



Financial Statements  
June 30, 2021

City of Peosta, Iowa

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City of Peosta, Iowa  
(Unaudited) Officials  
June 30, 2021

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<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Jim Merten	Mayor	December 2021
Gerry Hess	Council Member	December 2023
Mike Ackerman	Council Member	December 2021
John Kraft	Council Member	December 2021
Doug Hughes	Council Member	December 2023
Karen Lyons	Council Member	December 2021
Annette Ernst	City Administrator	Appointed
Karen Snyder	City Clerk	Appointed
Doug Herman	Attorney	Appointed



## Independent Auditor's Report

To the Honorable Mayor and Members of the City Council  
City of Peosta, Iowa

### Report on Financial Statements

We have audited the accompanying cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Peosta, Iowa, as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the City's basic financial statements as 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 as described in Note 1 to the financial statements. 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 that 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 financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Peosta, Iowa, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with the cash basis of accounting as described in Note 1 to the financial statements.

### **Basis of Accounting**

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

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the cash basis 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 year ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on these financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in schedules 4 through 7 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the financial statements.

The supplementary information included in schedules 4 through 6 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 State of America. In our opinion, the supplementary information included in schedules 4 through 6 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplementary information related to the years ended June 30, 2021 and June 30, 2020 included in the Schedule of Receipts by Source and Disbursements by Function (schedule 7) 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 State of America. In our opinion, the supplementary information related to the year ended June 30, 2021 and June 30, 2020 included in schedule 7 is fairly stated in all material respects in relation to the basic financial statements as a whole.

The summarized comparative information presented in the Schedule of Receipts by Source and Disbursements by Function (schedule 7), for the years ended June 30, 2012 through June 30, 2019, is from unaudited financial information, has not been audited, reviewed, or compiled and, accordingly, we express no opinion on it.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of IPERS Net Pension Liability, the Schedule of IPERS Contributions, and the Notes to Other Information – Pension Liability on pages 5 through 12 and 29 through 32, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2021 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.



Dubuque, Iowa  
September 21, 2021

The City of Peosta 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.

This discussion and analysis is intended to be an easily readable analysis of the City's financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the audited financial statements.

### **2021 Financial Highlights**

Receipts of the City's governmental activities increased 80% or approximately \$2,038,000 from fiscal year 2020 to fiscal year 2021. The largest contributors to the increase were the net bond proceeds, sale of the Endloader and COVID related grants.

Disbursements of the City's governmental activities increased 30%, or approximately \$784,000 from fiscal year 2020 to fiscal year 2021. The increase was primarily due to capital project disbursements, purchase of a new Endloader, and technology additions to the Council Chambers.

Receipts of the City's business-type activities increased 532% or approximately \$8,200,000 from fiscal year 2020 to fiscal year 2021. The increase was caused by the receipt of GO debt and SRF proceeds, EDA Grant and greater charges for services for sewer and water.

Disbursements of the City's business-type activities increased 331%, or approximately \$4,600,000 from fiscal year 2020 to fiscal year 2021. The increase was primarily due to more construction of the new wastewater treatment facility.

The City's total cash basis net position increased 172%, or approximately \$4,800,000 from June 2020 to June 2021. The increase in cash balances is due to GO bond proceeds deposited in February 2021 and capital projects which have not been completed as of year-end.

### **Using This Annual Report**

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

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

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

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

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

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

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

### **Basis of Accounting**

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

### **Reporting the City's Financial Activities**

#### *Government-wide Financial Statement*

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

The Cash Basis Statement of Activities and Net Position present 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.

Governmental funds account for most of the City's basic services and are funded primarily through tax revenues. The City's proprietary funds account for the enterprise funds. Enterprise funds are used to report business-type activities.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities - Governmental Activities and Business-type (Proprietary) Activities.

Governmental Activities include:

Public Safety – includes police operations, civil service, emergency management, fire protection, ambulance service and building inspections.

Public Works – includes roads, sidewalks, equipment, street lighting, traffic safety and snow removal.

Health and Social Services – includes purchase of supplies for public health.



Culture and Recreation – includes library services, community center, and parks and recreation.

Community and Economic Development – includes community betterment, economic development and planning and zoning.

General Government – includes mayor, city council, city administrator, city clerk, elections, legal services, city hall, insurance and general administration.

Debt Service – includes general obligation and tax increment financing debt.

Capital Projects – includes sidewalks, right of way acquisition, street improvements, community services campus, storm water, and park improvement projects.

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

Business-type Activities include the sewer, water, and solid waste utilities.

The required financial statements for proprietary funds include a Statement of Cash Receipts, Disbursements, and Changes in Cash Balances.

### **Governmental Activities**

For the year ended June 30, 2021, the City's governmental activities were funded as follows:

Receipts of the City's governmental activities increased 80% or approximately \$2,038,000 from fiscal year 2020 to fiscal year 2021. The largest contributor to the increase was the net bond proceeds, sale of the Endloader and COVID related grants.

Disbursements of the City's governmental activities increased 30%, or approximately \$784,000 from fiscal year 2020 to fiscal year 2021. The increase was primarily due to capital project disbursements, purchase of a new Endloader, and technology additions to the Council Chambers.

Changes in Cash Basis Net Position of Governmental Activities

	Year Ended June 30,	
	2021	2020
Program Receipts:		
Charges for service	\$ 622,561	\$ 597,599
Operating grants and contributions	305,257	184,670
General Receipts:		
Property tax	1,284,500	1,242,164
Tax increment financing	301,748	152,305
Commercial/industrial tax replacement	69,053	72,242
Local option sales tax	208,683	178,096
Other City tax	56,583	55,813
Unrestricted interest on investments	35,011	28,026
Bond proceeds, net	1,455,423	-
Sale of capital assets	172,150	-
Other general receipts	65,286	27,221
Total receipts	4,576,255	2,538,136
Program Disbursements:		
Public safety	462,452	406,433
Public works	505,823	281,430
Health and social services	42	-
Culture and recreation	862,163	826,787
Community and economic development	293,677	185,717
General government	498,894	381,177
Debt service	276,751	323,284
Capital projects	631,147	342,217
Total disbursements	3,530,949	2,747,045
Change in Cash Basis Net Position Before Transfers	1,045,306	(208,909)
Transfers, Net	165,335	350,000
Change in Cash Basis Net Position	1,210,641	141,091
Cash Basis Net Position Beginning of Year	1,716,240	1,575,149
Cash Basis Net Position End of Year	\$ 2,926,881	\$ 1,716,240

**Business-type Activities**

For the year ended June 30, 2021, the City's business-type activities receipts and disbursements were as follows:

Changes in Cash Basis Net Position of Business-Type Activities

	Year Ended June 30,	
	2021	2020
Receipts:		
Program receipts:		
Charges for service:		
Sewer utility	\$ 594,469	\$ 416,763
Water	604,577	554,181
Solid waste	115,213	107,155
Capital grants and contributions	1,445,512	-
General receipts:		
Unrestricted interest on investments	45,170	21,339
Bond proceeds, net	6,931,379	437,250
Miscellaneous	4,311	3,999
	<u>9,740,631</u>	<u>1,540,687</u>
Total receipts		
Program Disbursements:		
Sewer	5,315,966	811,697
Water	550,538	460,153
Solid waste	116,878	113,640
	<u>5,983,382</u>	<u>1,385,490</u>
Total program disbursements		
Change in Cash Basis Net Position Before Transfers	3,757,249	155,197
Transfers, Net	<u>(165,335)</u>	<u>(350,000)</u>
Change in Cash Basis Net Position	3,591,914	(194,803)
Cash Basis Net Position Beginning of Year	<u>1,071,399</u>	<u>1,266,202</u>
Cash Basis Net Position End of Year	<u>\$ 4,663,313</u>	<u>\$ 1,071,399</u>

Receipts of the City's business-type activities increased 532% or approximately \$8,200,000 from fiscal year 2020 to fiscal year 2021. The increase was caused by the receipt of GO debt and SRF proceeds, EDA Grant and greater charges for services for sewer and water.

