

CITY OF WASHINGTON, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

CITY OF WASHINGTON, IOWA
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**CITY OF WASHINGTON, IOWA
OFFICIALS**
June 30, 2020

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January, 2020)		
Jaron Rosien	Mayor	January, 2022
Danielle Pettit-Majewski	Council Member	January, 2020
Steve Gault	Council Member	January, 2022
Brendan DeLong	Council Member	January, 2020
Fran Stigers	Council Member	January, 2022
Millie Youngquist	Council Member	January, 2020
Elaine Moore	Council Member	January, 2022
Brent Hinson	City Administrator	Indefinite
Illa Earnest	City Clerk	Indefinite
Kelsey Brown	Finance Director	Indefinite
Kevin Olson	City Attorney	Indefinite
(After January, 2020)		
Jaron Rosien	Mayor	January, 2022
Danielle Pettit-Majewski	Council Member	January, 2024
Steve Gault	Council Member	January, 2022
Brendan DeLong	Council Member	January, 2024
Fran Stigers	Council Member	January, 2022
Millie Youngquist	Council Member	January, 2024
Elaine Moore	Council Member	January, 2022
Brent Hinson	City Administrator	Indefinite
Illa Earnest	City Clerk	Indefinite
Kelsey Brown	Finance Director	Indefinite
Kevin Olson	City Attorney	Indefinite

Gronewold, Bell, Kyhnn & Co. P.C.

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MARK D. KYHNN
KENNETH P. TEGELS
CHRISTOPHER J. NELSON
DAVID A. GINTHER

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Washington, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

To the Honorable Mayor and
Members of the City Council

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Washington as of June 30, 2020, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Washington'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 three years ended June 30, 2015 and the year ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the two years ended June 30, 2012 and the three years ended June 30, 2018 (which are not presented herein), were audited by other auditors whose reports expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 5 through 5e and 33 through 37, 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.

To the Honorable Mayor and
Members of the City Council

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 19, 2020 on our consideration of the City of Washington's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Washington's internal control over financial reporting and compliance.

(Signature), Bemis, Flynn & P.L.C.

Atlantic, Iowa
November 19, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Washington 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, 2020. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2020 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 37.6%, or approximately \$3,674,000, from fiscal year 2019 to fiscal year 2020. Bond proceeds increased approximately \$3,266,000 while operating grants, contributions, and restricted interest increased approximately \$200,000.
- Disbursements of the City's governmental activities increased 20.0%, or approximately \$2,068,000, in fiscal year 2020 from fiscal year 2019, mostly due to increased capital projects disbursements.
- The City's total cash basis net position increased 0.5%, or approximately \$56,000, from June 30, 2019 to June 30, 2020. Of this amount, the cash basis net position of the governmental activities increased approximately \$831,000 and the cash basis net position of the business type activities decreased approximately \$775,000.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system and sanitation services. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City and a Sanitation Fund, which is considered to be a nonmajor fund. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

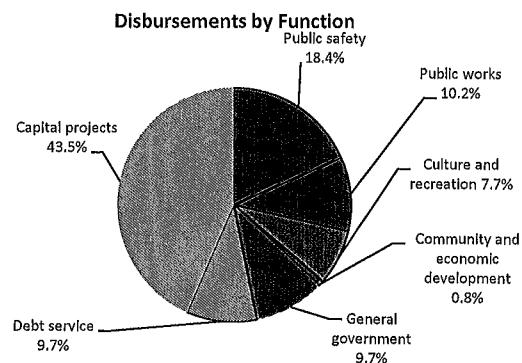
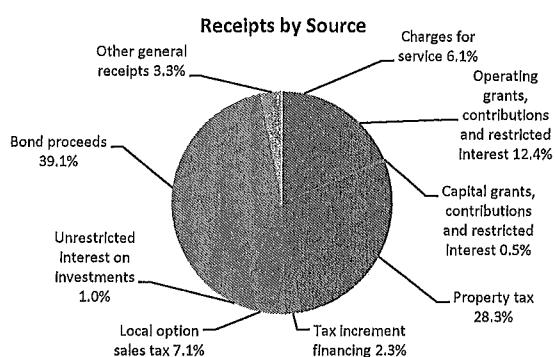
Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$8.128 million to approximately \$8.959 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes In Cash Basis Net Position of Governmental Activities

	Year ended June 30,	
	2020	2019
Receipts:		
Program receipts:		
Charges for service	\$ 816,279	\$ 766,420
Operating grants, contributions and restricted interest	1,665,861	1,466,258
Capital grants, contributions and restricted interest	61,588	201,320
General receipts:		
Property tax	3,802,732	3,849,242
Local option sales tax	961,871	855,456
Tax increment financing	313,217	270,671
Unrestricted interest on investments	131,244	157,798
Other general receipts	437,577	379,165
Bond and note proceeds	5,090,000	1,823,609
Premium on bonds	163,873	--
Total receipts	<u>13,444,242</u>	<u>9,769,939</u>
Disbursements:		
Public safety	2,282,216	2,129,133
Public works	1,263,411	1,022,497
Culture and recreation	955,287	918,007
Community and economic development	99,542	85,748
General government	1,202,899	1,146,519
Debt service	1,208,644	1,369,392
Capital projects	5,410,269	3,682,882
Total disbursements	<u>12,422,268</u>	<u>10,354,178</u>
Change in cash basis net position before transfers	1,021,974	(584,239)
Transfers net	<u>(191,412)</u>	<u>66,420</u>
Change in cash basis net position	830,562	(517,819)
Cash basis net position beginning of year	<u>8,128,369</u>	<u>8,646,188</u>
Cash basis net position end of year	<u>\$ 8,958,931</u>	<u>\$ 8,128,369</u>



The City's total receipts for governmental activities increased 37.6%, or approximately \$3,674,000, over the prior year. The total cost of all programs and services increased approximately \$2,068,000, or 20.0%, with no new programs added this year. The significant increase in receipts was primarily the result of an increase in proceeds received from the issuance of general obligation capital loan notes, while the significant increase in total cost is primarily the result of an increase in capital projects activity

The cost of all governmental activities this year was approximately \$12,422 million compared to approximately \$10.354 million last year. However, as shown in the Statement of Activities and Net Position on pages 6-7, the amount taxpayers ultimately financed for these activities was approximately \$9.879 million because some of the cost was paid by those who directly benefited from the programs (approximately \$816,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$1,727,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2020 from approximately \$2,434,000 to approximately \$2,544,000, principally due to receiving more private source contributions for capital projects.

Changes in Cash Basis Net Position of Business Type Activities

	Year ended June 30,	
	2020	2019
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,675,166	\$ 1,789,227
Sewer	2,208,295	2,232,910
Sanitation	523,172	426,616
Operating grants, contributions and restricted interest	3,464	3,432
Capital grants, contributions and restricted interest	598,254	269,622
General receipts:		
Unrestricted interest on investments	17,021	27,680
Note proceeds	363,393	1,500,107
Total receipts	<u>5,388,765</u>	<u>6,249,594</u>
 Disbursements:		
Water	2,282,092	3,372,624
Sewer	3,273,523	2,192,571
Sanitation	799,442	446,044
Total disbursements	<u>6,355,057</u>	<u>6,011,239</u>
Change in cash basis net position before transfer	(966,292)	238,355
Transfers net	<u>191,412</u>	(66,420)
Change in cash basis net position	(774,880)	171,935
Cash basis net position beginning of year	<u>2,143,739</u>	<u>1,971,804</u>
Cash basis net position end of year	<u>\$ 1,368,859</u>	<u>\$ 2,143,739</u>

Total business type activities receipts for the fiscal year were approximately \$5.389 million compared to approximately \$6.250 million last year. This decrease was due primarily to the decrease of revenue bond proceeds in fiscal year 2020. The cash balance decreased approximately \$775,000 over the prior year because most of the bond proceeds received in FY18 and FY19 were spent in this fiscal year for the approved water treatment plan improvement project. Total disbursements for the fiscal year increased 5.7% to approximately \$6.355 million.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City completed the year, its governmental funds reported a combined fund balance of \$8,677,673, an increase of more than \$770,000 above last year's total of \$7,907,588. 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 increase \$101,233 or 7.4%, from the prior year to \$1,474,889. Approximately \$96,000 of this increase was due to disbursements in the General Fund decreasing from the prior year.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$140,163, or 14.3%, from the prior year to \$841,454. This decrease is attributable to an increase in public works disbursements for the fiscal year.
- The Debt Service Fund cash balance decreased \$632 or 100.0% to \$0. This decrease is attributable to a decrease in bond principal and interest payments in fiscal year 2020.
- The Capital Projects Fund cash balance increased \$761,276, or 16.9%, to \$5,277,582. The increase was the result of proceeds of \$5,090,000 received from the issuance of general obligation capital loan notes. These proceeds were used to purchase capital equipment, real estate and construct various projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased by \$326,192 to \$393,120, due primarily to a decrease in the sale of water and an increase in disbursements.
- The Enterprise, Sewer Fund cash balance decreased by \$428,210 to \$761,157, due primarily to the increase in disbursements related to the 2019 Southeast Basin I&I Reduction capital project.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on February 18, 2020 and resulted in an increase in disbursements related to public safety, public works, culture and recreation, community and economic development, debt service, capital projects and business type/enterprises. The second amendment was approved on May 19, 2020 to provide for additional disbursements related to public safety, public works, culture and recreation, general government, debt service, capital projects and business type/enterprises. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$1,455,086 less than budgeted. This was primarily due to grant receipts that were less than expected due to delays in the projects.

