continued)

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

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

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

Contributions

Member contribution rates are set by state statute. In accordance with Chapter 411 of the Code of Iowa, the contribution rate was 9.40% of earnable compensation for the year ended June 30, 2021.

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 25.31% for the year ended June 30, 2021.

The City's contributions to MFPRSI for the year ended June 30, 2021 totaled \$542,594.

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

There were no state appropriations to MFPRSI during the fiscal year ended June 30, 2021.

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2021, the City reported a liability of \$5,381,202 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2020, the City's proportion was 0.006747%, which was a decrease of 0.000151% from its proportion measured as of June 30, 2019.

**City of Fort Madison
Notes to Financial Statements**

Note 10. Municipal Fire and Police Retirement System of Iowa (MFPRSI) (continued)

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$977,492, \$1,615,485 and \$193,551, respectively.

Actuarial Assumptions

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

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period from July 1, 2007 through June 30, 2017.

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

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

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

Discount Rate

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

**City of Fort Madison
Notes to Financial Statements**

Note 10. Municipal Fire and Police Retirement System of Iowa (MFPRSI) (continued)

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

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$ 8,253,716	\$ 5,381,202	\$ 3,001,847

MFPRSI's Fiduciary Net Position

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

Note 11. Conduit Debt Obligations

In the past, the City assisted in several issues of industrial revenue bonds, issued for the purposes of constructing privately owned manufacturing and other related facilities within the City. The bonds are not direct or contingent liabilities of the City, as the revenue from lease agreements and property purchased with the bond proceeds are pledged for the total payment of principal and interest on the bonds and the bondholders can look only to these sources for repayment. The following are the outstanding issues in which the City assisted:

<u>Company</u>	<u>Type</u>	<u>Year Issued</u>	<u>Amount Issued</u>
Fort Madison Community Hospital	Revenue	1996	\$ 3,500,000
WOW, LLC	Revenue	1999	\$ 1,450,000

The City assumes many of these issues have been repaid, but has been unable to determine actual amounts remaining at June 30, 2021.

Note 12. Commitments

The City has committed to the following significant projects as of June 30, 2021:

Seal Coat/Asphalt Overlay	\$ 130,050
SRF Sponsored Parking Lot Projects	160,000
SWAP Bridges	1,999,000
6th - 10th Street Hwy 61	4,107,064
Pool Filters	132,900
Water Main Projects	460,000
Marina/ FEMA projects	3,000,000

City of Fort Madison
Notes to Financial Statements

Note 13. Other Postemployment Benefits (OPEB)

Plan Description

The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2021, the City contributed \$1,177,578, and plan members eligible for benefits contributed \$136,190 to the plan. The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits

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

Retired participants must be age 55 or older at retirement. At June 30, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active employees	<u>87</u>
Total	<u>92</u>

Note 14. Tax Abatements

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

City Tax Abatements

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

For the year ended June 30, 2021, \$84,016 of property tax was diverted from the City under the urban renewal and economic development agreements.

City of Fort Madison
Notes to Financial Statements

Note 15. Cash Basis Fund Balances

The detail of the governmental fund cash basis fund balances for the year ended June 30, 2021 is as follows:

	General	Road Use Tax	Urban Renewal TIF	Economic Development	Debt Service	Capital Projects	Other Nonmajor Governmental	Total
Nonspendable for cemetery perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 223,347	\$ 223,347
Restricted for:								
Road use purposes	-	596,209	-	-	-	-	-	596,209
Urban renewal projects	-	-	670,124	-	-	-	-	670,124
Debt service	-	-	-	-	48,882	-	-	48,882
Employee benefits	-	-	-	-	-	-	807,521	807,521
Police/fire retirement	-	-	-	-	-	-	405,981	405,981
Library building maintenance	-	-	-	-	-	-	12,122	12,122
Park improvements	-	-	-	-	-	111,745	-	111,745
Highway 61 improvements	-	-	-	-	-	11,507,722	-	11,507,722
Other purposes	-	-	-	-	-	-	70,064	70,064
Assigned to:								
Library donations	-	-	-	-	-	-	34,165	34,165
Emergency tax levy	-	-	-	-	-	-	54,963	54,963
Flood damage	-	-	-	-	-	-	246,383	246,383
Hotel/motel tax	-	-	-	-	-	-	88,393	88,393
Other purposes	-	-	-	-	-	258,856	715,581	974,437
Unassigned	<u>1,087,272</u>	<u>-</u>	<u>-</u>	<u>(184,271)</u>	<u>-</u>	<u>(3,996,803)</u>	<u>(5,000)</u>	<u>(3,098,802)</u>
Total	<u>\$ 1,087,272</u>	<u>\$ 596,209</u>	<u>\$ 670,124</u>	<u>\$ (184,271)</u>	<u>\$ 48,882</u>	<u>\$ 7,881,520</u>	<u>\$ 2,653,520</u>	<u>\$ 12,753,256</u>

