

CITY OF KEOKUK, IOWA

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

JUNE 30, 2021

CITY OF KEOKUK, IOWA

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CITY OF KEOKUK, IOWA

OFFICIALS
JUNE 30, 2021

<u>Name</u>	(Before January 2021) <u>Title</u>	<u>Term Expires</u>
Tom Richardson	Mayor	December 31, 2021
Susan Dunek	Mayor Pro Tem	December 31, 2021
Devon Dade	Council Member – At Large	December 31, 2021
John Helenthal	Council Member – At Large	December 31, 2023
Michael O'Connor	Council Member – Ward 1	December 31, 2021
Linda Altheide	Council Member – Ward 2	December 31, 2023
Ron Payne	Council Member – Ward 3	December 31, 2021
Steve Andrews	Council Member – Ward 4	December 31, 2023
Linda Marsden	Council Member – Ward 5	December 31, 2021
Roger Bryant	Council Member – Ward 6	December 31, 2023
Susan Dunek	Council Member – Ward 7	December 31, 2021
Cole O'Donnell	City Administrator	Indefinite
Jean Ludwig	City Clerk	Indefinite
James F. Dennis	Attorney	Indefinite
David Hinton	Chief of Police	Indefinite
Gabe Rose	Fire Chief	Indefinite

<u>Name</u>	(After January 2021) <u>Title</u>	<u>Term Expires</u>
Tom Richardson	Mayor	December 31, 2021
Susan Dunek	Mayor Pro Tem	December 31, 2021
Devon Dade	Council Member – At Large	December 31, 2021
John Helenthal	Council Member – At Large	December 31, 2023
Michael O'Connor	Council Member – Ward 1	December 31, 2021
Linda Altheide	Council Member – Ward 2	December 31, 2023
Roslyn Garcia	Council Member – Ward 3	December 31, 2021
Steve Andrews	Council Member – Ward 4	December 31, 2023
Linda Marsden	Council Member – Ward 5	December 31, 2021
Roger Bryant	Council Member – Ward 6	December 31, 2023
Susan Dunek	Council Member – Ward 7	December 31, 2021
Cole O'Donnell	City Administrator	Indefinite
Jean Ludwig	City Clerk	Indefinite
James F. Dennis	Attorney	Indefinite
David Hinton	Chief of Police	Indefinite
Gabe Rose	Fire Chief	Indefinite



ANDERSON, LARKIN & CO., P.C.
Certified Public Accountants
"Your Success Is Our Business."

Kenneth E. Crosser, CPA
April D. Crosser, CPA
Michael J. Podliska, CPA
Alexander T. Barr, CPA

INDEPENDENT AUDITOR'S REPORT

To the Mayor and Members of the City Council of
the City of Keokuk, Iowa

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Keokuk, Iowa as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Government Activities	Unmodified
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Adverse
Major Governmental Funds:	
General	Unmodified
Road Use Tax	Unmodified
Local Option Sales Tax	Unmodified
Employee Benefits	Unmodified
Urban Renewal TIF	Unmodified
Debt Service	Unmodified
Cemetery Perpetual Care	Unmodified
Capital Projects	Unmodified
Major Enterprises Funds:	
Sewer	Unmodified
Bridge	Unmodified
Solid Waste	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include the financial data for the City's legally separate component units. Accounting principles applicable to the cash basis of accounting require the financial data for those component units be reported with the financial data of the City's primary government unless the City also issued financial statements for the financial reporting entity which include the financial data for its component units. The City has not issued such reporting entity financial statements. The amounts by which this departure would affect the receipts, disbursements and cash balances of the aggregate discretely presented component units has not been determined.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Keokuk, Iowa as of June 30, 2021, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinion

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 Keokuk, Iowa, as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Keokuk, Iowa'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 five years ended June 30, 2020 (which are not presented herein) and expressed qualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the four years ended June 30, 2016 (which are not presented herein) were audited by other auditors. The other auditors expressed qualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, 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 as a whole.

The other information, Management's Discussion and Analysis on pages 5 through 10, the Budgetary Comparison Information on pages 31 through 33, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions for the Iowa Public Employees' Retirement System on pages 34 through 38, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions for the Municipal Fire and Police Retirement System of Iowa on pages 39 through 43, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2022, on our consideration of the City of Keokuk, Iowa'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 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 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 Keokuk, Iowa's internal control over financial reporting and compliance.