Disbursements of the City's business-type activities increased 331%, or approximately \$4,600,000 from fiscal year 2020 to fiscal year 2021. The increase was primarily due to more construction of the new wastewater treatment facility.

### **Individual Major Fund Analysis**

As of June 30, 2021, the City had cash balances on hand of \$2,926,881 in governmental funds and \$4,663,313 in proprietary funds. The governmental funds increased \$1,210,641 and proprietary funds increased \$3,591,914, during fiscal year 2020-2021.

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 decreased \$87,471 from the prior year to \$1,255,531. This is a result of some cost-savings measures and decisions employed throughout the course of the year as well as capital purchases.
- The Capital Project Fund cash balance increased \$1,274,853 to \$1,292,743. Bond proceeds were deposited in February 2021, projects are still in process.

### **Individual Major Business Type Fund Analysis**

- The Enterprise, Sewer Utility Fund cash balance, including capital project funds, increased \$449,819 to \$4,166,763. Sewer operating funds increased from \$297,166 to \$686,467. This increase is due to additional usage and rate increases to fund the new WWTF and the internal loan to support the Industrial Drive capital project. Bonds were sold to fund the Highway 20 Lift Station project during February 2021. Payments for the project will begin in fiscal year 2022.
- The Enterprise, Water Fund cash balance decreased \$606,937 to \$483,306. This decrease is due to the funding of an urban renewal project. Excess funds in the Water Utility Fund were transferred through an internal loan to the capital project fund to support the Deerwood Street Improvement project. Funds will be returned to the Water Utility Fund through tax increment collections.

### **Budgetary Highlights**

Over the course of the year, the City amended its budget two times. The amendments were to adjust for the revised construction schedule of capital projects and some additional large-scale planning efforts undertaken by the city.

For the year ended June 30, 2021, total actual receipts were \$34,174 over the final budget while total actual disbursements were \$2,558,991 under the final budget. The large difference for budgeted and actual disbursements occurred because of capital utility projects that were budgeted, but not completed in the current fiscal year.

**Debt Outstanding**

At June 30, 2021, the City had \$11,338,012 debt outstanding compared to \$3,591,250 in 2020, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2021	2020
General Obligation Bonds:		
2012 A GO Refunding Bond	\$ -	\$ 100,000
2013 GO Street Bond	705,000	775,000
2015 GO Water Bond	261,000	344,000
2017 GO Water, Sewer, Street	1,220,000	1,375,000
2021 GO Water, Sewer, Street, Storm, Park	5,170,000	-
Total General Obligation Bonds	7,356,000	2,594,000
Sewer Revenue Bonds:		
2018 Planning & Design WWTF	-	697,250
2020 Planning and Design Highway 20 Lift Station	333,800	-
2020 Wastewater Treatment Facility	3,448,212	-
Other Debt:	3,782,012	697,250
2019 General Building Loan	200,000	300,000
Total	\$ 11,338,012	\$ 3,591,250

The City as of June 30, 2021 is at 65% of its bonding capacity. The City's outstanding general obligation debt limit was \$12,210,170.

**Economic Factors**

While property taxes are important to the City, they represent approximately 30% of revenue sources excluding other financing sources. TIF revenues comprise 7% of total revenues. Charges for services comprise 43% of total revenues. The City continues to grow and add residential housing at a robust pace. This has added to the property tax base and increased the number of utility users in the community.

**Next Year's Budget and Rates**

For the year ending June 30, 2022, the City will have completed the construction of three major utility capital projects: the wastewater treatment facility, extension of utility to annexed territories and the Highway 20 lift station reconstruction. The City will perform the annual review of the Capital Improvement Plan. All future plans will require the City Council and Mayor to balance the growth of the community with an appropriate tax levy and charge for services. These projects will be financed with a combination of revenue and general obligation bonds. The City had a tax levy rate of \$8.13055 in 2021. The Fiscal Year 2022 tax levy rate remains at \$8.13500.

**Financial Contact**

The City's financial statements are designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact the City Administrator at 7896 Burds Road, Peosta, IA 52068, telephone 563-556-8755 or email [aernst@cityofpeosta.org](mailto:aernst@cityofpeosta.org).

Annette Ernst  
City Administrator



Basic Financial Statements  
June 30, 2021

City of Peosta, Iowa

City of Peosta, Iowa

Exhibit A – Statement of Activities and Net Position – Cash Basis  
As of and for the Year Ended June 30, 2021