With the budget amendments, total disbursements were \$4,402,001 less than the amended budget. This was primarily due to the City delaying disbursements related to capital projects.

The City exceeded the amounts budgeted in the public safety, general government and debt service functions for the year ended June 30, 2020 due to the purchase of public safety equipment, higher costs for projects and higher cost associated with bond issuance.

DEBT ADMINISTRATION

At June 30, 2020, the City had \$30,682,000 of bonds and other long-term debt outstanding, compared to \$26,813,607 last year, as shown below.

<u>Outstanding Debt at Year End</u>		
	June 30,	
	2020	2019
General obligation capital loan notes and bonds	\$ 10,970,000	\$ 6,715,000
Revenue notes and bonds	<u>19,712,000</u>	<u>20,098,607</u>
Total	<u>\$ 30,682,000</u>	<u>\$ 26,813,607</u>

Debt increased as a result of issuing general obligation capital loan notes for capital equipment and real estate purchases and various improvement projects.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation of \$10,970,000 is significantly below its constitutional debt limit of approximately \$21 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Washington's elected and appointed officials and citizens considered many factors when setting the fiscal year 2021 budget, tax rates, and fees charged for various City activities. Those factors may include the economy, employment rates, operating expenses, capital projects and increases in service and state mandates.

For fiscal year 2021, the City of Washington has projected and budgeted the following major projects; City Hall/Police Building \$925,139, Wellness Park \$2,387,563, N 4th Improvements \$1,552,705 and South Ave. E Improvements \$752,849. Other projects include NLW Subdivision, Southeast Basin I&I Reduction, Sealcoat, Airport Taxilane, and N 4th Ave. Street and Utility.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brent Hinson, City Administrator, City of Washington, 215 East Washington Street, Washington, Iowa 52353.

CITY OF WASHINGTON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION

As of and for the year ended June 30, 2020

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts</u>
			Operating Grants, Contributions, and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 2,282,216	\$ 15,439	\$ 68,739
Public works	1,263,411	323,758	950,303
Culture and recreation	955,287	155,284	38,267
Community and economic development	99,542	--	--
General government	1,202,899	303,991	15,000
Debt service	1,208,644	--	--
Capital projects	<u>5,410,269</u>	<u>17,807</u>	<u>593,552</u>
Total governmental activities	<u>12,422,268</u>	<u>816,279</u>	<u>1,665,861</u>
Business type activities:			
Water	2,282,092	1,675,166	1,860
Sewer	3,273,523	2,208,295	1,134
Sanitation	<u>799,442</u>	<u>523,172</u>	<u>470</u>
Total business type activities	<u>6,355,057</u>	<u>4,406,633</u>	<u>3,464</u>
Total	<u>\$ 18,777,325</u>	<u>\$ 5,222,912</u>	<u>\$ 1,669,325</u>
General Receipts and Transfers:			
Property tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Hotel/motel tax			
Unrestricted interest on investments			
Debt proceeds			
Premium on bonds			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			

(continued next page)

<u>Program Receipts</u>	<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Position</u>		
<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ --	\$ (2,198,038)	\$ --	\$ (2,198,038)
--	10,650	--	10,650
--	(761,736)	--	(761,736)
--	(99,542)	--	(99,542)
--	(883,908)	--	(883,908)
--	(1,208,644)	--	(1,208,644)
<u>61,588</u>	<u>(4,737,322)</u>	<u>--</u>	<u>(4,737,322)</u>
<u>61,588</u>	<u>(9,878,540)</u>	<u>--</u>	<u>(9,878,540)</u>
93,057	--	(512,009)	(512,009)
<u>505,197</u>	<u>--</u>	<u>(558,897)</u>	<u>(558,897)</u>
--	--	(275,800)	(275,800)
<u>598,254</u>	<u>--</u>	<u>(1,346,706)</u>	<u>(1,346,706)</u>
<u>\$ 659,842</u>	<u>(9,878,540)</u>	<u>(1,346,706)</u>	<u>(11,225,246)</u>
2,885,654	--	2,885,654	
917,078	--	917,078	
313,217	--	313,217	
961,871	--	961,871	
49,233	--	49,233	
131,244	17,021	148,265	
5,090,000	363,393	5,453,393	
163,873	--	163,873	
388,344	--	388,344	
(191,412)	191,412	--	
<u>10,709,102</u>	<u>571,826</u>	<u>11,280,928</u>	
830,562	(774,880)	55,682	
<u>8,128,369</u>	<u>2,143,739</u>	<u>10,272,108</u>	
<u>\$ 8,958,931</u>	<u>\$ 1,368,859</u>	<u>\$ 10,327,790</u>	

CITY OF WASHINGTON, IOWA
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION - Continued

As of and for the year ended June 30, 2020

	<u>Disbursements</u>	<u>Program Receipts</u>	
		Charges for Service	Operating Grants, Contributions, and Restricted Interest
Cash Basis Net Position			
Restricted:			
Expendable:			
Debt service			
Streets			
Capital projects			
Urban renewal purposes			
Park purposes			
Library purposes			
Customer deposits			
Other purposes			
Unrestricted			
	Total cash basis net position		

The accompanying notes are an integral part of these statements.

<u>Program Receipts</u>	<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Position</u>		
<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 79,170	\$ --	\$ 79,170	
841,454	--	841,454	
4,764,341	--	4,764,341	
96,823	--	96,823	
46,573	--	46,573	
749,270	--	749,270	
	30,055	30,055	
192,412	--	192,412	
<u>2,188,888</u>	<u>1,338,804</u>	<u>3,527,692</u>	
<u>\$ 8,958,931</u>	<u>\$ 1,368,859</u>	<u>\$ 10,327,790</u>	

**CITY OF WASHINGTON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS**

As of and for the year ended June 30, 2020

	<u>General</u>	<u>Road Use Tax</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Receipts:				
Property tax	\$ 2,173,114	\$ --	\$ 917,078	--
Tax increment financing	--	--	--	--
Other city tax	49,233	--	--	--
Licenses and permits	110,920	--	--	--
Use of money and property	138,642	841	331	--
Intergovernmental	2,400	933,960	--	--
Charges for service	124,455	--	--	--
Special assessments	--	--	--	--
Miscellaneous	572,374	8,447	--	--
Total receipts	<u>3,171,138</u>	<u>943,248</u>	<u>917,409</u>	
Disbursements:				
Operating:				
Public safety	1,793,480	--	--	--
Public works	347,224	766,437	--	--
Culture and recreation	920,244	--	--	--
Community and economic development	--	--	--	--
General government	1,001,530	--	--	--
Debt service	--	--	1,049,704	--
Capital projects	--	--	--	--
Total disbursements	<u>4,062,478</u>	<u>766,437</u>	<u>1,049,704</u>	
Excess (deficiency) of receipts over (under) disbursements	(891,340)	176,811	(132,295)	
Other financing sources (uses):				
Debt proceeds	--	--	--	--
Premium on bonds	--	--	--	--
Operating transfers in	1,311,646	95,765	131,663	--
Operating transfers out	(319,073)	(412,739)	--	--
Total other financing sources (uses)	<u>992,573</u>	<u>(316,974)</u>	<u>131,663</u>	
Change in cash balances	101,233	(140,163)	(632)	
Cash balances beginning of year	<u>1,373,656</u>	<u>981,617</u>	<u>632</u>	
Cash balances end of year	<u>\$ 1,474,889</u>	<u>\$ 841,454</u>	<u>\$ --</u>	

(continued next page)

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 712,540	\$ 3,802,732
--	313,217	313,217
--	961,871	1,011,104
--	--	110,920
193,172	15,266	348,252
61,588	15,000	1,012,948
--	4,311	128,766
17,807	--	17,807
<u>653,299</u>	<u>210,503</u>	<u>1,444,623</u>
<u>925,866</u>	<u>2,232,708</u>	<u>8,190,369</u>
358,885	129,851	2,282,216
149,750	--	1,263,411
4,607	30,436	955,287
--	99,542	99,542
35,772	226,074	1,263,376
--	158,940	1,208,644
<u>5,409,749</u>	<u>520</u>	<u>5,410,269</u>
<u>5,958,763</u>	<u>645,363</u>	<u>12,482,745</u>
(5,032,897)	1,587,345	(4,292,376)
5,090,000	--	5,090,000
163,873	--	163,873
1,158,908	142,771	2,840,753
(618,608)	(1,681,745)	(3,032,165)
<u>5,794,173</u>	<u>(1,538,974)</u>	<u>5,062,461</u>
761,276	48,371	770,085
<u>4,516,306</u>	<u>1,035,377</u>	<u>7,907,588</u>
<u>\$ 5,277,582</u>	<u>\$ 1,083,748</u>	<u>\$ 8,677,673</u>