Note 16. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

Transfer to:	
General	\$ 2,903,997
Debt service	122,688
Capital projects	1,217,249
Nonmajor governmental	233,206
Water	856,930
Sewer	<u>2,044,925</u>
	<u>\$ 7,378,995</u>
Transfer from:	
General	\$ 371,720
Road use tax	20,000
Local option sales tax	1,582,499
Urban renewal TIF	26,280
Economic development	7,175
Capital projects	577,772
Nonmajor governmental	1,606,181
Water	926,930
Sewer	2,210,438
Solid waste	<u>50,000</u>
	<u>\$ 7,378,995</u>

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

City of Fort Madison
Notes to Financial Statements

Note 17. Prospective Accounting Change

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

Note 18. COVID-19

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

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

OTHER INFORMATION

City of Fort Madison
Budgetary Comparison Schedule
of Receipts, Disbursements and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds
Other Information
Year Ended June 30, 2021

	Governmental Fund Types <u>Actual</u>	Proprietary Fund Type <u>Actual</u>	Less Funds Not Required to be <u>Budgeted</u>	<u>Net</u>	Budget <u>Original</u>	Budget <u>Final</u>	Final to Actual Variance Favorable <u>(Unfavorable)</u>
Receipts:							
Property tax	\$ 4,623,635	\$ -	\$ -	\$ 4,623,635	\$ 4,501,226	\$ 4,501,226	\$ 122,409
Tax increment financing collections	264,862	-	-	264,862	261,180	261,180	3,682
Other taxes	1,914,845	-	-	1,914,845	1,695,106	2,010,516	(95,671)
Use of money and property	266,853	56,185	-	323,038	314,500	314,500	8,538
Licenses and permits	136,732	-	-	136,732	120,700	120,700	16,032
Intergovernmental	5,106,661	751,821	-	5,858,482	6,367,660	6,655,660	(797,178)
Charges for services	100,004	7,930,040	259,398	7,770,646	8,828,420	8,828,420	(1,057,774)
Special assessments	22,995	29,388	-	52,383	-	-	52,383
Miscellaneous	<u>1,432,673</u>	<u>79,799</u>	<u>-</u>	<u>1,512,472</u>	<u>3,441,850</u>	<u>3,853,350</u>	<u>(2,340,878)</u>
Total receipts	<u>13,869,260</u>	<u>8,847,233</u>	<u>259,398</u>	<u>22,457,095</u>	<u>25,530,642</u>	<u>26,545,552</u>	<u>(4,088,457)</u>
Disbursements:							
Public safety	3,916,555	57,149	57,149	3,916,555	4,127,000	4,127,000	210,445
Public works	1,421,448	6,941	6,941	1,421,448	1,665,100	1,665,100	243,652
Culture and recreation	2,273,884	1,386	1,386	2,273,884	2,599,230	2,599,230	325,346
Community and economic development	1,010,741	-	-	1,010,741	1,153,660	1,153,660	142,919
General government	1,429,421	22,045	22,045	1,429,421	2,251,740	2,832,530	1,403,109
Debt service	650,563	-	-	650,563	674,940	674,940	24,377
Capital projects	5,709,720	-	-	5,709,720	13,116,110	13,116,110	7,406,390
Business type	-	7,601,957	44,493	7,557,464	9,049,720	9,049,720	1,492,256
Total disbursements	<u>16,412,332</u>	<u>7,689,478</u>	<u>132,014</u>	<u>23,969,796</u>	<u>34,637,500</u>	<u>35,218,290</u>	<u>11,248,494</u>
Excess (deficiency) of receipts over (under) disbursements	(2,543,072)	1,157,755	127,384	(1,512,701)	(9,106,858)	(8,672,738)	7,160,037
Other financing sources, net	<u>961,758</u>	<u>(285,513)</u>	<u>-</u>	<u>676,245</u>	<u>-</u>	<u>-</u>	<u>676,245</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,581,314)	872,242	127,384	(836,456)	(9,106,858)	(8,672,738)	7,836,282
Cash balances beginning of year	<u>14,334,570</u>	<u>2,162,465</u>	<u>538,562</u>	<u>15,958,473</u>	<u>18,633,487</u>	<u>18,633,487</u>	<u>(2,675,014)</u>
Cash balances end of year	<u>\$ 12,753,256</u>	<u>\$ 3,034,707</u>	<u>\$ 665,946</u>	<u>\$ 15,122,017</u>	<u>\$ 9,526,629</u>	<u>\$ 9,960,749</u>	<u>\$ 5,161,268</u>

See accompanying independent auditor's report.