Functions/Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating	Capital	Governmental Activities	Business-type Activities	Total
			Grants and Contributions	Grants and Contributions			
<b>Governmental activities:</b>							
Public safety	\$ 462,452	\$ 62,885	\$ 93,512	\$ -	\$ (306,055)	\$ -	\$ (306,055)
Public works	505,823	-	206,085	-	(299,738)	-	(299,738)
Health and social services	42	-	-	-	(42)	-	(42)
Culture and recreation	862,163	558,236	5,660	-	(298,267)	-	(298,267)
Community and economic development	293,677	-	-	-	(293,677)	-	(293,677)
General government	498,894	1,440	-	-	(497,454)	-	(497,454)
Debt service	276,751	-	-	-	(276,751)	-	(276,751)
Capital projects	631,147	-	-	-	(631,147)	-	(631,147)
<b>Total governmental activities</b>	<b>3,530,949</b>	<b>622,561</b>	<b>305,257</b>	<b>-</b>	<b>(2,603,131)</b>	<b>-</b>	<b>(2,603,131)</b>
<b>Business-type activities:</b>							
Sewer	5,315,966	594,469	-	1,445,512	-	(3,275,985)	(3,275,985)
Water	550,538	604,577	-	-	-	54,039	54,039
Solid waste	116,878	115,213	-	-	-	(1,665)	(1,665)
<b>Total business-type activities</b>	<b>5,983,382</b>	<b>1,314,259</b>	<b>-</b>	<b>1,445,512</b>	<b>-</b>	<b>(3,223,611)</b>	<b>(3,223,611)</b>
<b>Total</b>	<b>\$ 9,514,331</b>	<b>\$ 1,936,820</b>	<b>\$ 305,257</b>	<b>\$ 1,445,512</b>	<b>(2,603,131)</b>	<b>(3,223,611)</b>	<b>(5,826,742)</b>
<b>General Receipts and Transfers:</b>							
<b>Property tax levied for:</b>							
General purposes					1,116,755	-	1,116,755
Debt service					167,745	-	167,745
Tax increment financing					301,748	-	301,748
Commercial/industrial tax replacement					69,053	-	69,053
Local option sales tax					208,683	-	208,683
Other City tax					56,583	-	56,583
Unrestricted interest on investments					35,011	45,170	80,181
Issuance of bonds					1,410,000	6,812,262	8,222,262
Premium on issuance of bonds					45,423	119,117	164,540
Sale of capital assets					172,150	-	172,150
Other general receipts					65,286	4,311	69,597
Transfers, net					165,335	(165,335)	-
<b>Total general receipts and transfers</b>					<b>3,813,772</b>	<b>6,815,525</b>	<b>10,629,297</b>
<b>Change in Cash Basis Net Position</b>					<b>1,210,641</b>	<b>3,591,914</b>	<b>4,802,555</b>
<b>Cash Basis Net Position Beginning of Year</b>					<b>1,716,240</b>	<b>1,071,399</b>	<b>2,787,639</b>
<b>Cash Basis Net Position End of Year</b>					<b>\$ 2,926,881</b>	<b>\$ 4,663,313</b>	<b>\$ 7,590,194</b>
<b>Cash Basis Net Position</b>							
<b>Restricted:</b>							
Road improvements					\$ 135,303	\$ -	\$ 135,303
Capital projects					213,056	3,801,020	4,014,076
Debt service					18,391	-	18,391
Urban renewal purposes					11,857	-	11,857
Special projects					1,292,743	-	1,292,743
Unrestricted					1,255,531	862,293	2,117,824
<b>Total cash basis net position</b>					<b>\$ 2,926,881</b>	<b>\$ 4,663,313</b>	<b>\$ 7,590,194</b>



City of Peosta, Iowa

Exhibit B – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances  
Governmental Funds  
As of and for the Year Ended June 30, 2021

	General	Capital Project	Other Nonmajor Governmental Funds	Total
<b>Receipts:</b>				
Property tax	\$ 1,116,755	\$ -	\$ 167,745	\$ 1,284,500
Tax increment financing	-	-	301,748	301,748
Other City tax	56,008	-	209,258	265,266
Licenses and permits	62,917	-	-	62,917
Use of money and property	20,814	9,469	4,728	35,011
Intergovernmental	164,383	15,246	214,517	394,146
Charges for service	580,490	-	-	580,490
Miscellaneous	20,775	-	3,829	24,604
<b>Total receipts</b>	<b>2,022,142</b>	<b>24,715</b>	<b>901,825</b>	<b>2,948,682</b>
<b>Disbursements:</b>				
<b>Current:</b>				
Public safety	462,452	-	-	462,452
Public works	252,664	-	253,159	505,823
Health and social services	42	-	-	42
Culture and recreation	810,332	51,831	-	862,163
Community and economic development	34,692	-	258,985	293,677
General government	498,894	-	-	498,894
<b>Debt service:</b>				
Principal	-	-	259,903	259,903
Interest and fiscal charges	-	-	16,848	16,848
Capital projects	-	631,147	-	631,147
<b>Total disbursements</b>	<b>2,059,076</b>	<b>682,978</b>	<b>788,895</b>	<b>3,530,949</b>
<b>Excess (Deficiency) of Receipts over (Under) Disbursements</b>	<b>(36,934)</b>	<b>(658,263)</b>	<b>112,930</b>	<b>(582,267)</b>
<b>Other Financing Sources (Uses):</b>				
Bond proceeds	-	1,410,000	-	1,410,000
Premium on bond proceeds	-	45,423	-	45,423
Sale of capital assets	172,150	-	-	172,150
Transfers in	52,171	558,858	150,000	761,029
Transfers out	(274,858)	(81,165)	(239,671)	(595,694)
<b>Total other financing sources (uses)</b>	<b>(50,537)</b>	<b>1,933,116</b>	<b>(89,671)</b>	<b>1,792,908</b>
<b>Net Change in Cash Balances</b>	<b>(87,471)</b>	<b>1,274,853</b>	<b>23,259</b>	<b>1,210,641</b>
<b>Cash Balances Beginning of Year</b>	<b>1,343,002</b>	<b>17,890</b>	<b>355,348</b>	<b>1,716,240</b>
<b>Cash Balances End of Year</b>	<b>\$ 1,255,531</b>	<b>\$ 1,292,743</b>	<b>\$ 378,607</b>	<b>\$ 2,926,881</b>
<b>Cash Basis Fund Balances</b>				
Restricted	\$ -	\$ 1,292,743	\$ 378,607	\$ 1,671,350
Assigned	308,861	-	-	308,861
Unassigned	946,670	-	-	946,670
<b>Total cash basis fund balances</b>	<b>\$ 1,255,531</b>	<b>\$ 1,292,743</b>	<b>\$ 378,607</b>	<b>\$ 2,926,881</b>

City of Peosta, Iowa

Exhibit C – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances  
Proprietary Funds  
As of and for the Year Ended June 30, 2021

	Enterprise Funds			Total
	Sewer	Water	Non-major Solid Waste	
Operating Receipts:				
Charges for service	\$ 594,469	\$ 604,577	\$ 115,213	\$ 1,314,259
Use of money and property	34,260	10,644	266	45,170
Miscellaneous	2,625	1,686	-	4,311
Total operating receipts	<u>631,354</u>	<u>616,907</u>	<u>115,479</u>	<u>1,363,740</u>
Operating Disbursements:				
Business-type activities:				
Salaries and wages	73,660	77,548	4,341	155,549
Employee benefits and costs	32,474	33,854	2,145	68,473
Staff development	1,290	1,509	-	2,799
Repair, maintenance, and utilities	77,554	88,314	1,460	167,328
Contractual services	496,724	44,117	103,844	644,685
Commodities	3,699	42,177	5,088	50,964
Capital outlay	4,524,306	52,591	-	4,576,897
Total operating disbursements	<u>5,209,707</u>	<u>340,110</u>	<u>116,878</u>	<u>5,666,695</u>
Excess of Operating Receipts over (under) Operating Disbursements	(4,578,353)	276,797	(1,399)	(4,302,955)
Non-Operating Disbursements:				
Debt service	(106,259)	(210,428)	-	(316,687)
Excess of Receipts over (under) Disbursements	(4,684,612)	66,369	(1,399)	(4,619,642)
Bond Proceeds	6,812,262	-	-	6,812,262
Premium on Bond Proceeds	119,117	-	-	119,117
Intergovernmental Grants	1,445,512	-	-	1,445,512
Transfers In	168,665	-	-	168,665
Transfers Out	(144,000)	(190,000)	-	(334,000)
Net Change in Cash Balances	3,716,944	(123,631)	(1,399)	3,591,914
Cash Balances Beginning of Year	<u>449,819</u>	<u>606,937</u>	<u>14,643</u>	<u>1,071,399</u>
Cash Balances End of Year	<u>\$ 4,166,763</u>	<u>\$ 483,306</u>	<u>\$ 13,244</u>	<u>\$ 4,663,313</u>
Cash Basis Fund Balances				
Restricted for capital projects	\$ 3,801,020	\$ -	\$ -	\$ 3,801,020
Unrestricted	365,743	483,306	13,244	862,293
Total cash basis fund balances	<u>\$ 4,166,763</u>	<u>\$ 483,306</u>	<u>\$ 13,244</u>	<u>\$ 4,663,313</u>

## **Note 1 - Significant Accounting Policies**

The City of Peosta, Iowa, is a political subdivision of the State of Iowa located in Dubuque County. It was first incorporated in 1933 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, and general government services. The City also provides water, sewer, and solid waste utilities for its citizens.