**CITY OF WASHINGTON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS - Continued**

As of and for the year ended June 30, 2020

	<u>General</u>	<u>Road Use Tax</u>	<u>Special Revenue</u>	<u>Debt Service</u>
Cash Basis Fund Balances				
Restricted for:				
Debt Service	\$ --	\$ --	\$ --	--
Streets	--	841,454	--	--
Capital projects	--	--	--	--
Urban renewal purposes	--	--	--	--
Park purposes	--	--	--	--
Library purposes	--	--	--	--
Other purposes	80,500	--	--	--
Assigned to:				
Capital equipment	--	--	--	--
Safety programming and initiatives	4,411	--	--	--
Airport	291,087	--	--	--
Unassigned	<u>1,098,891</u>	<u>--</u>	<u>--</u>	<u>--</u>
Total cash basis fund balances	\$ 1,474,889	\$ 841,454	\$ --	--

The accompanying notes are an integral part of these statements.

<u>Capital Projects</u>	<u>Nonmajor</u>	<u>Total</u>
\$ --	\$ 79,170	\$ 79,170
--	--	841,454
4,764,341	--	4,764,341
--	96,823	96,823
--	46,573	46,573
--	749,270	749,270
--	111,912	192,412
513,241	--	513,241
--	--	4,411
--	--	291,087
--	--	1,098,891
<u>\$ 5,277,582</u>	<u>\$ 1,083,748</u>	<u>\$ 8,677,673</u>

**CITY OF WASHINGTON, IOWA
RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BALANCES
TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION -
GOVERNMENTAL FUNDS**

As of and for the year ended June 30, 2020

Total governmental funds cash balances (page 8)	\$ 8,677,673
---	--------------

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

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

281,258

Cash basis net position of governmental activities (page 6)	<u>\$ 8,958,931</u>
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Change in cash balances (Page 8)	\$ 770,085
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Amounts reported for governmental activities in the Cash Basis
Statement of Activities and Net Position are different because:

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

60,477

Change in cash basis net position of governmental activities (page 6)	<u>\$ 830,562</u>
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The accompanying notes are an integral part of these statements.

**CITY OF WASHINGTON, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS**

As of and for the year ended June 30, 2020

	<u>Enterprise</u>	
	<u>Water</u>	<u>Sewer</u>
Operating receipts:		
Charges for service	\$ 1,562,814	\$ 2,183,284
Miscellaneous	<u>114,212</u>	<u>26,145</u>
Total operating receipts	<u>1,677,026</u>	<u>2,209,429</u>
Operating disbursements:		
General government	--	--
Business type activities	<u>1,391,051</u>	<u>1,181,019</u>
Total operating disbursements	<u>1,391,051</u>	<u>1,181,019</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	285,975	1,028,410
Non-operating receipts (disbursements):		
Interest on investments	277	16,744
Intergovernmental	<u>93,057</u>	<u>505,197</u>
Debt proceeds	<u>363,393</u>	<u>--</u>
Capital projects	<u>(634,874)</u>	<u>(1,163,362)</u>
Debt service	<u>(263,043)</u>	<u>(939,493)</u>
Net non-operating disbursements	<u>(441,190)</u>	<u>(1,580,914)</u>
Excess (deficiency) of receipts over (under) disbursements	(155,215)	(552,504)
Transfers in	--	264,168
Transfers out	<u>(170,977)</u>	<u>(139,874)</u>
Change in cash balances	(326,192)	(428,210)
Cash balances beginning of year	<u>719,312</u>	<u>1,189,367</u>
Cash balances end of year	<u>\$ 393,120</u>	<u>\$ 761,157</u>
Cash Basis Fund Balances		
Restricted for customer deposits	\$ 30,055	\$ --
Unrestricted	<u>363,065</u>	<u>761,157</u>
Total cash basis fund balances	<u>\$ 393,120</u>	<u>\$ 761,157</u>

The accompanying notes are an integral part of these statements.

Enterprise		Internal Service
Nonmajor Sanitation	Total	Employee Health
\$ 510,842	\$ 4,256,940	\$ 155,964
12,800	153,157	6,630
<u>523,642</u>	<u>4,410,097</u>	<u>162,594</u>
--	--	84,647
<u>799,685</u>	<u>3,371,755</u>	<u>--</u>
<u>799,685</u>	<u>3,371,755</u>	<u>84,647</u>
(276,043)	1,038,342	77,947
--	17,021	--
--	598,254	--
--	363,393	--
--	(1,798,236)	--
--	(1,202,536)	--
<u>--</u>	<u>(2,022,104)</u>	<u>--</u>
(276,043)	(983,762)	77,947
239,095	503,263	--
(1,000)	(311,851)	--
<u>238,095</u>	<u>191,412</u>	<u>--</u>
(37,948)	(792,350)	77,947
<u>139,865</u>	<u>2,048,544</u>	<u>315,976</u>
<u>\$ 101,917</u>	<u>\$ 1,256,194</u>	<u>\$ 393,923</u>
\$ --	\$ 30,055	\$ --
<u>101,917</u>	<u>1,226,139</u>	<u>393,923</u>
<u>\$ 101,917</u>	<u>\$ 1,256,194</u>	<u>\$ 393,923</u>

**CITY OF WASHINGTON, IOWA
RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS,
DISBURSEMENTS AND CHANGES IN CASH BALANCES
TO THE CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION -
PROPRIETARY FUNDS**

As of and for the year ended June 30, 2020

Total enterprise funds cash balances (page 11)	\$ 1,256,194
--	--------------

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

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

112,665

Cash basis net position of business type activities (page 6)	<u>\$ 1,368,859</u>
--	---------------------

Change in cash balances (Page 11)	\$(792,350)
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Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

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

17,470

Change in cash basis net position of business type activities (page 6)	\$(<u>774,880</u>)
--	----------------------

The accompanying notes are an integral part of these statements.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Washington is a political subdivision of the State of Iowa located in Washington County. It was first incorporated in 1864 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities and sanitation services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Washington has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Washington (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Units

The Washington Free Public Library Foundation (Library Foundation) is legally separate from the City, but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The Library Foundation was incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the general operation of the Washington Public Library.

The Washington Volunteer Fire Department (Volunteer Fire Department) is legally separate from the City, but it is so intertwined with the City it is, in substance, part of the City. It is reported as part of the City and blended into the Special Revenue Funds. The Volunteer Fire Department was incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the extinguishing of fires and performing such other duties as set forth by the City of Washington Fire Department.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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: Washington County Assessor's Conference Board, Washington County Emergency Management Commission, Washington County Joint E911 Service Board, Washington County Public Safety Committee and Southeast Iowa Multi-County Solid Waste Agency.

B. Basis of Presentation

Government-wide Financial Statements

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

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

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balance to be maintained permanently by the City.

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

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

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

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

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 and enterprise fund are aggregated and reported as nonmajor governmental funds and nonmajor enterprise fund, respectively.

The City reports the following major governmental funds:

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

Special Revenue:

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

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

Enterprise:

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

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

The City also reports the following additional proprietary fund:

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

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

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

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

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

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

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

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

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

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public safety, general government and debt service functions.

NOTE 2 - CASH AND POOLED INVESTMENTS

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

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

The City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$4,682,694. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - CASH AND POOLED INVESTMENTS - Continued

At June 30, 2020, the Library Foundation had the following investments:

<u>Investment</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
Washington Free Public Library Foundation:		
Exchange traded and closed end funds	\$ 98,132	\$ 98,132
Mutual funds	<u>155,340</u>	<u>155,340</u>
	<u>\$ 253,472</u>	<u>\$ 253,472</u>

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.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the Library's investment in a single issue or issuer. Except for Treasury, no more than 5% of the City's portfolio can be invested in securities of a single issuer. No more than 10% of the Library Foundation's portfolio, excluding mutual funds, can be invested in securities of a single issuer.

Fair Value Measurement - The Library Foundation uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The Library Foundation's investments that do not have a readily determinable fair value, such as ownership interest in partner's capital, are reported using Net Asset Value per share (NAV). Used as a practical expedient for the estimated fair value, NAV per share or its equivalent is provided by the fund manager and reviewed by the Library Foundation. Investment holdings using the NAV as a practical expedient consist of Library Foundation interest in open end mutual funds.