City of Fort Madison
Notes to Other Information - Budgetary Reporting
June 30, 2021

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

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

Formal and legal budgetary control is based upon eight major classes of disbursements known as functions, not by fund. These eight functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, a budget amendment increased budgeted disbursements by \$580,790. The budget amendment is reflected in the final budgeted amounts.

See accompanying independent auditor's report.

City of Fort Madison
Schedule of the City's Proportionate Share of the Net Pension Liability
Iowa Public Employees' Retirement System
For the Last Seven Years*
(In Thousands)
Other Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.037805%	0.038887%	0.039005%	0.038226%	0.037976%	0.038383%	0.038156%
City's proportionate share of the net pension liability	\$2,656	\$2,252	\$2,468	\$2,546	\$2,390	\$1,896	\$1,544
City's covered-employee payroll	\$2,998	\$2,956	\$2,934	\$2,859	\$2,732	\$2,632	\$2,542
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	88.59%	76.18%	84.12%	89.05%	87.48%	72.04%	60.74%
Plan fiduciary net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%	81.82%	85.19%	87.61%

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

See accompanying independent auditor's report.

**City of Fort Madison
Schedule of the City Contributions
Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)
Other Information**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 294	\$ 283	\$ 279	\$ 262	\$ 255	\$ 244	\$ 235	\$ 227	\$ 223	\$ 213
Contributions in relation to the statutorily required contribution	<u>(294)</u>	<u>(283)</u>	<u>(279)</u>	<u>(262)</u>	<u>(255)</u>	<u>(244)</u>	<u>(235)</u>	<u>(227)</u>	<u>(223)</u>	<u>(213)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered-employee payroll	\$ 3,112	\$ 2,998	\$ 2,956	\$ 2,934	\$ 2,859	\$ 2,732	\$ 2,632	\$ 2,542	\$ 2,572	\$ 2,639
Contributions as a percentage of covered-employee payroll	9.44 %	9.44 %	9.44 %	8.93 %	8.93 %	8.93 %	8.93 %	8.93 %	8.67 %	8.07 %

See accompanying independent auditor's report.

City of Fort Madison
Notes to Other Information – IPERS Pension Liability
Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

See accompanying independent auditor's report.

City of Fort Madison
Schedule of the City's Proportionate Share of the Net Pension Liability
Municipal Fire and Police Retirement System of Iowa
For the Last Seven Years*
(In Thousands)
Other Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
City's proportion of the net pension liability	0.006747%	0.006898%	0.722057%	0.720401%	0.710751%	0.710554%	0.683372%
City's proportionate share of the net pension liability	\$5,381	\$4,524	\$4,299	\$4,504	\$4,444	\$3,338	\$2,575
City's covered-employee payroll	\$2,143	\$2,088	\$2,099	\$2,040	\$1,926	\$1,865	\$1,743
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	251.10%	216.67%	204.81%	220.78%	230.74%	178.98%	147.73%
Plan fiduciary net position as a percentage of the total pension liability	76.47%	79.94%	81.07%	80.60%	78.20%	83.04%	86.27%

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

See accompanying independent auditor's report.

**City of Fort Madison
Schedule of City Contributions
Municipal Fire and Police Retirement System of Iowa
Last 10 Fiscal Years
(In Thousands)
Other Information**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 543	\$ 523	\$ 543	\$ 539	\$ 529	\$ 535	\$ 567	\$ 525	\$ 433	\$ 422
Contributions in relation to the statutorily required contribution	<u>(543)</u>	<u>(523)</u>	<u>(543)</u>	<u>(539)</u>	<u>(529)</u>	<u>(535)</u>	<u>(567)</u>	<u>(525)</u>	<u>(433)</u>	<u>(422)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered-employee payroll	\$ 2,144	\$ 2,143	\$ 2,088	\$ 2,099	\$ 2,040	\$ 1,926	\$ 1,865	\$ 1,743	\$ 1,658	\$ 1,704
Contributions as a percentage of covered-employee payroll	25.31 %	24.41 %	26.02 %	25.68 %	25.92 %	27.77 %	30.41 %	30.12 %	26.12 %	24.76 %

See accompanying independent auditor's report.