### **Reporting Entity**

For financial reporting purposes, the City of Peosta, Iowa, has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

### **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: Dubuque County Joint E911 Service Board and DMATS Policy Committee.

### **Basis of Presentation**

#### Government-wide Financial Statement

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

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

**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. Enabling legislation did not result in any restricted net position.

**Unrestricted net position** consists of assets not meeting the definition of the preceding category. Unrestricted net position often has constraints on resources 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.

#### **Capital Project**

Capital Project funds are used to account for receipts that finance capital improvements.

The City reports the following major proprietary funds:

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

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

### **Measurement Focus and Basis of Accounting**

The City maintains its financial records on the cash basis of accounting, 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.

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.

When both restricted or unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

### **Budgets and Budgetary Accounting**

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

### **Property Tax Receipts**

Property taxes are levied as of July 1 on property values assessed as of January 1 of the previous year. The tax levy is divided into two billings. The first billing is mailed on July 1 and the second billing is mailed on January 1. The billings are considered due upon receipt by the taxpayer; however, the actual due date is based on a period ending three months after the tax bill mailing. On these dates (September 30 and March 31), the bill becomes delinquent, and penalties and interest may be assessed by the government.

### **Fund Equity**

The City classifies fund balance in accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Fund balances for the governmental funds are reported in classifications that comprise a hierarchy based on the extent to which the government honors constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable - The non-spendable classification contains amounts legally or contractually required to be maintained intact.

Restricted - Restricted amounts contain restraints on their use externally imposed by creditors, grantors, contributors, or laws or regulation of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed - Committed amounts can only be used for specific purposes imposed by formal action of the government's highest level of decision-making authority. The highest level of decision-making authority is the City Council and it takes an ordinance to establish a fund balance commitment.

Assigned - Amounts intended to be used for specific purposes are assigned as needed by the City Administrator. Assignments should not cause deficits in the unassigned fund balance.

Unassigned - Unassigned fund balance is the residual classification for the general fund.

When committed, assigned, and unassigned resources are available for use, it is the government's policy to use committed resources first, then assigned resources, and then unassigned resources as they are needed.

**Note 2 - Cash and Investments**

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

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

The City had no investments during the year ended June 30, 2021.

**Interest Rate Risk**

The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

**Note 3 - Bonds and Notes Payable**

Changes in long-term debt obligations for the year ended June 30, 2021, are as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Governmental Activities					
General obligation bonds	\$ 738,927	\$ 4,950,000	\$ 159,903	\$ 5,529,024	\$ 130,069
Direct borrowings					
General building loan	300,000	-	100,000	200,000	100,000
<b>Total</b>	<b>\$ 1,038,927</b>	<b>\$ 4,950,000</b>	<b>\$ 259,903</b>	<b>\$ 5,729,024</b>	<b>\$ 230,069</b>
Business-type Activities					
General obligation bonds	\$ 1,511,073	\$ 220,000	\$ 165,097	\$ 1,565,976	\$ 199,931
Direct borrowings					
General obligation bonds	344,000	-	83,000	261,000	85,000
Sewer revenue bonds	697,250	3,084,762	-	3,782,012	601,800
	<b>\$ 2,552,323</b>	<b>\$ 3,304,762</b>	<b>\$ 248,097</b>	<b>\$ 5,608,988</b>	<b>\$ 886,731</b>

Annual debt service requirements to maturity for general obligation bonds and direct borrowings and placements are as follows:

Years Ending June 30,	Governmental activities General Obligation Bonds		Governmental activities General Building Loan-Direct		Business-type activities General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 130,069	\$ 122,488	\$ 100,000	\$ -	\$ 199,931	\$ 41,811
2023	283,915	94,064	100,000	-	216,085	36,750
2024	382,406	88,269	-	-	217,594	30,897
2025	483,118	80,314	-	-	231,882	24,931
2026	362,816	70,150	-	-	182,184	18,505
2027-2031	1,881,700	240,422	-	-	428,300	26,326
2032-2036	2,005,000	88,088	-	-	90,000	3,914
	<u>\$ 5,529,024</u>	<u>\$ 783,795</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 1,565,976</u>	<u>\$ 183,134</u>

Years Ending June 30,	Business-type activities General Obligation Bonds-Direct		Business-type activities Sewer Revenue Notes-Direct		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 85,000	\$ 5,873	\$ 601,800	\$ 55,654	\$ 1,116,800	\$ 225,826
2023	87,000	3,960	273,000	50,876	960,000	185,650
2024	89,000	2,002	278,000	46,011	967,000	167,179
2025	-	-	284,000	41,041	999,000	146,286
2026	-	-	290,000	35,966	835,000	124,621
2027-2031	-	-	1,536,000	100,277	3,846,000	367,025
2032-2036	-	-	519,212	5,072	2,614,212	97,074
	<u>\$ 261,000</u>	<u>\$ 11,835</u>	<u>\$ 3,782,012</u>	<u>\$ 334,897</u>	<u>\$ 11,338,012</u>	<u>\$ 1,313,661</u>

### Revenue Bonds

The City is in the process of finalizing a loan agreement with the Iowa Finance Authority for the Sanitary Sewer Highway 20 Lift Station. Sewer revenue bond proceeds are drawn as construction progresses. The Sanitary Sewer Lift Station is expected to be completed during fiscal year 2022. The City is authorized to borrow up to \$440,000. Once the loan is finalized, a Sewer Rate covenant will be in effect for the City in which net revenues of the Sewer Fund will need to exceed 110% of the debt service requirements of the fund.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$6,500,000 of a sewer revenue bond issued October 2020. Proceeds from the bonds provided financing for the construction of the Wastewater Treatment Facility. The bond is payable solely from sewer customer net receipts and the final payment is due 2033. A sewer rate covenant is in effect for the City in which net revenues of the Sewer Fund will need to exceed 110% of the debt service requirements of the fund. For the current year, principal and interest paid and total customer net receipts were \$20,068 and (\$54,047), respectively.

At June 30, 2021, the City had approximately \$3,150,000 of sewer revenue bond funds available. These funds are available to the City by filing a disbursement request with the State of Iowa. The City expects to use remaining funds in fiscal year 2022.