Due to the nature of the investments held by the funds, changes in market conditions, economic environment, regulatory environment, currency exchange rates, interest rates and commodity price fluctuations may significantly impact the NAV of the funds and, consequently, the fair value of the Library Foundation's interest in the funds and could materially affect the amounts reported in the financial statements. The Library Foundation attempts to manage these risks through diversification, ongoing due diligence, maintain adequate liquidity and continuously monitoring economic and market conditions.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 2 - CASH AND POOLED INVESTMENTS - Continued

The following table reflects fair value measurements of investment assets at June 30, 2020 as categorized by level of the fair value hierarchy or NAV:

	Quoted Market Prices for Identical Assets (Level 1)	Net Asset Value (Level 1)	Total
Exchange traded and closed end funds	\$ 98,132	\$ --	\$ 98,132
Mutual funds	--	155,340	155,340
	<u>\$ 98,132</u>	<u>\$ 155,340</u>	<u>\$ 253,472</u>

The following table summarizes the Library Foundation's investments at June 30, 2020 for which net asset value was used as a practical expedient to estimate fair value:

<u>Asset Class</u>	<u>Fair Value Determined Using NAV</u>	<u>Unfunded Commitments at June 30, 2020</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Mutual funds	\$ 155,340	\$ --	Daily	N/A

NOTE 3 - BONDS AND NOTES PAYABLE

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>	<u>Due Within One Year</u>
Governmental activities: General Obligation Bonds/Notes	\$ 6,715,000	\$ 5,090,000	\$ 835,000	\$ 10,970,000	\$ 900,000
LOST Revenue Bonds	<u>1,695,000</u>	<u>--</u>	<u>100,000</u>	<u>1,595,000</u>	<u>100,000</u>
Governmental activities total	<u>\$ 8,410,000</u>	<u>\$ 5,090,000</u>	<u>\$ 935,000</u>	<u>\$ 12,565,000</u>	<u>\$ 1,000,000</u>
Business type activities: Sewer Revenue Notes	\$ 14,569,000	\$ --	\$ 466,000	\$ 14,103,000	\$ 481,000
Water Revenue Notes	<u>3,834,607</u>	<u>363,393</u>	<u>184,000</u>	<u>4,014,000</u>	<u>187,000</u>
Business type activities total	<u>\$ 18,403,607</u>	<u>\$ 363,393</u>	<u>\$ 650,000</u>	<u>\$ 18,117,000</u>	<u>\$ 668,000</u>

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

Annual debt service requirements to maturity for general obligation bonds/notes, sewer revenue notes, water revenue notes and LOST revenue bonds are as follows:

<u>Year Ending June 30,</u>	<u>General Obligation Bonds and Notes</u>		<u>Revenue Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 900,000	\$ 269,043	\$ 668,000	\$ 493,335
2022	840,000	233,386	687,000	475,632
2023	865,000	214,996	708,000	457,410
2024	880,000	195,563	728,000	438,608
2025	900,000	175,139	749,000	419,255
2026-2030	3,620,000	612,388	4,088,000	1,784,769
2031-2035	2,325,000	217,324	4,721,000	1,204,770
2036-2040	640,000	18,400	4,916,000	535,862
2041-2042	--	--	852,000	29,970
	<u>\$ 10,970,000</u>	<u>\$ 1,936,239</u>	<u>\$ 18,117,000</u>	<u>\$ 5,839,611</u>

<u>Year Ending June 30,</u>	<u>LOST Revenue Bonds</u>		<u>Total</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 100,000	\$ 55,340	\$ 1,668,000	\$ 817,718
2022	105,000	52,340	1,632,000	761,358
2023	105,000	49,190	1,678,000	721,596
2024	110,000	46,040	1,718,000	680,211
2025	115,000	42,740	1,764,000	637,134
2026-2030	625,000	157,930	8,333,000	2,555,087
2031-2035	435,000	35,200	7,481,000	1,457,294
2036-2040	--	--	5,556,000	554,262
2041-2042	--	--	852,000	29,970
	<u>\$ 1,595,000</u>	<u>\$ 438,780</u>	<u>\$ 30,682,000</u>	<u>\$ 8,214,630</u>

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

General Obligation Bonds and Notes

On July 21, 2015, the City issued \$2,335,000 of general obligation capital loan notes with interest rates ranging from 1.50% to 3.75% per annum. The notes were issued for street, sanitary sewer system, water service lines, street lighting and traffic control devices, sidewalk improvements and the acquisition of any real estate. During the year ended June 30, 2020, the City paid \$165,000 of principal and \$50,787 of interest on the notes. The notes mature in fiscal year 2034.

On April 19, 2016, the City issued \$1,770,000 of general obligation bonds with interest rates ranging from 2.00% to 2.20% per annum. The bonds were issued for refunding prior general obligation bonds. During the year ended June 30, 2020, the City paid \$135,000 of principal and \$30,870 of interest on the bonds. The bonds mature in fiscal year 2029.

On April 19, 2016, the City issued \$630,000 of general obligation bonds with interest rates ranging from 2.00% to 3.00% per annum. The bonds were issued for refunding prior general obligation bonds. During the year ended June 30, 2020, the City paid \$45,000 of principal and \$14,363 of interest on the bonds. The bonds mature in fiscal year 2029.

On April 19, 2016, the City issued \$1,470,000 of general obligation bonds with interest rates ranging from 0.80% to 1.40% per annum. The bonds were issued for street, sanitary sewer system, water service lines, street lighting and traffic control devices, sidewalk improvements and the acquisition of any real estate. During the year ended June 30, 2020, the City paid \$130,000 of principal and \$3,025 of interest on the bonds. The bonds mature in fiscal year 2021.

On April 18, 2018, the City issued \$3,180,000 of general obligation capital loan notes with interest rates ranging from 3.00% to 3.10% per annum. The notes were issued for street, sanitary sewer system, water service lines, street lighting and traffic control devices, sidewalk improvements, the acquisition of any real estate and the Wellness Park Project. During the year ended June 30, 2020, the City paid \$360,000 of principal and \$82,970 of interest on the notes. The notes mature in fiscal year 2031.

On March 31, 2020, the City issued \$4,565,000 of general obligation capital loan notes with an interest rate of 2.00%. The notes were issued for street improvements, street lighting and traffic control devices, sidewalk improvements, the acquisition of real estate, water main improvements and equipment purchase. During the year ended June 30, 2020, the City paid \$ - 0 - of principal and \$ - 0 - of interest on the notes. The notes mature in fiscal year 2037.

On March 31, 2020, the City issued \$525,000 of general obligation capital loan notes with an interest rate of 2.00%. The notes were issued for costs of operation, including acquisition of land and future residential development costs. During the year ended June 30, 2020, the City paid \$ - 0 - of principal and \$ - 0 - of interest on the notes. The notes mature in fiscal year 2024.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$17,271,135 of sewer revenue notes issued in September 2011 and April 2012. Proceeds from the notes provided financing for the construction of sewer system projects and construction of a new waste water treatment plant. The notes carry an interest rate of 3.00% and are payable solely from sewer customer net receipts and are payable through 2042. Annual principal and interest on the notes are expected to require less than 88% of net receipts. The total principal and interest remaining to be paid on the notes is \$19,237,800. For the current year, principal and interest paid and total customer net receipts were \$903,070 and \$1,028,410, respectively.

The resolutions providing for the issuance of the sewer revenue notes include the following provisions:

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

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$4,378,000 of water revenue notes issued in January 2018. Proceeds from the notes provided financing for the construction improvements on the Municipal Water Utility and refund the outstanding Water Revenue Capital Loan Anticipation Project Note, Series 2016, dated November 18, 2016. The notes carry an interest rate of 1.75% and are payable solely from water customer net receipts and are payable through 2038. Annual principal and interest payments on the notes are expected to require less than 90% of net receipts. The total principal and interest remaining to be paid on the notes is \$4,718,811. For the current year, principal and interest paid and total customer net receipts were \$257,953 and \$285,975, respectively.

The resolutions providing for the issuance of the water revenue notes include the following provisions:

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

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 3 - BONDS AND NOTES PAYABLE - Continued

Local Option Sales and Services Tax Revenue Bonds

The City has pledged future local option sales and services tax receipts, net of specified allocations and disbursements, to repay \$1,805,000 of local option sales and services tax revenue bonds issued in August, 2018. Proceeds from the bonds provided financing for the construction of a new fire station. The bonds carry an interest rate ranging from 3.00% to 4.00% per annum and are payable solely from the proceeds of the local option sales and services tax received by the City in accordance with Chapter 422B.12(3) of the Code of Iowa and are payable through 2033. Annual principal and interest payments on the bonds are expected to require approximately 16% of the LOST fund local option sales tax receipts. The total principal and interest remaining to be paid on the bonds is \$2,033,780. For the current year, principal and interest paid and net tax receipts were \$158,340 and \$961,871, respectively. The bonds are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City.