City of Fort Madison
Notes to Other Information – MFPRSI Pension Liability
Year ended June 30, 2021

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

The 2018 valuation changed postretirement mortality rates to the RP-2014 Blue Collar Healthy Annuitant Table with males set-forward zero years, females set-forward two years and disabled individuals set-forward three years (male only rates), with generational projection of future mortality improvement with 50% of Scale BB beginning in 2017.

The 2017 valuation added five years projection of future mortality improvement with Scale BB.

The 2016 valuation changed postretirement mortality rates to the RP-2000 Blue Collar Combined Healthy Mortality Table with males set-back two years, females set-forward one year and disabled individuals set-forward one year (male only rates), with no projection of future mortality improvement.

The 2015 valuation phased in the 1994 Group Annuity Mortality Table for postretirement mortality. This resulted in a weighting of 1/12 of the 1971 Group Annuity Mortality Table and 11/12 of the 1994 Group Annuity Mortality Table.

The 2014 valuation phased in the 1994 Group Annuity Mortality Table for post-retirement mortality. This resulted in a weighting of 2/12 of the 1971 Group Annuity Mortality Table and 10/12 of the 1994 Group Annuity Mortality Table.

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

City of Fort Madison
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2021

	Special Revenue									Permanent	Total
	Unrestricted Gifts and Misc	Hotel/Motel Tax	Library Donations	Emergency Tax Levy	Public Safety	Friends of Port	Flood Damage	Police/Fire Retirement	Employee Benefits	Cemetery Perpetual Care	
Receipts:											
Property tax	\$ -	\$ -	\$ -	\$ 82,073	\$ -	\$ -	\$ -	\$ 562,619	\$ 899,388	\$ -	\$ 1,544,080
Other city taxes	4	133,219	-	2,279	-	-	-	15,628	24,953	-	176,083
Use of money and property	1,346	3,343	428	-	-	-	-	10,038	1,026	-	16,181
Intergovernmental	110,470	-	-	2,766	5,812	115,056	371,506	18,969	30,289	-	654,868
Charges for service	54,399	-	-	-	-	-	-	-	-	-	54,399
Miscellaneous	130,899	404	13,613	-	24,301	1,133,012	-	-	4,811	3,771	1,310,811
Total receipts	297,118	136,966	14,041	87,118	30,113	1,248,068	371,506	607,254	960,467	3,771	3,756,422
Disbursements:											
Public safety	1,449	-	-	40,479	20,297	-	-	-	-	-	62,225
Culture and recreation	175,402	-	18,964	-	-	1,190,638	-	-	-	-	1,385,004
General government	27,305	53,042	-	-	-	-	277,706	-	-	-	358,053
Total disbursements	204,156	53,042	18,964	40,479	20,297	1,190,638	277,706	-	-	-	1,805,282
Excess (deficiency) of receipts over (under) disbursements	92,962	83,924	(4,923)	46,639	9,816	57,430	93,800	607,254	960,467	3,771	1,951,140
Other financing sources (uses):											
Operating transfer in (out)	102,986	(167,986)	-	-	-	-	130,220	(542,090)	(896,105)	-	(1,372,975)
Change in cash balances	195,948	(84,062)	(4,923)	46,639	9,816	57,430	224,020	65,164	64,362	3,771	578,165
Cash balances beginning of year	110,433	172,455	51,210	8,324	78,410	328,608	22,363	340,817	743,159	219,576	2,075,355
Cash balances end of year	<u>\$ 306,381</u>	<u>\$ 88,393</u>	<u>\$ 46,287</u>	<u>\$ 54,963</u>	<u>\$ 88,226</u>	<u>\$ 386,038</u>	<u>\$ 246,383</u>	<u>\$ 405,981</u>	<u>\$ 807,521</u>	<u>\$ 223,347</u>	<u>\$ 2,653,520</u>
Cash Basis Fund Balances											
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 223,347	\$ 223,347
Restricted	-	-	12,122	-	70,064	-	-	405,981	807,521	-	1,295,688
Assigned	311,381	88,393	34,165	54,963	18,162	386,038	246,383	-	-	-	1,139,485
Unassigned	(5,000)	-	-	-	-	-	-	-	-	-	(5,000)
Total cash basis fund balances	<u>\$ 306,381</u>	<u>\$ 88,393</u>	<u>\$ 46,287</u>	<u>\$ 54,963</u>	<u>\$ 88,226</u>	<u>\$ 386,038</u>	<u>\$ 246,383</u>	<u>\$ 405,981</u>	<u>\$ 807,521</u>	<u>\$ 223,347</u>	<u>\$ 2,653,520</u>

See accompanying independent auditor's report.