#### **Note 4 - Pension and Retirement Benefits**

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member's highest five-year average salary, except members with service before June 30, 2012, will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age, which is generally at age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

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

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



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

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

In fiscal year 2021, pursuant to the required rate, Regular members contributed 6.29% of payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City's contributions to IPERS for the year ended June 30, 2021 were \$76,300.

#### Collective Net Pension Liabilities

At June 30, 2021, the City reported a liability for its proportionate share of the collective net pension liability totaling \$524,343. The collective net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.0074642%, which was a decrease of 0.000027% from its proportion measured as of June 30, 2019.

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

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

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

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real rate of Return</u>
Core Plus Fixed Income	28.00%	-0.29%
Domestic Equity	22.00%	4.43%
International Equity	17.50%	5.15%
Private Equity/Debt	11.00%	6.54%
Private Real Assets	7.50%	4.48%
Global smart beta equity	6.00%	4.87%
Public Credit	4.00%	2.29%
Private Credit	3.00%	3.11%
Cash	1.00%	-0.78%
	<u>100%</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% percent, 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-percent lower (6.00%) or 1-percent higher (8.00%) than the current rate.

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
City's proportionate share of the net pension liability	\$ 962,581	\$ 524,343	\$ 157,002

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**Note 5 - Other Postemployment Benefits (OPEB)**

Plan Description – The City provides a fully insured 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. The most recent active member monthly premiums for the City and the plan members range from \$821 for single coverage to \$2,086 for family coverage. For the year ended June 30, 2021, the City contributed \$233,032 and the plan members eligible for benefits contributed \$8,880 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by 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, with the exception of special service participants who must be age 50 with 22 years of service.

**Note 6 - Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Nonmajor governmental: Local Option Sales Tax	\$ 52,171
Capital Projects	General Fund Water Sewer	224,858 190,000 144,000
		<u>558,858</u>
Nonmajor Governmental Funds	General Fund Nonmajor governmental: Local Option Sales Tax	50,000 100,000
		<u>150,000</u>
Sewer	Nonmajor governmental: Tax Increment Financing Capital Projects	87,500 81,165
		<u>168,665</u>
		<u>\$ 929,694</u>

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

**Note 7 - Risk Management**

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

**Note 8 - Litigation**

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

**Note 9 - Commitments**

The City had active construction projects at June 30, 2021. At year end the City's commitments with contractors are as follows:

Project	Total Contract	Payments-to- Date	Remaining Commitment
Wastewater Treatment Facility Construction	7,676,653	4,140,153	\$ 3,536,500
East Sanitary Sewer & Water Extensions (318)	256,545	174,121	82,423
Highway 20 Lift Station Upgrades (Contract 1)	977,510	-	977,510
Highway 20 Lift Station Upgrades (Contract 2)	871,748	-	871,748

**Note 10 - Tax Abatements**

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 revenues to which they are otherwise entitled and (b) the individual or entity promise to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

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

For the year ended June 30, 2021, the City abated \$78,339 of property tax under the urban renewal and economic development projects.

**Note 11 - Urban Renewal Development Agreements**

The City has entered into tax increment financing agreements. The City agreed to assist in urban renewal projects by rebating incremental taxes paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental taxes to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated beginning with the tax year in which the property taxes on the completed value of the improvements are first paid. The City has agreed to provide tax increment payments in a total amount not exceeding \$1,800,000.

**Note 12 - Fund Balance Reporting**

The detail of the City's cash basis governmental fund balances at June 30, 2021, is as follows:

	General	Capital Project	Nonmajor	Total
Restricted For				
Road improvements	\$ -	\$ -	\$ 135,303	\$ 135,303
Urban renewal purposes	-	-	11,857	11,857
Capital projects	-	-	213,056	213,056
Debt service	-	-	18,391	18,391
Special projects	-	1,292,743	-	1,292,743
Total restricted	-	1,292,743	378,607	1,671,350
Assigned To				
Road improvements	4,445	-	-	4,445
Parks	102,938	-	-	102,938
Community center	151,478	-	-	151,478
Police	50,000	-	-	50,000
Total assigned	308,861	-	-	308,861
Unassigned	946,670	-	-	946,670
Total Fund Balances	<u>\$ 1,255,531</u>	<u>\$ 1,292,743</u>	<u>\$ 378,607</u>	<u>\$ 2,926,881</u>

### **Note 13 - Prospective Accounting Changes**

The Governmental Accounting Standards Board (GASB) has issued the following statements not yet implemented by the City. The statements which might impact the City are as follows:

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the City beginning with its fiscal year ending June 30, 2022. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.

GASB Statement No. 91, *Conduit Debt Obligations*, issued May 2019, will be effective for the City beginning with its fiscal year ending June 30, 2023. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.

GASB Statement No. 92, *Omnibus 2020*, issued January 2020, will be effective for the City beginning with its fiscal year ending June 30, 2022, except for the requirements related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*, issued March 2020, will be effective for the City beginning with its fiscal year ending June 2022. The objective of this Statement is to address accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, issued March 2020, will be effective for the City beginning with its fiscal year ending June 30, 2023. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, issued in May 2020, will be effective for fiscal year ending June 30, 2023. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, issued in June 2020, will be effective for fiscal year ending June 30, 2022. The primary objective of this statement is to increase consistency in reporting of defined contribution pension plans, defined contribution OPEB plans, employee benefit plans, and Section 457 plans that meet the definition of a pension plan.

The City's management has not yet determined the effect these statements will have on the City's financial statements.

**Note 14 - Contingency**

On March 11, 2020, the World Health Organization proclaimed the Coronavirus (COVID-19) to be a pandemic. In an effort to lessen the risk of transmission of COVID-19, the United States government, state governments, local governments and private industries have taken measures to limit social interactions in an effort to limit the spread of COVID-19, affecting business activities and impacting global, state and local commerce and financial markets, including that of the City of Peosta. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Management believes the City is taking appropriate actions to mitigate any negative impact on its projected operations and financial results. However, due to the uncertainties surrounding the pandemic, the City is not able to predict and makes no representations as to the economic impact of the COVID-19 pandemic on the City or its financial position.