NOTE 4 - INDUSTRIAL DEVELOPMENT REVENUE BOND

The City has issued a \$2,400,000 elderly housing revenue bond under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the City.

In September 2016, the City issued \$6,400,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa for the United Presbyterian Home Project. The bonds and related interest are payable solely by the United Presbyterian Home and do not constitute liability of the City.

NOTE 5 - PENSION PLAN

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

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

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - PENSION PLAN - Continued

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 age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection occupation member's monthly IPERS benefit includes:

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

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

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

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

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - PENSION PLAN - Continued

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

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$288,048.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2020, the City reported a liability of \$1,408,081 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's proportion was 0.024316%, which was a decrease of 0.000992% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020 the City pension expense, deferred outflows of resources and deferred inflows of resources totaled \$393,349, \$352,839 and \$442,026, respectively.

There were no non-employer contributing entities to IPERS.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - PENSION PLAN - Continued

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

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

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

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

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	100%	

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 5 - PENSION PLAN - Continued

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 3,200,248	\$ 1,408,081	\$ (94,298)

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

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description: The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$445,211 and plan members eligible for benefits contributed \$106,905 to the plan. At June 30, 2020, 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 pay an additional 2% administrative fee that does not apply to active members. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	<u>45</u>
Total	<u>45</u>

NOTE 7 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and compensatory hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2020, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 272,000
Compensatory time	<u>19,000</u>
Total	<u>\$ 291,000</u>

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

NOTE 8 - RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 779 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 8 - RISK MANAGEMENT - Continued

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

The City's property and casualty contributions to the Pool are recorded as disbursements from its operating funds at the time of payment to the Pool. The City's contributions to the Pool for the year ended June 30, 2020 were approximately \$129,400.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$500,000 per claim. Claims exceeding \$500,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location. Property risks exceeding \$250,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's funds and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2020, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The City also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation and employee blanket bond in the amount of \$1,000,000 and \$100,000, respectively. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 9 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Employee Benefits Local Option Sales Tax Urban Renewal Tax Increment Capital Projects Enterprise: Sanitation	\$ 502,697 672,968 34,981 100,000 1,000 <hr/> 1,311,646
Special Revenue: Road Use Tax	Special Revenue: Employee Benefits	95,765
Special Revenue: Housing Rehabilitation	Special Revenue: Low and Moderate Income Capital Projects	37,800 <hr/> 38,824 76,624
Special Revenue: Low and Moderate Income	Special Revenue: Urban Renewal Tax Increment	66,147
Debt Service	Special Revenue: Urban Renewal Tax Increment Capital Projects Enterprise: Sewer	81,700 30,089 19,874 <hr/> 131,663
Capital Projects	General Special Revenue: Road Use Tax Local Option Sales Tax Urban Renewal Tax Increment Enterprise: Water Sewer	319,073 412,739 129,963 6,156 170,977 120,000 <hr/> 1,158,908
Enterprise: Sewer	Special Revenue: Urban Renewal Tax Increment Capital Projects	53,568 <hr/> 210,600 264,168
Enterprise: Sanitation	Capital Projects	<hr/> 239,095 \$ 3,344,016

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

**CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020**

NOTE 10 - RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$1,917,354 during the year ended June 30, 2020.

NOTE 11 - COMMITMENTS

In August 2020, the City issued \$250,000 of sewer revenue notes. The City has also entered into construction contracts totaling approximately \$12,689,000 that are still in process as of June 30, 2020. The net remaining amount committed to these contracts is approximately \$6,426,000, which will be paid with existing capital project funds and sewer fund debt proceeds and enterprise fund balances.

NOTE 12 - URBAN RENEWAL DEVELOPMENT AGREEMENTS

The City has entered into five development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developers in exchange for infrastructure improvements, rehabilitation and development of commercial projects by the developers. The total to be paid by the City under the agreements is not to exceed \$1,166,000, subject to annual appropriation by the City Council. During the year ended June 30, 2020, the City rebated \$79,740 of incremental property tax to developers.

The agreements include an annual appropriation clause and, accordingly, only the amount payable in the succeeding year on the agreements is subject to the constitutional debt limitation.

NOTE 13 - OPERATING LEASES - LESSOR

The City leases farm land around the airport to two individuals. The lease terms are on a year-to-year basis. Rental income for the year ended June 30, 2020 totaled \$43,463.

The City leases hangar space to individuals on a month-to-month basis. Rental income for the year ended June 30, 2020 totaled \$27,155.

NOTE 14 - TAX ABATEMENTS

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

CITY OF WASHINGTON, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 14 - TAX ABATEMENTS - Continued

City Tax Abatements

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

For the year ended June 30, 2020, \$32,863 of property tax was diverted from the City under the urban renewal and economic development agreements.

NOTE 15 - SUBSEQUENT EVENT

The City has evaluated all subsequent events through November 19, 2020, the date the financial statements were available to be issued.

* * *

OTHER INFORMATION

CITY OF WASHINGTON, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL
FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION

Year ended June 30, 2020

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Less Funds not Required to be Budgeted</u>
Receipts:			
Property tax	\$ 3,802,732	\$ --	\$ --
Tax increment financing	313,217	--	--
Other city tax	1,011,104	--	--
Licenses and permits	110,920	--	--
Use of money and property	348,252	17,021	11,413
Intergovernmental	1,012,948	598,254	--
Charges for service	128,766	4,412,904	155,964
Special assessments	17,807	--	--
Miscellaneous	1,444,623	159,787	135,174
Total receipts	<u>8,190,369</u>	<u>5,187,966</u>	<u>302,551</u>
Disbursements:			
Public safety	2,282,216	--	124,857
Public works	1,263,411	--	--
Culture and recreation	955,287	--	14,522
Community and economic development	99,542	--	--
General government	1,263,376	84,647	84,647
Debt service	1,208,644	--	--
Capital projects	5,410,269	--	--
Business type activities	--	6,372,527	--
Total disbursements	<u>12,482,745</u>	<u>6,457,174</u>	<u>224,026</u>
Excess (deficiency) of receipts over (under) disbursements	(4,292,376)	(1,269,208)	78,525
Other financing sources (uses), net	<u>5,062,461</u>	<u>554,805</u>	<u>--</u>
Change in fund balances	770,085	(714,403)	78,525
Balances beginning of year	<u>7,907,588</u>	<u>2,364,520</u>	<u>764,941</u>
Balances end of year	<u>\$ 8,677,673</u>	<u>\$ 1,650,117</u>	<u>\$ 843,466</u>

See accompanying independent auditor's report.

	Total	Budgeted Amounts		Final to Total Variance
		Original	Final	
\$	3,802,732	\$ 3,707,941	\$ 3,707,941	\$ 94,791
	313,217	309,473	309,473	3,744
	1,011,104	914,074	989,074	22,030
	110,920	107,550	107,550	3,370
	353,860	195,008	223,008	130,852
	1,611,202	2,678,735	3,081,187	(1,469,985)
	4,385,706	5,275,792	5,275,792	(890,086)
	17,807	63,000	63,000	(45,193)
	1,469,236	459,079	773,845	695,391
	<u>13,075,784</u>	<u>13,710,652</u>	<u>14,530,870</u>	<u>(1,455,086)</u>
	2,157,359	1,694,498	1,845,836	(311,523)
	1,263,411	1,326,045	1,370,684	107,273
	940,765	985,506	1,007,414	66,649
	99,542	187,799	190,799	91,257
	1,263,376	1,139,453	1,182,089	(81,287)
	1,208,644	1,225,063	1,155,153	(53,491)
	5,410,269	7,522,612	9,375,837	3,965,568
	6,372,527	5,685,489	6,990,082	617,555
	<u>18,715,893</u>	<u>19,766,465</u>	<u>23,117,894</u>	<u>4,402,001</u>
	(5,640,109)	(6,055,813)	(8,587,024)	2,946,915
	<u>5,617,266</u>	<u>4,000,000</u>	<u>6,019,566</u>	<u>(402,300)</u>
	(22,843)	(2,055,813)	(2,567,458)	2,544,615
	<u>9,507,167</u>	<u>7,755,390</u>	<u>9,823,145</u>	<u>(315,978)</u>
\$	<u>9,484,324</u>	<u>\$ 5,699,577</u>	<u>\$ 7,255,687</u>	<u>\$ 2,228,637</u>

CITY OF WASHINGTON, IOWA
NOTES TO OTHER INFORMATION -
BUDGETARY REPORTING

June 30, 2020

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted included disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$3,351,429. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public safety, general government and debt service functions.

See accompanying independent auditor's report.

CITY OF WASHINGTON, IOWA
 SCHEDULE OF THE CITY'S PROPORTIONATE SHARE
 OF THE NET PENSION LIABILITY
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 FOR THE LAST SIX YEARS*

OTHER INFORMATION

	<u>2020</u>	<u>2019</u>
City's proportion of the net pension liability	0.024316%	0.025308%
City's proportionate share of the net pension liability	\$ 1,408,000	\$ 1,602,000
City's covered payroll	\$ 2,998,000	\$ 2,887,000
City's proportionate share of the net pension liability as a percentage of its covered payroll	46.96%	55.49%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%

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

Note: Amounts are rounded.