City of Fort Madison
Schedule of Receipts by Source and Disbursements by Function-
All Governmental Funds

	Year Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Receipts:										
Property tax	\$ 4,623,635	\$ 4,384,166	\$ 4,439,081	\$ 4,094,512	\$ 4,289,703	\$ 4,337,045	\$ 4,121,570	\$ 3,817,112	\$ 3,680,029	\$ 3,499,904
Tax increment financing	264,862	249,997	186,380	1,049,120	549,052	423,262	814,262	818,967	799,143	907,127
Other city tax	1,914,845	1,647,507	1,547,187	1,628,534	1,920,267	1,853,720	1,780,032	1,438,713	1,393,043	1,414,245
Use of money and property	266,853	312,641	239,837	174,061	186,171	208,113	229,911	202,213	124,293	185,822
Licenses and permits	136,732	132,496	161,895	173,666	115,546	149,217	134,912	129,398	124,084	95,787
Intergovernmental	5,106,661	2,717,165	3,487,587	5,594,657	3,028,098	3,091,196	2,642,137	3,138,707	2,918,645	3,603,496
Charges for service	100,004	230,623	92,430	122,511	173,441	157,991	152,268	182,228	197,800	205,734
Special assessments	22,995	27,332	20,848	14,113	20,973	15,461	11,145	20,071	21,040	5,233
Miscellaneous	<u>1,432,673</u>	<u>628,750</u>	<u>479,886</u>	<u>1,024,924</u>	<u>1,101,735</u>	<u>1,117,635</u>	<u>859,569</u>	<u>14,963,154</u>	<u>1,143,251</u>	<u>723,103</u>
Total	<u>\$13,869,260</u>	<u>\$10,330,677</u>	<u>\$10,655,131</u>	<u>\$13,876,098</u>	<u>\$11,384,986</u>	<u>\$11,353,640</u>	<u>\$10,745,806</u>	<u>\$24,710,563</u>	<u>\$10,401,328</u>	<u>\$10,640,451</u>
Disbursements:										
Public safety	\$ 3,916,555	\$ 4,076,347	\$ 3,835,040	\$ 3,787,450	\$ 3,896,409	\$ 3,807,048	\$ 3,775,098	\$ 3,567,470	\$ 3,639,192	\$ 3,505,490
Public works	1,421,448	1,622,042	1,338,938	1,450,257	1,218,870	1,294,476	1,212,398	1,187,424	1,144,276	1,143,332
Health and social services	-	-	-	-	932	20,526	30,316	47,497	39,639	39,668
Culture and recreation	2,273,884	1,354,498	1,249,941	1,319,847	1,315,339	1,302,725	1,172,275	1,161,799	1,033,637	1,068,703
Community and economic development	1,010,741	1,144,045	1,783,045	4,182,186	2,010,861	1,459,681	2,286,452	3,598,658	2,212,896	2,168,257
General government	1,429,421	1,105,497	905,581	1,649,488	919,301	1,210,134	1,697,903	1,321,169	806,766	709,288
Debt service	650,563	813,083	1,533,806	1,025,901	527,913	2,716,924	564,916	261,091	224,285	203,125
Capital projects	<u>5,709,720</u>	<u>2,447,029</u>	<u>2,007,491</u>	<u>2,011,763</u>	<u>2,918,233</u>	<u>2,761,615</u>	<u>2,386,241</u>	<u>2,149,126</u>	<u>1,461,302</u>	<u>2,135,365</u>
Total	<u>\$16,412,332</u>	<u>\$12,562,541</u>	<u>\$12,653,842</u>	<u>\$15,426,892</u>	<u>\$12,807,858</u>	<u>\$14,573,129</u>	<u>\$13,125,599</u>	<u>\$13,294,234</u>	<u>\$10,561,993</u>	<u>\$10,973,228</u>

See accompanying independent auditor's report.