Other Information  
June 30, 2021

City of Peosta, Iowa



City of Peosta, Iowa

Schedule 1 – Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Cash Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information  
Year Ended June 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts		Final to Actual Variance- Positive (Negative)
				Original	Final	
<b>Receipts:</b>						
Property tax	\$ 1,284,500	\$ -	\$ 1,284,500	\$ 1,281,664	\$ 1,281,664	\$ 2,836
Tax increment financing	301,748	-	301,748	300,000	301,700	48
Other City tax	265,266	-	265,266	214,632	264,602	664
Licenses and permits	62,917	-	62,917	38,640	38,640	24,277
Use of money and property	35,011	45,170	80,181	58,361	61,230	18,951
Intergovernmental	394,146	1,445,512	1,839,658	552,453	1,929,994	(90,336)
Charges for service	580,490	1,314,259	1,894,749	1,817,265	1,622,185	272,564
Miscellaneous	24,604	4,311	28,915	88,866	223,745	(194,830)
<b>Total receipts</b>	<b>2,948,682</b>	<b>2,809,252</b>	<b>5,757,934</b>	<b>4,351,881</b>	<b>5,723,760</b>	<b>34,174</b>
<b>Disbursements:</b>						
Public safety	462,452	-	462,452	475,027	484,581	22,129
Public works	505,823	-	505,823	405,209	540,859	35,036
Health and social services	42	-	42	-	-	(42)
Culture and recreation	862,163	-	862,163	823,706	871,285	9,122
Community and economic development	293,677	-	293,677	238,510	324,636	30,959
General government	498,894	-	498,894	442,818	553,026	54,132
Debt service	176,751	-	176,751	473,521	276,752	100,001
Capital projects	731,147	-	731,147	360,000	1,364,081	632,934
Business-type activities	-	5,983,382	5,983,382	3,093,322	7,658,102	1,674,720
<b>Total disbursements</b>	<b>3,530,949</b>	<b>5,983,382</b>	<b>9,514,331</b>	<b>6,312,113</b>	<b>12,073,322</b>	<b>2,558,991</b>
Excess (Deficiency) of Receipts over (Under) Disbursements	(582,267)	(3,174,130)	(3,756,397)	(1,960,232)	(6,349,562)	2,593,165
Other Financing Sources, Net	1,792,908	6,766,044	8,558,952	2,000,000	9,942,137	(1,383,185)
Excess (Deficiency) of Receipts and Other Financing Sources over (under) Disbursements and Other Financing Uses	1,210,641	3,591,914	4,802,555	39,768	3,592,575	1,209,980
Balances Beginning of Year	1,716,240	1,071,399	2,787,639	2,556,870	2,787,637	2
Balances End of Year	\$ 2,926,881	\$ 4,663,313	\$ 7,590,194	\$ 2,596,638	\$ 6,380,212	\$ 1,209,982

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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, and the Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. In addition, several reclass adjustments, from the amounts reported in Exhibits B and C, were needed to report expenditures within the functions budgeted. During the year, two budget amendments increased budgeted disbursements by \$5,761,209. The budget amendments are reflected in the final budgeted amounts.

Disbursements at June 30, 2021 exceeded the amended budget amounts within the health and social services function.

City of Peosta, Iowa  
 Schedule 2 - City's Proportionate Share of IPERS Net Pension Liability  
 Schedule 3 - IPERS Contributions  
 June 30, 2021

Fiscal Year Ended	City's proportion of the net pension liability	City's proportionate share of the net pension liability	City's covered-payroll	City's proportionate share of the net pension liability as a percentage of its covered-payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.007464%	\$ 524,343	\$ 735,936	71.25%	82.90%
2020	0.007491%	433,788	749,404	57.88%	85.45%
2019	0.006842%	432,967	682,191	63.47%	83.62%
2018	0.006468%	430,864	631,028	68.28%	82.21%
2017	0.006654%	418,760	629,827	66.49%	81.82%
2016	0.006021%	297,464	597,240	49.81%	85.19%
2015	0.006195%	213,763	595,937	35.87%	87.61%

The amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

GASB 68 requires reporting of the 10 most recent years of data to be presented. The City will present information for periods as they become available.

Fiscal Year Ended	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	City's Covered-Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 76,300	\$ 76,300	\$ -	\$ 805,006	9.48%
2020	70,219	70,219	-	735,936	9.54%
2019	71,988	71,988	-	749,404	9.61%
2018	62,439	62,439	-	682,191	9.15%
2017	57,782	57,782	-	631,028	9.16%
2016	57,733	57,733	-	629,827	9.17%
2015	55,220	55,220	-	597,240	9.25%
2014	55,461	55,461	-	595,937	9.31%
2013	41,445	41,445	-	449,511	9.22%
2012	40,504	40,504	-	441,031	9.18%

Changes of Benefit Terms:

There are no significant changes in benefit terms.

Changes of Assumptions:

The 2018 valuation implemented the following refinements after 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.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.



Supplementary Information  
June 30, 2021

City of Peosta, Iowa

City of Peosta, Iowa

Schedule 4 – Statement of Cash Receipts, Disbursements, and Changes in Cash Balances  
Nonmajor Governmental Funds  
As of and for the Year Ended June 30, 2021

	Special Revenue Funds				Total
	Local Option Sales Tax	Tax Increment Financing (TIF)	Road Use Tax	Debt Service	
Receipts:					
Property tax	\$ -	\$ -	\$ -	\$ 167,745	\$ 167,745
Tax increment financing collections	-	301,748	-	-	301,748
Other City tax	208,683	-	-	575	209,258
Use of money and property	2,552	888	-	1,288	4,728
Intergovernmental	-	-	206,085	8,432	214,517
Miscellaneous	-	3,829	-	-	3,829
<b>Total receipts</b>	<b>211,235</b>	<b>306,465</b>	<b>206,085</b>	<b>178,040</b>	<b>901,825</b>
Disbursements:					
Current:					
Public works	-	-	253,159	-	253,159
Community and economic development	-	258,985	-	-	258,985
Debt service					
Principal	-	-	-	259,903	259,903
Interest and fiscal charges	-	-	-	16,848	16,848
<b>Total disbursements</b>	<b>-</b>	<b>258,985</b>	<b>253,159</b>	<b>276,751</b>	<b>788,895</b>
Excess (Deficiency) of Receipts over (Under) Disbursements	211,235	47,480	(47,074)	(98,711)	112,930
Other Financing Sources (Uses):					
Transfers in	-	50,000	-	100,000	150,000
Transfers out	(152,171)	(87,500)	-	-	(239,671)
Total other financing sources (uses)	(152,171)	(37,500)	-	100,000	(89,671)
Net Change in Cash Balances	59,064	9,980	(47,074)	1,289	23,259
Cash Balances Beginning of Year	153,992	1,877	182,377	17,102	355,348
Cash Balances End of Year	<u>\$ 213,056</u>	<u>\$ 11,857</u>	<u>\$ 135,303</u>	<u>\$ 18,391</u>	<u>\$ 378,607</u>
Cash Basis Fund Balances Restricted	<u>\$ 213,056</u>	<u>\$ 11,857</u>	<u>\$ 135,303</u>	<u>\$ 18,391</u>	<u>\$ 378,607</u>