See accompanying independent auditor's report.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.027177%	0.026968%	0.022778%	0.020183%
\$ 1,810,000	\$ 1,697,000	\$ 1,125,000	\$ 800,000
\$ 2,963,000	\$ 2,771,000	\$ 2,620,000	\$ 2,487,000
61.09%	61.24%	42.94%	32.17%
82.21%	81.82%	85.19%	87.61%

CITY OF WASHINGTON, IOWA
 SCHEDULE OF CITY CONTRIBUTIONS
 IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 FOR THE LAST EIGHT YEARS

OTHER INFORMATION

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily required contribution	\$ 288,000	\$ 291,000	\$ 267,000
Contributions in relation to the statutorily required contribution	(288,000)	(291,000)	(267,000)
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
City's covered payroll	\$ 3,009,000	\$ 2,998,000	\$ 2,887,000
Contributions as a percentage of covered payroll		9.57%	9.71%
			9.25%

Note: Amounts are rounded.

Note: GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

See accompanying independent auditor's report.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 274,000	\$ 256,000	\$ 245,000	\$ 232,000	\$ 224,000
(274,000)	(256,000)	(245,000)	(232,000)	(224,000)
<u>\$ --</u>				
\$ 2,963,000	\$ 2,771,000	\$ 2,620,000	\$ 2,487,000	\$ 2,452,000
9.25%	9.24%	9.35%	9.33%	9.14%

CITY OF WASHINGTON, IOWA
NOTES TO OTHER INFORMATION - PENSION LIABILITY
YEAR ENDED JUNE 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms

Changes of assumptions:

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

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

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

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

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

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

* * *

See accompanying independent auditor's report.

SUPPLEMENTARY INFORMATION

CITY OF WASHINGTON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

As of and for the year ended June 30, 2020

	Special Revenue				
	Employee Benefits	Local Option Sales Tax	Urban Renewal Tax Increment	Low and Moderate Income	Housing Rehabilitation
Receipts:					
Property tax	\$ 712,540	\$ --	\$ --	\$ --	\$ --
Tax increment financing	--	--	313,217	--	--
Other City tax	--	961,871	--	--	--
Use of money and property	--	--	--	--	--
Intergovernmental	--	--	--	--	15,000
Charges for service	--	--	--	--	--
Miscellaneous	--	--	--	--	42,893
Total receipts	<u>712,540</u>	<u>961,871</u>	<u>313,217</u>	<u>--</u>	<u>57,893</u>
Disbursements:					
Operating:					
Public safety	--	--	--	--	--
Culture and recreation	--	--	--	--	--
Community and economic development	--	--	79,740	--	--
General government	114,078	--	--	--	111,996
Debt service	--	158,940	--	--	--
Capital projects	--	--	--	--	--
Total disbursements	<u>114,078</u>	<u>158,940</u>	<u>79,740</u>	<u>--</u>	<u>111,996</u>
Excess (deficiency) of receipts over (under) disbursements	598,462	802,931	233,477	--	(54,103)
Other financing sources (uses):					
Operating transfers in	--	--	--	66,147	76,624
Operating transfers out	(598,462)	(802,931)	(242,552)	(37,800)	--
Total other financing sources (uses)	<u>(598,462)</u>	<u>(802,931)</u>	<u>(242,552)</u>	<u>28,347</u>	<u>76,624</u>
Change in cash balances	--	--	(9,075)	28,347	22,521
Cash balances beginning of year	--	79,170	9,075	68,476	8,741
Cash balances end of year	<u>\$ --</u>	<u>\$ 79,170</u>	<u>\$ --</u>	<u>\$ 96,823</u>	<u>\$ 31,262</u>

(continued next page)

Special Revenue

<u>Dog Park</u>	<u>Tree</u>	<u>Park</u>	<u>Library Gift</u>	<u>Cemetery Gift</u>	<u>K-9</u>	<u>Police Forfeiture</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	326	3,527	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>199</u>	<u>15,100</u>	<u>5,772</u>	<u>17,395</u>	<u>--</u>	<u>600</u>	<u>4,311</u>
<u>199</u>	<u>15,100</u>	<u>6,098</u>	<u>20,922</u>	<u>--</u>	<u>600</u>	<u>4,311</u>
<hr/>						
--	--	--	--	--	2,082	2,912
--	--	6,698	9,216	--	--	--
--	19,802	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
<u>520</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
<u>520</u>	<u>19,802</u>	<u>6,698</u>	<u>9,216</u>	<u>--</u>	<u>2,082</u>	<u>2,912</u>
<hr/>						
(321)	(4,702)	(600)	11,706	--	(1,482)	1,399
--	--	--	--	--	--	--
--	--	--	--	--	--	--
--	--	--	--	--	--	--
(321)	(4,702)	(600)	11,706	--	(1,482)	1,399
<u>4,900</u>	<u>13,844</u>	<u>47,173</u>	<u>337,893</u>	<u>10,993</u>	<u>3,986</u>	<u>2,161</u>
<u>\$ 4,579</u>	<u>\$ 9,142</u>	<u>\$ 46,573</u>	<u>\$ 349,599</u>	<u>\$ 10,993</u>	<u>\$ 2,504</u>	<u>\$ 3,560</u>

**CITY OF WASHINGTON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - Continued**

As of and for the year ended June 30, 2020

	Component Unit			
	Free Public Library Foundation	Volunteer Fire Department		Total
Receipts:				
Property tax	\$ --	\$ --		\$ 712,540
Tax increment financing	--	--		313,217
Other City tax	--	--		961,871
Use of money and property	11,352	61		15,266
Intergovernmental	--	--		15,000
Charges for service	--	--		4,311
Miscellaneous	<u>51,513</u>	<u>77,031</u>		<u>210,503</u>
Total receipts	<u>62,865</u>	<u>77,092</u>		<u>2,232,708</u>
Disbursements:				
Operating:				
Public safety	--	124,857		129,851
Culture and recreation	14,522	--		30,436
Community and economic development	--	--		99,542
General government	--	--		226,074
Debt service	--	--		158,940
Capital projects	--	--		520
Total disbursements	<u>14,522</u>	<u>124,857</u>		<u>645,363</u>
Excess (deficiency) of receipts over (under) disbursements	48,343	(47,765)		1,587,345
Other financing sources (uses):				
Operating transfers in	--	--		142,771
Operating transfers out	--	--		(1,681,745)
Total other financing sources (uses)	<u>--</u>	<u>--</u>		<u>(1,538,974)</u>
Change in cash balances	48,343	(47,765)		48,371
Cash balances beginning of year	<u>351,328</u>	<u>97,637</u>		<u>1,035,377</u>
Cash balances end of year	<u>\$ 399,671</u>	<u>\$ 49,872</u>		<u>\$ 1,083,748</u>

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**CITY OF WASHINGTON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - Continued**

As of and for the year ended June 30, 2020

	<u>Special Revenue</u>				
	<u>Employee Benefits</u>	<u>Local Option Sales Tax</u>	<u>Urban Renewal Tax Increment</u>	<u>Low and Moderate Income</u>	<u>Housing Rehabilitation</u>
Cash Basis Fund Balances					
Restricted for:					
Debt service	\$ --	\$ 79,170	\$ --	\$ --	\$ --
Urban renewal purposes	--	--	--	96,823	--
Park purposes	--	--	--	--	--
Library purposes	--	--	--	--	--
Other purposes	--	--	--	--	31,262
Total cash basis fund balances	\$ --	\$ 79,170	\$ --	\$ 96,823	\$ 31,262

(continued next page)

Special Revenue

<u>Dog Park</u>	<u>Tree</u>	<u>Park</u>	<u>Library Trust</u>	<u>Cemetery Gift</u>	<u>K-9</u>	<u>Police Forfeiture</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--	--	--
--	--	46,573	--	--	--	--
--	--	--	349,599	--	--	--
<u>4,579</u>	<u>9,142</u>	<u>--</u>	<u>--</u>	<u>10,993</u>	<u>2,504</u>	<u>3,560</u>
<u>\$ 4,579</u>	<u>\$ 9,142</u>	<u>\$ 46,573</u>	<u>\$ 349,599</u>	<u>\$ 10,993</u>	<u>\$ 2,504</u>	<u>\$ 3,560</u>

**CITY OF WASHINGTON, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - Continued**

As of and for the year ended June 30, 2020

	<u>Component Unit</u>			
	<u>Free Public Library Foundation</u>	<u>Volunteer Fire Department</u>		<u>Total</u>
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ --	\$ --	\$ --	\$ 79,170
Urban renewal purposes	--	--	--	96,823
Park purposes	--	--	--	46,573
Library purposes	399,671	--	--	749,270
Other purposes	--	49,872	--	111,912
	<u>\$ 399,671</u>	<u>\$ 49,872</u>	<u>\$ 1,083,748</u>	

See accompanying independent auditor's report.