City of Fort Madison
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

<u>Federal Agency/Pass-Through Agency Program - Grant Title</u>	<u>Assistance Listing Number</u>	<u>Grantor Program Number</u>	<u>Program Expenditures</u>
U.S. Department of Transportation programs:			
Federal Aviation Administration Airport Improvement Program	20.106	3-19-0036-009-2020	\$ 39,647
COVID-19 Federal Aviation Administration Airport Improvement Program	20.106	3-19-0036-010-2020	<u>20,000</u>
Subtotal U.S. Department of Transportation direct programs			<u>59,647</u>
Pass-through from Iowa Department of Transportation:			
Highway Planning and Construction:			
Avenue I Bridge	20.205	BHOS-2697(624)--89--56	19,724
Amtrak Station Platform Grant	20.205	STP-E-2697(612)-8I-56	699,472
Bridge Planning Study	20.205	STP-U-2697(629)-70-56	111,899
Port Trail Phase III	20.205	TAP-U-2697(632)--8I-56	<u>22,222</u>
Program total			<u>853,317</u>
Pass-through from Iowa Department of Public Safety/Governor's Traffic Safety Bureau:			
State and Community Highway Safety Grant	20.600	PAP 20-402-M0PT, Task 16-00-00	1,249
State and Community Highway Safety Grant	20.600	PAP 21-402-M0PT, Task 17-00-00	<u>2,663</u>
Program total			<u>3,912</u>
Total U.S. Department of Transportation			<u>916,876</u>
U.S. Department of Homeland Security program:			
Pass-through from Iowa Homeland Security and Emergency Management Division			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	#4421-DR-IA	290,142
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	#4483-DR-IA	<u>246,496</u>
Total U.S. Department of Homeland Security			<u>536,638</u>
U.S. Department of Justice programs:			
Bureau of Justice Assistance - Bulletproof Vest Partnership Program	16.607	FY 2020	<u>1,355</u>
Pass-through from Iowa Governor's Office of Drug Control Policy and Lee County, Iowa			
Byrne/Iowa - Justice Assistance Grant (JAG)	16.738	Grant#18-JAG-348834	<u>11,600</u>
Project Safe Neighborhoods Through Prevention and Deterrence (GHOST)	16.609	Grant#18-PSN-06	<u>414</u>
Public Safety Partnership and Community Policing Grants - Methamphetamine Drug Hot Spots Grant Program	16.710	Grant#18 - CAMP-07	456
Public Safety Partnership and Community Policing Grants - Methamphetamine Drug Hot Spots Grant Program	16.710	Grant#19 - CAMP-07	<u>695</u>
Program total			<u>1,151</u>
Subtotal U.S. Department of Justice pass-through programs			<u>13,165</u>
Total U.S. Department of Justice			<u>14,520</u>
Total expenditures of federal awards			<u>\$ 1,468,034</u>

See accompanying independent auditor's report.

City of Fort Madison
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Fort Madison under programs of the federal government for the year ended June 30, 2021. The information on this Schedule is presented in accordance with the requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Fort Madison, it is not intended to and does not present the financial position, changes in financial position or cash flows of City of Fort Madison.

Summary of Significant Accounting Policies - Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The expenditures reported on the Schedule included cash disbursements of \$101,334 that were paid prior to the fiscal year ended June 30, 2021 due to the project being approved in the current fiscal year end.

Indirect Cost Rate - The City of Fort Madison has elected to not use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor's report.

**City of Fort Madison
Miscellaneous Statistical Section
Major Area Employers**

<u>Name</u>	<u>Product</u>	<u>Approximate Number of Employees</u>
Conagra Brands	Canned meats and shelf stable microwavables	600
Fort Madison Community Hospital	Healthcare	450
Scotts Co.	Consumer products for home, lawn and garden	430
Siemens Gamesa	Blades for wind turbines	425
Iowa State Penitentiary	Corrections facility	400
Fort Madison Community School District	Education	360
IA Fertilizer Company	Nitrogen fertilizer and other natural gas-based chemicals	256
Climax Molybdenum Company, Division of AMAX	Molybdenum chemicals and sulfuric acid	180
Silgan Containers Corp.	Soft drawn aluminum containers	165
Gregory Design and Manufacturing	Design and manufacture various types of racks	150

See accompanying independent auditor's report.

**City of Fort Madison
Miscellaneous Statistical Section**

Date of Incorporation	January 18, 1838
Form of Government	Mayor-Council with Full-Time City Manager
Area	16.58 square miles
Fire Protection:	
Number of stations	1
Number of employees	16
Police Protection:	
Number of stations	1
Number of employees	19
Recreation:	
Number of parks	9
Number of acres	238.2
Cemeteries	4
Airports	1
Employees:	
Permanent	85
Permanent part time	21
Schools:	
Public	4
Parochial	2
2020-21 Tax Rates:	
City	15.07425
County	8.25502
School	12.7493
Merged Area College	1.18723
Other	<u>0.57739</u>
Total	<u>37.84319</u>
Population:	
2020	10,270
2010	11,051
2000	11,476
1990	11,618
1980	13,520
1970	13,966
1960	15,247
1950	14,954
1940	14,063
1930	13,779

See accompanying independent auditor's report.