City of Peosta, Iowa  
Schedule 5 – Schedule of Indebtedness  
June 30, 2021

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds:									
2012 A GO Refunding Bond	1/26/2012	2.00%	\$ 1,615,000	\$ 100,000	\$ -	\$ 100,000	\$ -	\$ 2,200	\$ -
2013 GO Street Bond	4/15/2013	1.80%-2.30%	775,000	775,000	-	70,000	705,000	15,830	-
2015 GO Water Bond	11/19/2015	2.25%	700,000	344,000	-	83,000	261,000	7,740	-
2017 GO Water, Sewer, Street	11/29/2017	2.00-3.00%	1,795,000	1,375,000	-	155,000	1,220,000	38,100	-
2021 GO Water, Sewer, Street, Storm, Park	2/9/2021	1.45-2.00%	5,170,000	-	5,170,000	-	5,170,000	-	-
Total General Obligation Bonds				2,594,000	5,170,000	408,000	7,356,000	63,870	-
Sewer Revenue Bonds:									
2018 Planning & Design WWTF	10/12/2018	2.00%	1,105,500	697,250	-	697,250	-	-	-
2020 Planning & Design Hwy 20 Lift Station	9/18/2020	0.00%	440,000	-	333,800	-	333,800	-	-
2020 Sewer Revenue Bond - WWTF	10/9/2020	1.75%	6,500,000	-	3,448,212	-	3,448,212	20,068	-
Total Sewer Revenue Bonds				697,250	3,782,012	697,250	3,782,012	20,068	-
Other Debt:									
2019 General Building Loan	2/15/2019	0.00%	400,000	300,000	-	100,000	200,000	-	-
Total				\$ 3,591,250	\$ 8,952,012	\$ 1,205,250	\$ 11,338,012	\$ 83,938	\$ -

City of Peosta, Iowa  
Schedule 6 – Bond and Note Maturities  
June 30, 2021

Year Ending June 30,	General Obligation Bonds						
	2013 GO		2015 GO		2017 GO		
	Issued April 15, 2013		Issued November 19, 2015		Issued November 29, 2017		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2022	1.80%	\$ 170,000	2.25%	\$ 85,000	2.00%	\$ 160,000	
2023	2.00%	175,000	2.25%	87,000	3.00%	165,000	
2024	2.15%	180,000	2.25%	89,000	3.00%	165,000	
2025	2.30%	180,000	-	-	3.00%	175,000	
2026	-	-	-	-	3.00%	180,000	
2027	-	-	-	-	3.00%	185,000	
2028	-	-	-	-	3.00%	190,000	
		<u>\$ 705,000</u>		<u>\$ 261,000</u>		<u>\$ 1,220,000</u>	
	General Obligation Bonds						
	2021 GO						
	Issued February 9, 2021						
Year Ending June 30,	Interest Rates	Amount	Total				
2022	2.00%	\$ -	\$ 415,000				
2023	2.00%	160,000	587,000				
2024	2.00%	255,000	689,000				
2025	2.00%	360,000	715,000				
2026	2.00%	365,000	545,000				
2027	2.00%	370,000	555,000				
2028	2.00%	380,000	570,000				
2029	2.00%	390,000	390,000				
2030	1.45%	395,000	395,000				
2031	1.45%	400,000	400,000				
2032	1.45%	405,000	405,000				
2033	1.45%	415,000	415,000				
2034	1.45%	420,000	420,000				
2035	1.45%	425,000	425,000				
2036	1.45%	430,000	430,000				
		<u>\$ 5,170,000</u>	<u>\$ 7,356,000</u>				
	Other Debt		Sewer Revenue Bonds		Sewer Revenue Bonds		
	General Building Loan		Planning & Design Highway 20		WWTF 2020		
	Issued February 15, 2019		Issued September 18, 2020		Issued October 9, 2020		
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total
2022	0.00%	\$ 100,000	0.00%	\$ 333,800	1.75%	\$ 268,000	\$ 1,116,800
2023	0.00%	100,000	-	-	1.75%	273,000	960,000
2024	-	-	-	-	1.75%	278,000	967,000
2025	-	-	-	-	1.75%	284,000	999,000
2026	-	-	-	-	1.75%	290,000	835,000
2027	-	-	-	-	1.75%	295,000	850,000
2028	-	-	-	-	1.75%	301,000	871,000
2029	-	-	-	-	1.75%	307,000	697,000
2030	-	-	-	-	1.75%	313,000	708,000
2031	-	-	-	-	1.75%	320,000	720,000
2032	-	-	-	-	1.75%	326,000	731,000
2033	-	-	-	-	1.75%	193,212	608,212
2034	-	-	-	-	-	-	420,000
2035	-	-	-	-	-	-	425,000
2036	-	-	-	-	-	-	430,000
		<u>\$ 200,000</u>		<u>\$ 333,800</u>		<u>\$ 3,448,212</u>	<u>\$ 11,338,012</u>



City of Peosta, Iowa  
Schedule 7 – Schedule of Receipts by Source and Disbursements by Function  
All Governmental Funds  
For the Last Ten Years

	2021	2020	2019*	2018*	2017*	2016*	2015*	2014*	2013*	2012*
<b>Receipts:</b>										
Property tax	\$ 1,284,500	\$ 1,242,164	\$ 1,181,794	\$ 1,082,054	\$ 1,020,441	\$ 959,022	\$ 945,410	\$ 906,774	\$ 838,024	\$ 780,754
Delinquent property taxes	-	-	-	250	575	322	180	647	315	136
Tax increment financing	301,748	152,305	156,002	245,968	228,171	294,535	348,722	332,400	276,031	323,460
Other City tax	265,266	233,909	223,129	211,025	195,370	177,660	162,040	158,004	165,031	147,011
Licenses and permits	62,917	39,608	47,689	41,478	45,220	26,484	23,959	32,377	18,831	15,669
Use of money and property	35,011	28,026	26,070	28,709	15,992	8,204	1,023	4,945	6,070	8,441
Intergovernmental	394,146	253,812	261,534	251,015	244,281	249,882	183,041	469,039	138,989	199,734
Charges for service	580,490	573,678	670,490	660,335	630,630	602,012	561,897	554,149	580,578	615,806
Miscellaneous	24,604	14,634	23,391	22,993	27,235	8,284	11,409	36,500	48,765	17,782
<b>Total receipts</b>	<b>\$ 2,948,682</b>	<b>\$ 2,538,136</b>	<b>\$ 2,590,099</b>	<b>\$ 2,543,827</b>	<b>\$ 2,407,915</b>	<b>\$ 2,326,405</b>	<b>\$ 2,237,681</b>	<b>\$ 2,494,835</b>	<b>\$ 2,072,634</b>	<b>\$ 2,108,793</b>
<b>Disbursements:</b>										
<b>Current</b>										
Public safety	\$ 462,452	\$ 406,433	\$ 447,694	\$ 407,531	\$ 349,578	\$ 367,449	\$ 351,001	\$ 377,764	\$ 343,281	\$ 247,317
Public works	505,823	281,430	230,118	305,093	316,121	165,907	155,372	335,916	196,224	242,484
Health and social services	42	-	560	550	550	550	550	250	250	250
Culture and recreation	862,163	826,787	797,192	742,052	688,512	681,825	655,844	640,140	648,220	707,539
Community and economic development	293,677	185,717	158,821	135,912	155,710	149,394	172,034	343,161	152,859	170,501
General government	498,894	381,177	323,500	212,870	196,558	196,322	193,752	178,453	177,219	162,853
Debt service	276,751	323,284	501,290	550,598	405,330	457,143	402,655	1,950,133	403,120	436,043
Capital projects	631,147	342,217	487,840	957,894	82,251	-	20,576	500,858	365,004	366,308
<b>Total disbursements</b>	<b>\$ 3,530,949</b>	<b>\$ 2,747,045</b>	<b>\$ 2,947,015</b>	<b>\$ 3,312,500</b>	<b>\$ 2,194,610</b>	<b>\$ 2,018,590</b>	<b>\$ 1,951,784</b>	<b>\$ 4,326,675</b>	<b>\$ 2,286,177</b>	<b>\$ 2,333,295</b>

\* Unaudited



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

To the Honorable Mayor and Members of the City Council  
City of Peosta, 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 *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 Peosta, 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 September 21, 2021. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than 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 (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

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

*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 described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002 to be a significant deficiency.