CITY OF WASHINGTON, IOWA
SCHEDULE OF INDEBTEDNESS
Year ended June 30, 2020

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds and Notes:			
Capital loan note	July 21, 2015	1.50-3.75%	\$ 2,335,000
Refunding bonds	April 19, 2016	2.00-2.20%	1,770,000
Refunding bonds	April 19, 2016	2.00-3.00%	630,000
Bonds	April 19, 2016	0.80-1.40%	1,470,000
Capital loan note	April 18, 2018	3.00-3.10%	3,180,000
Capital loan note	March 31, 2020	2.00%	4,565,000
Capital loan note	March 31, 2020	2.00%	525,000
Total General Obligation Bonds and Notes			
Revenue Notes and Bonds:			
Sewer	September 21, 2011	3.00%	14,393,405
Sewer	April 4, 2012	3.00%	2,877,730
Water	January 19, 2018	1.75%	4,378,000
Local option sales and services tax	August 21, 2018	3.00-4.00%	1,805,000
Total Revenue Notes and Bonds			

See accompanying independent auditor's report.

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$ 1,695,000	\$ --	\$ 165,000	\$ 1,530,000	\$ 50,787
1,520,000	--	135,000	1,385,000	30,870
515,000	--	45,000	470,000	14,363
230,000	--	130,000	100,000	3,025
2,755,000	--	360,000	2,395,000	82,970
--	4,565,000	--	4,565,000	--
--	<u>525,000</u>	--	<u>525,000</u>	--
<u>\$ 6,715,000</u>	<u>\$ 5,090,000</u>	<u>\$ 835,000</u>	<u>\$ 10,970,000</u>	<u>\$ 182,015</u>
\$ 12,144,000	\$ --	\$ 393,000	\$ 11,751,000	\$ 364,320
2,425,000	--	73,000	2,352,000	72,750
3,834,607	363,393	184,000	4,014,000	73,953
1,695,000	--	100,000	1,595,000	58,340
<u>\$ 20,098,607</u>	<u>\$ 363,393</u>	<u>\$ 750,000</u>	<u>\$ 19,712,000</u>	<u>\$ 569,363</u>

CITY OF WASHINGTON, IOWA
BOND AND NOTE MATURITIES
June 30, 2020

Year ending June 30,	General Obligation Bonds and Notes					
	Capital Loan Note, Series 2015		Refunding Bonds, Series 2016A		Refunding Bonds, Series 2016B	
	Issued July 21, 2015	Interest Rates	Amount	Issued April 19, 2016	Interest Rates	Amount
2021	2.25%	\$ 100,000	2.00%	\$ 140,000	2.50%	\$ 45,000
2022	2.50%	100,000	2.00%	140,000	2.50%	50,000
2023	2.50%	100,000	2.00%	150,000	2.75%	50,000
2024	2.75%	100,000	2.00%	155,000	2.75%	50,000
2025	2.75%	100,000	2.00%	155,000	2.75%	55,000
2026	2.75%	100,000	2.00%	160,000	3.00%	50,000
2027	3.00%	105,000	2.00%	165,000	3.00%	55,000
2028	3.00%	105,000	2.10%	170,000	3.00%	60,000
2029	3.25%	110,000	2.20%	150,000	3.00%	55,000
2030	3.25%	115,000		--		--
2031	3.50%	120,000		--		--
2032	3.50%	120,000		--		--
2033	3.75%	125,000		--		--
2034	3.75%	130,000		--		--
2035	--			--		--
2036	--			--		--
2037	--			--		--
			<u>\$1,530,000</u>		<u>\$1,385,000</u>	
						<u>\$ 470,000</u>

(continued next page)

General Obligation Bonds and Notes

Refunding Bonds, Series 2016C		Capital Loan Note, Series 2018A		Capital Loan Note, Series 2020A	
Issued April 19, 2016		Issued April 18, 2018		Issued March 31, 2020	
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
1.40%	\$ 100,000	3.00%	\$ 280,000	2.00%	\$ 110,000
--		3.00%	290,000	2.00%	130,000
--		3.00%	300,000	2.00%	130,000
--		3.00%	305,000	2.00%	135,000
--		3.00%	315,000	2.00%	275,000
--		3.00%	140,000	2.00%	285,000
--		3.00%	140,000	2.00%	290,000
--		3.00%	150,000	2.00%	295,000
--		3.00%	155,000	2.00%	300,000
--		3.00%	155,000	2.00%	310,000
--		3.10%	165,000	2.00%	315,000
--		--		2.00%	325,000
--		--		2.00%	335,000
--		--		2.00%	340,000
--		--		2.00%	350,000
--		--		2.00%	360,000
--		--		2.00%	280,000
<u>\$ 100,000</u>		<u>\$2,395,000</u>		<u>\$4,565,000</u>	

CITY OF WASHINGTON, IOWA
 BOND AND NOTE MATURITIES - Continued
 June 30, 2020

Year ending June 30,	General Obligation Bonds and Notes		
	Capital Loan Note, Series 2020B	Issued March 31, 2020	
	Interest Rates	Amount	Total
2021	2.00%	\$ 125,000	\$ 900,000
2022	2.00%	130,000	840,000
2023	2.00%	135,000	865,000
2024	2.00%	135,000	880,000
2025	--		900,000
2026	--		735,000
2027	--		755,000
2028	--		780,000
2029	--		770,000
2030	--		580,000
2031	--		600,000
2032	--		445,000
2033	--		460,000
2034	--		470,000
2035	--		350,000
2036	--		360,000
2037	--		280,000
			<u>\$ 525,000 \$ 10,970,000</u>

(continued next page)

See accompanying independent auditor's report.

CITY OF WASHINGTON, IOWA
BOND AND NOTE MATURITIES - Continued
June 30, 2020

Year ending June 30,	Revenue Notes and Bonds			
	Sewer Revenue Note Series 2011		Sewer Revenue Note Series 2012	
	Interest Rates	Amount	Interest Rates	Amount
2021	3.00%	\$ 406,000	3.00%	\$ 75,000
2022	3.00%	419,000	3.00%	77,000
2023	3.00%	433,000	3.00%	80,000
2024	3.00%	447,000	3.00%	82,000
2025	3.00%	461,000	3.00%	85,000
2026	3.00%	476,000	3.00%	88,000
2027	3.00%	492,000	3.00%	91,000
2028	3.00%	508,000	3.00%	94,000
2029	3.00%	524,000	3.00%	97,000
2030	3.00%	541,000	3.00%	100,000
2031	3.00%	559,000	3.00%	103,000
2032	3.00%	577,000	3.00%	106,000
2033	3.00%	596,000	3.00%	110,000
2034	3.00%	615,000	3.00%	113,000
2035	3.00%	635,000	3.00%	117,000
2036	3.00%	656,000	3.00%	121,000
2037	3.00%	677,000	3.00%	125,000
2038	3.00%	699,000	3.00%	129,000
2039	3.00%	722,000	3.00%	133,000
2040	3.00%	745,000	3.00%	137,000
2041	3.00%	563,000	3.00%	142,000
2042		--	3.00%	147,000
		<u>\$ 11,751,000</u>		<u>\$2,352,000</u>

See accompanying independent auditor's report.

Revenue Notes and Bonds					
Water Revenue Note Series 2018		LOST Revenue Bonds Series 2018B			
Issued January 19, 2018		Issued August 21, 2018			
Interest Rates	Amount	Interest Rates	Amount		Total
1.75%	\$ 187,000	3.00%	\$ 100,000	\$ 768,000	
1.75%	191,000	3.00%	105,000	792,000	
1.75%	195,000	3.00%	105,000	813,000	
1.75%	199,000	3.00%	110,000	838,000	
1.75%	203,000	3.00%	115,000	864,000	
1.75%	207,000	3.00%	115,000	886,000	
1.75%	211,000	3.20%	120,000	914,000	
1.75%	215,000	3.20%	125,000	942,000	
1.75%	220,000	4.00%	130,000	971,000	
1.75%	224,000	4.00%	135,000	1,000,000	
1.75%	229,000	4.00%	140,000	1,031,000	
1.75%	233,000	4.00%	145,000	1,061,000	
1.75%	238,000	4.00%	150,000	1,094,000	
1.75%	243,000	--		971,000	
1.75%	247,000	--		999,000	
1.75%	252,000	--		1,029,000	
1.75%	257,000	--		1,059,000	
1.75%	263,000	--		1,091,000	
--		--		855,000	
--		--		882,000	
--		--		705,000	
--		--		147,000	
	<u>\$4,014,000</u>		<u>\$1,595,000</u>	<u>\$ 19,712,000</u>	