CPA ASSOCIATES PC
CERTIFIED PUBLIC ACCOUNTANTS

401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / fax: 319 752 8644 / info@cpaapc.com

**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***

Honorable Mayor and
Members of the City Council
City of Fort Madison, Iowa

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fort Madison, Iowa (City), as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 15, 2022. 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 accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings as item II-A-21 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

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

City's Responses to the Findings

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

Purpose of this Report

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

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

CPA Associates PC

February 15, 2022



C P A A S S O C I A T E S P C
C E R T I F I E D P U B L I C A C C O U N T A N T S

401 South Roosevelt Avenue - Suite 2A, PO Box 547, Burlington, IA 52601 / 319 752 6348 / fax: 319 752 8644 / info@cpaapc.com

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

To the Honorable Mayor and Members of the City Council
City of Fort Madison, Iowa

Report on Compliance for Each Major Federal Program

We have audited the City of Fort Madison, Iowa's (City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended June 30, 2021. The City's major federal program is identified in Part I of the accompanying Schedule of Findings.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Other Matters

We did not identify any instances of noncompliance required to be reported in accordance with Uniform Guidance.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance, described in the accompanying Schedule of Findings as item 2021-001 (III-A-21), we consider to be a significant deficiency.

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

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

CPA Associates PC

February 15, 2022

**City of Fort Madison
Schedule of Findings
Year Ended June 30, 2021**

Part I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was AL Number 20.205 - U.S. Department of Transportation - Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Fort Madison did not qualify as a low-risk auditee.

**City of Fort Madison
Schedule of Findings
Year Ended June 30, 2021**

Part II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCY:

II-A-21 Segregation of Duties

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

Condition - One individual in the City has control over the cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal. This same individual also reviews payroll and prints disbursement checks which are electronically signed when printed.

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

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

Recommendation - The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - The City will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

Conclusion - Response accepted.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

**City of Fort Madison
Schedule of Findings
Year Ended June 30, 2021**

Part III: Findings For Federal Awards

INTERNAL CONTROL DEFICIENCY:

AL Number 20.205: Highway Planning and Construction

**Pass-through Entity Identifying Numbers: 05-15-HBP-S-017, STP-E-2697(612)--8I-56,
#19-TAP-136, 05-17-STP-U-042**

Prior Year Finding Number: III-A-20

Federal Award Years: 2008, 2015, 2019, and 2020

U.S. Department of Transportation

Iowa Department of Transportation

III-A-21 Segregation of Duties over Federal Receipts - The City did not properly segregate collection, deposit (2021-001) and record keeping for receipts, including those related to federal programs. See item II-A-21.

Part IV: Other Findings Related to Required Statutory Reporting

IV-A-21 Certified Budget - Disbursements during the year ended June 30, 2021 did not exceed the amounts budgeted in any function.

IV-B-21 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-C-21 Restricted Donor Activity - No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

IV-D-21 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Karl Judd, Police Officer, Owner of Hill Printing	Printing Services	\$ 602

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

IV-E-21 Revenue Bonds and Notes - No instances of non-compliance with the revenue bond and note resolutions were noted.

IV-F-21 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-G-21 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-H-21 City Council Minutes - No transactions were found that we believe should have been approved in the City Council minutes but were not.

**City of Fort Madison
Schedule of Findings
Year Ended June 30, 2021**

Part IV: Other Findings Related to Required Statutory Reporting (continued)

IV-I-21 Financial Condition - At June 30, 2021, the following funds had deficit balances:

Special Revenue, Economic Development	\$ (184,271)
Enterprise, Sewer	(212,227)

Recommendation - The City should explore options to eliminate these deficits and return these accounts to sound financial position.

Response - The deficit in Special Revenue, Economic Development is for funds that have been used for abandoned properties that the City will receive revenues to cover the expenses. The deficit also includes the expenses for the State Revolving Loan Project for the rehab of four parking lots. The project was not completed in fiscal 2021. Upon completion of the project a reimbursement request will be made to cover the expenses. The Sewer fund will have the deficit eliminated in fiscal 2022.

Conclusion - Response accepted.

IV-J-21 Delinquent Utility Accounts - At June 30, 2021, nine employees or council members had delinquent utility accounts.