### **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, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City and are reported in Part IV of the accompanying Schedule of Findings and Questioned Costs. 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 Findings**

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Dubuque, Iowa  
September 21, 2021



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

To the Honorable Mayor and  
Members of the City Council  
City of Peosta, Iowa

### **Report on Compliance for the Major Federal Program**

We have audited the City of Peosta, Iowa’s (City), compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City’s major federal program for the year ended June 30, 2021. The City’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

#### **Management’s Responsibility**

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

#### **Auditor’s Responsibility**

Our responsibility is to express an opinion on the 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 as we considered necessary in the circumstances.

We believe that 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.

### **Report on Internal Control over Compliance**

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 that are 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 that 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

The signature is written in a cursive, handwritten style. It reads "Eide Bailly LLP".

Dubuque, Iowa  
September 21, 2021

City of Peosta, Iowa  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/ Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed Through to Subrecipients
<u>U.S. Department of Commerce</u>				
Direct program				
Economic Development Cluster				
Economic Adjustment Assistance	11.307		\$ 2,003,368	\$ -
<u>U.S. Department of Housing and Urban Development</u>				
Pass-through program from				
Iowa Department of Economic Development				
COVID-19 - Community Development Block				
Grants/State's Program and Non-Entitlement				
Grants in Hawaii	14.228	20-OT-064	26,499	-
<u>U.S. Department of Transportation</u>				
Pass-through program from				
Highway Planning and Construction Cluster				
Iowa Department of Transportation				
Highway Planning and Construction	20.205	TAP-R-5957(602)—8T-31	20,000	-
Highway Safety Cluster				
Iowa Department of Public Safety				
State and Community Highway Safety	20.600	402-MOPT, Task 71-90-00-Peosta PD 2021 STEP	2,378	-
Total U.S. Department of Transportation			22,378	-
<u>U.S. Department of Treasury</u>				
Pass-through program from				
Iowa Department of Revenue				
COVID-19 - Coronavirus Relief Fund	21.019	N/A	44,135	-
Total Federal Financial Assistance			\$ 2,096,380	\$ -

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of the City of Peosta, Iowa, (City) under programs of the federal government for the year ended June 30, 2021. The information 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, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the City.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified accrual basis of accounting – when they become a demand on current available financial resources in the governmental fund types and on the full accrual basis of accounting – when expenditures are incurred in the proprietary fund types. 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 City received federal awards both directly from federal agencies and indirectly through pass-through entities. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient. There was no assistance provided to subrecipients during the year ended June 30, 2021.

Note 1 of the financial statements describes the basis of accounting used in the preparation of the financial statements. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The Schedule of Expenditures of Federal Awards presents \$557,856 of incurred expenditures which have not been reimbursed to the City as of June 30, 2021.

**Note 3 - Indirect Cost Rate**

The City has not elected to use the 10% de minimis cost rate.

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

**Financial Statements**

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weakness identified	Yes
Significant deficiencies identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted	No

**Federal Awards**

Internal control over major programs	
Material weakness identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	No

**Identification of major program**

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Economic Development Cluster	
Economic Adjustment Assistance	11.307
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee	No



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

**Material Weakness**

**2021-001 Preparation of Financial Statements and Schedule of Expenditures of Federal Awards**

**Criteria:** A properly designed system of internal control over financial reporting includes the preparation of an entity's financial statements, schedule of expenditures of federal awards, and accompanying notes by internal personnel of the entity.

**Condition:** As auditors, we were requested to draft the financial statements, schedule of expenditures of federal awards, and accompanying notes. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

**Cause:** We recognize that with a limited number of office employees, preparation of the financial statements and schedule of expenditures of federal awards is difficult.

**Effect:** The effect of this condition is that the year-end financial reporting is prepared by a party outside of the City. The outside party does not have the constant contact with ongoing financial transactions that internal staff have.

**Recommendation:** We recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances to enable staff to draft the financial statements and schedule of expenditures of federal awards internally.

**Views of Responsible Officials:** The City agrees with the finding.

**Significant Deficiency**

**2021-002 Segregation of Duties**

**Criteria:** Properly designed segregation of duties allows entities to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles.

**Condition:** The City is unable to fully segregate receipt and posting functions, disbursement preparation and posting functions and reconciliation functions from receipt and disbursement functions.

**Cause:** The City has limited time and staffing constraints.

**Effect:** Since job functions were not properly segregated, misstatements may not have been prevented or detected on a timely basis in the normal course of operations.

**Recommendation:** We recommend that City staff review operating procedures in order to obtain the maximum internal controls possible.

**Views of Responsible Officials:** The City agrees with the finding.

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

There were no findings and questioned costs to report.

### **Part IV: Other Findings Related to Statutory Reporting:**

**2021-IA-A Certified Budget** – Disbursements during year ended June 30, 2021 exceeded the amounts budgeted in the health and social services function during the year and at year end. Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the capital projects and business-type activities functions during the fiscal year. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

**Views of Responsible Officials** – The budget will be amended in the future, if applicable.

**2021-IA-B Questionable Disbursements** – We noted no disbursements that fail to meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

**2021-IA-C Travel Expense** – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

**2021-IA-D Business Transactions** – No business transactions between the City and City officials or employees were noted.

**2021-IA-E Restricted Donor Activity** – No transactions were noted between the City, City officials, City employees, and restricted donors in compliance with Chapter 68B of the Code of Iowa.

**2021-IA-F Bond Coverage** – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

**2021-IA-G Council Minutes** – No transactions were found that we believe should have been approved in the Council minutes but were not.

**2021-IA-H 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.

**2021-IA-I Revenue Bonds and Notes** – The Sewer Utility revenue bonds with Iowa Finance Authority (IFA) include a requirement for the Utility to produce net revenues of at least 110% of the current year debt service requirement. The City did not meet this requirement in fiscal year 2021.

**Recommendation** – The City should review the bond covenants requirements and contact IFA and their bond consultants.

**View of Responsible Officials** – The final rate increase went into effect in August 2021.

**2021-IA-J Annual Urban Renewal Report** – The annual urban renewal report was approved and certified to the Iowa Department of Management on or before December 1, 2020.

**2021-IA-K Tax Increment Financing** – The Special Revenue Tax Increment Financing Fund properly disbursed payments for TIF loans and rebates. Also, the City properly completed the Tax Increment Debt Certificate forms to request TIF property taxes.