CITY OF WASHINGTON, IOWA
SCHEDULE OF RECEIPTS BY SOURCE AND
DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
For the Last Ten Years

	2020	2019	2018	2017
Receipts:				
Property tax	\$ 3,802,732	\$ 3,849,242	\$ 3,567,815	\$ 3,486,129
Tax increment financing	313,217	270,671	261,062	199,133
Other city tax	1,011,104	910,871	799,032	852,133
Use of money and property	110,920	105,447	88,747	107,068
Licenses and permits	348,252	280,669	177,904	198,336
Intergovernmental	1,012,948	1,156,340	1,517,089	2,240,062
Charges for service	128,766	120,361	129,384	112,211
Special assessments	17,807	19,769	23,126	57,833
Miscellaneous	<u>1,444,623</u>	<u>1,087,974</u>	<u>1,259,624</u>	<u>1,186,820</u>
Total	<u><u>\$ 8,190,369</u></u>	<u><u>\$ 7,801,344</u></u>	<u><u>\$ 7,823,783</u></u>	<u><u>\$ 8,439,725</u></u>
Disbursements:				
Operating:				
Public safety	\$ 2,282,216	\$ 2,129,133	\$ 1,911,193	\$ 1,911,147
Public works	1,263,411	1,022,497	1,161,579	1,195,791
Culture and recreation	955,287	918,007	903,110	855,998
Community and economic development	99,542	85,748	81,411	51,610
General government	1,263,376	1,170,806	961,366	972,108
Debt service	1,208,644	1,369,392	1,174,811	1,263,462
Capital projects	<u>5,410,269</u>	<u>3,682,882</u>	<u>1,117,854</u>	<u>2,625,602</u>
Total	<u><u>\$ 12,482,745</u></u>	<u><u>\$ 10,378,465</u></u>	<u><u>\$ 7,311,324</u></u>	<u><u>\$ 8,875,718</u></u>

See accompanying independent auditor's report.

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$	3,300,727	\$ 3,267,526	\$ 3,209,016	\$ 3,071,074	\$ 2,855,973	\$ 2,629,923
219,550	215,206	149,557	128,147	412,169	311,511	
805,866	825,689	816,399	774,672	1,191,364	1,096,587	
148,217	23,141	33,601	62,061	133,522	120,811	
200,909	58,908	10,696	1,761	102,917	107,011	
1,466,326	2,377,451	903,850	1,186,036	2,353,434	1,287,291	
117,681	131,127	143,559	181,176	196,083	201,540	
27,309	26,758	39,159	26,834	14,926	13,580	
<u>1,420,750</u>	<u>1,591,193</u>	<u>1,630,055</u>	<u>1,515,118</u>	<u>1,011,369</u>	<u>927,024</u>	
<u>\$ 7,707,335</u>	<u>\$ 8,516,999</u>	<u>\$ 6,935,892</u>	<u>\$ 6,946,879</u>	<u>\$ 8,271,757</u>	<u>\$ 6,695,278</u>	
\$	1,763,129	\$ 1,752,423	\$ 1,696,702	\$ 1,660,239	\$ 1,635,509	\$ 1,644,493
1,270,449	1,517,128	1,285,350	1,073,896	1,418,092	1,191,871	
866,038	1,036,518	954,821	855,510	833,069	932,355	
31,945	15,342	62,752	264,215	66,250	66,082	
935,292	776,462	819,975	764,518	978,299	946,185	
2,202,276	950,438	888,347	1,589,854	1,021,522	1,166,467	
<u>2,770,192</u>	<u>2,535,258</u>	<u>1,572,030</u>	<u>1,350,909</u>	<u>1,651,932</u>	<u>1,546,539</u>	
<u>\$ 9,839,321</u>	<u>\$ 8,583,569</u>	<u>\$ 7,279,977</u>	<u>\$ 7,559,141</u>	<u>\$ 7,604,673</u>	<u>\$ 7,493,992</u>	

**CITY OF WASHINGTON, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year ended June 30, 2020

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-through Number</u>	<u>Program Expenditures</u>
Direct:			
U.S. Department of Transportation: Federal Aviation Administration: Airport Improvement Program	20.106	3-19-0093-011-2019	\$ 321,966
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority: Community Development Block Grants/ Special Purpose Grants/Insular Areas	14.225	17-WS-014	80,727
Community Development Block Grants/ Special Purpose Grants/Insular Areas	14.225	18-WS-020	<u>543,756</u> <u>624,483</u>
			\$ <u>946,449</u>

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

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

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

See accompanying independent auditor's report.

COMMENTS AND RECOMMENDATIONS

Gronewold, Bell, Kyhnn & Co. P.C.

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

To the Honorable Mayor and
Members of the City Council

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Washington, Iowa, as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 19, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs that we consider to be significant deficiencies: 20-II-A.

To the Honorable Mayor and
Members of the City Council

Compliance and Other Matters

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

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

Responses to Findings

The City of Washington's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Washington'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 result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GmeWold, Ben, Kyhn & W.P.C.

Atlantic, Iowa
November 19, 2020

Gronewold, Bell, Kyhnn & Co. P.C.

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

To the Honorable Mayor and
Members of the City Council

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

To the Honorable Mayor and
Members of the City Council

Opinion on the Major Federal Program

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

Report on Internal Control Over Compliance

The management of the City of Washington is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Washington's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Washington'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 non-compliance 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 combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material non-compliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

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.

Brownell, Bell, Kyhorn & Co., P.C.

Atlantic, Iowa
November 19, 2020

CITY OF WASHINGTON, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

PART I: Summary of the Independent Auditor's Results

- (a) Unmodified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements. The audit did not disclose any material weaknesses in internal control over financial reporting.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The audit did not disclose any material weaknesses or significant deficiencies in internal control over the major program.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 14.225 - Community Development Block Grants/Special Grants/Insular Areas.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Washington did not qualify as a low-risk auditee.

CITY OF WASHINGTON, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

PART II: Findings Related to the Financial Statements

INTERNAL CONTROL DEFICIENCIES:

20-II-A Segregation of Duties:

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

Condition: A limited number of people have the primary responsibility for most of the accounting and financial reporting duties.

Cause: The City has a limited number of employees which does not allow procedures to be established to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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

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

Response: We will continue to review and monitor ways to improve segregation of duties.

Conclusion: Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF WASHINGTON, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

PART III: Findings and Questioned Costs For Federal Awards

CFDA Number 14.225: Community Development Block Grants/Special Purpose Grants/Insular Areas

Federal Award Year: 2017 and 2018

U.S. Department of Housing and Urban Development

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

PART IV: Other Findings Related to Required Statutory Reporting

20-IV-A Certified Budget: Disbursements during the year ended June 30, 2020 exceeded the amounts budgeted in the public safety, general government and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

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

Response: The budget will be amended in the future, if applicable

Conclusion: Response accepted.

20-IV-B Questionable Disbursements: During the audit, we did not note any disbursements that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

20-IV-C Travel Expense: No expenditures of City money for travel expenses of spouses of City officials and/or employees were noted.

CITY OF WASHINGTON, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

PART IV: Other Findings Related to Required Statutory Reporting - Continued

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

Name, Title and Business Connection	Description	Amount
Thomas Wide, Fire Chief, Owner of Sign Design	Safety shirts and logo printing	\$ 1,206
Kevin Erpelding, Airport Committee Chair, Owner of Archer Appliance	Security camera system, vacuum power cord	2,401
Brendan DeLong, City Council Member, employee and son of owner of DeLong Construction	Construction services	1,913,747

In accordance with Chapter 362.5(3)(j), the transactions with the Fire Chief and Airport Committee Chair do not appear to represent a conflict of interest since total transactions with each individual were less than \$6,000 during the fiscal year. In accordance with Chapter 362.5(3)(d) of the Code of Iowa, the transactions with the City Council member does not appear to represent a conflict of interest since it was entered into through competitive bidding.

20-IV-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.

20-IV-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.

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

20-IV-H Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa.

20-IV-I Revenue Notes and Bonds: No instances of non-compliance with the revenue notes and bond resolutions were noted.

CITY OF WASHINGTON, IOWA

Schedule of Findings and Questioned Costs

Year ended June 30, 2020

PART IV: Other Findings Related to Required Statutory Reporting - Continued

- 20-IV-J Tax Increment Financing (TIF): Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid. No exceptions were noted.
- 20-IV-K Urban Renewal Annual Report: The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- 20-IV-L Economic Development: During the year ended June 30, 2020, the City paid \$65,000 to Washington Economic Development Group. The City Council has documented the public benefits received from this expenditure, however, it is disclosed here for public information.

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises the governing body to evaluate the public benefits to be obtained and discusses the specific criteria to be considered in documenting public purpose.

Recommendation: The Council should continue to evaluate and document the public purpose served by these expenditures before authorizing further payments.

Response: We will continue to evaluate and document the public purpose in the future.

Conclusion: Response accepted.

* * *