Recommendation - We recommend that the City emphasizes to employees and council members that they are setting an example to the community by their actions.

Response - We will encourage employees and council members to pay their utility bills by their due date.

Conclusion - Response accepted.

IV-K-21 Urban Renewal Tax Increment Fund - Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. Indebtedness incurred is to be used to pay the principal and interest on the certified indebtedness.

The Urban Renewal Tax Increment Fund appears to have an excess balance. The City no longer has debt to repay in several TIF districts and maintains a balance for these districts.

Recommendation - The City should consult TIF counsel to determine the disposition of the excess TIF funds.

Response - The City will consult TIF counsel.

Conclusion - Response accepted.

IV-L-21 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

**City of Fort Madison
Schedule of Findings
Year Ended June 30, 2021**

Part IV: Other Findings Related to Required Statutory Reporting (continued)

IV-M-21 Annual Financial Report - The City's State of Iowa Financial Report for fiscal year ended June 30, 2020, improperly omitted \$215,515 of indebtedness under a contract for a street sweeper purchase.

Recommendation - We recommend that the City review its internal controls for reporting indebtedness on the Annual Report.

Response - We will review the process by which the Annual Report is filed and ensure filings are accurate and complete.

Conclusion - Response accepted.

IV-N-21 Annual Urban Renewal Report - The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1, and no exceptions were noted.

IV-O-21 Employment Documentation - During payroll transaction testing, it was discovered that a City employee did not have a completed I-9 and W-4 on file.

Recommendation - We recommend that the City review its personnel files to ensure all necessary employment documentation is completed and retained.

Response - The City will comply with this recommendation.

Conclusion - Response accepted.

IV-P-21 Cemetery Rates - City Council passed a resolution in 2016 establishing annual rate increases for cemetery lot sales. The correct rate per the resolution is not consistently being charged.

Recommendation - The City should adjust the rate at which cemetery lots are sold to match the rate established by City Council resolution.

Response - Moving forward, the effective rate for January 2022 for Garden of Eternal Life spaces will be a \$375 and other spaces will be \$455.

Conclusion - Response accepted

IV-Q-21 Published Disbursements - The City did not publish all claims that are automatically disbursed from the bank account as required by Iowa Code 372.13(6).

Recommendation - The City should include all disbursements in the list of claims each month.

Response - We have expenses that are automatically deducted from the City's bank account and posted by journal entries. The expenses are not detailed on the claims listing but are included on the monthly financial report. Effective February 2022, these expenses will be included on the manual claims listing.

Conclusion - Response accepted

**City of Fort Madison
Summary Schedule of Prior Audit Findings**

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, provide reason for finding's recurrence and planned corrective action or other explanation</u>
II-A-15 II-A-16 I-A-17 II-A-18 II-A-19 II-A-20	Segregation of Duties	Not corrected.	City has limited staff due to budget constraints. The City is working on and continues to improve its segregation of duties. City Council and the City's management provide oversight to mitigate internal control risk.
III-A-15 2015-001 III-A-16 2016-001 III-A-18 2018-001 III-A-19 2019-001 III-A-20 2020-001	Segregation of Duties over Federal Receipts	Not corrected.	City has limited staff due to budget constraints. The City is working on and continues to improve its segregation of duties. City Council and the City's management provide oversight to mitigate internal control risk.
II-B-15 III-B-15 2015-002 II-B-16 III-B-16 2016-002	Preparation of Schedule of Federal Awards	Corrective action taken.	



CORRECTIVE ACTION PLAN
February 15, 2022

U.S. Department of Transportation

City of Fort Madison respectfully submits the following corrective action plan for the year ended June 30, 2021.

Name and address of independent public accounting firm:

CPA Associates PC
401 S. Roosevelt Ave. Ste 2A
Burlington, IA 52601

Audit period: as of and for the year ended June 30, 2021

Findings from the June 30, 2021 schedule of findings are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS RELATED TO THE FINANCIAL STATEMENTS

II-A-21 Segregation of Duties

Recommendation: The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Action Taken: We concur with the recommendation and we will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

FINDINGS FOR FEDERAL AWARDS

2021-001 Highway Planning and Construction CFDA #20.205

Segregation of Duties over Federal Receipts

Recommendation: The City should review its control activities to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Action Taken: We concur with the recommendation and we will continue to review operating procedures and segregate employee duties to the extent financially feasible to maximize internal control.

If the U.S. Department of Transportation has questions regarding this plan, please call David Varley at 319-372-7700.

Sincerely,

David Varley
City Manager