ANDERSON, LARKIN & CO., P.C.

Anderson, Larkin & Co. P.C.

Ottumwa, Iowa
January 25, 2022

CITY OF KEOKUK, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2021

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

2021 FINANCIAL HIGHLIGHTS

- Receipts from the City's governmental activities decreased 34.99% or \$7,665,738 from fiscal year 2020 to fiscal 2021. The decrease in receipts is primarily a result of a decrease in proceeds from bonds.
- Disbursements of the City's governmental activities decreased 50.5% or \$13,103,730 from fiscal 2020 to fiscal 2021. The decrease in disbursements was primarily the result of less expenditures for capital projects and debt service.
- The City's total cash basis net position increased \$2,985,377 from June 30, 2020 to June 30, 2021. Of this amount, the cash basis net position of the governmental activities increased \$1,405,272 and the cash basis net position of the business-type activities increased by \$1,580,105.

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 and business-type activities were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operation in more detail than the government-wide statement by providing information about the most significant funds.

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

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

Supplementary Information provides detailed information about the non-major governmental funds and the City's indebtedness.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

The Cash Basis Statement of Activities and Net Position presents the City's cash basis 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 sewer, bridge and solid waste funds. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. 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, Local Option Sales Tax, Urban Renewal Tax Increment Financing (TIF) and Employee Benefits, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The required financial statement for governmental funds includes a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains the Enterprise Funds to provide separate information for the sewer, bridge, and solid waste funds, considered to be major funds of the City. The required financial statement for proprietary funds includes a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

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 \$4,332,584 to \$5,737,856. 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,	
	<u>2021</u>	<u>2020</u>
Receipts:		
Program receipts:		
Charges for service	\$ 445,411	\$ 417,196
Operating grants, contributions and restricted interest	2,441,565	3,015,131
Capital grants, contributions and restricted interest	118,410	1,155,094
General receipts:		
Property tax	5,001,198	4,927,657
Local option sales tax	1,596,679	1,244,173
Tax increment financing	1,247,593	1,308,398
Utility excise tax and replacement tax	952,114	1,011,700
Riverboat gaming tax	403,582	350,491
Hotel/motel tax	190,841	227,850
Unrestricted interest on investments	63,557	90,716
Bond/note proceeds	1,000,000	7,708,393
Other general receipts and transfers	<u>780,503</u>	<u>450,392</u>
Total receipts	<u>14,241,453</u>	<u>21,907,191</u>
Disbursements:		
Public safety	5,331,775	5,442,822
Public works	2,176,635	2,161,178
Culture and recreation	1,496,162	1,585,572
Community and economic development	273,503	677,907
General government	1,532,495	1,097,864
Debt service	1,703,192	9,341,254
Capital projects	<u>322,419</u>	<u>5,633,314</u>
Total disbursements	<u>12,836,181</u>	<u>25,939,911</u>
Change in cash basis net position	1,405,272	(4,032,270)
Cash basis net position beginning of year	<u>4,332,584</u>	<u>8,365,304</u>
Cash basis net position end of year	\$ <u>5,737,856</u>	\$ <u>4,332,584</u>

The City's total receipts for governmental activities decreased 35.0% or \$7,665,738. The total cost (disbursements) of all programs and services decreased by \$13,103,730 or 50.5%. The decrease in receipts is primarily a result of a decrease in proceeds from bonds/notes during the current year. The decrease in disbursements was primarily the result of less expenditures for capital projects and debt service during the current year.

The cost of all governmental activities this year was \$12,836,181 compared to \$25,939,911 last year. However, as shown in the Statement of Activities and Net Position on pages 11 and 12, the amount that our taxpayers ultimately financed for these activities through City taxes was \$9,830,795 because some of the cost was paid by those directly benefited from the programs \$445,411 or by other governments and organizations that subsidized certain programs with grants and contributions \$2,559,975.

Changes in Cash Basis Net Position of Business-Type Activities

	Year Ended June 30,	
	<u>2021</u>	<u>2020</u>
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 4,052,530	\$ 4,521,854
Bridge	286,787	206,793
Solid waste	752,914	875,436
Capital grants, contributions, and restricted interest:		
Sewer	1,008	247,143
General receipts:		
Miscellaneous	74,785	119,656
Total receipts	<u>5,168,024</u>	<u>5,970,882</u>
Disbursements:		
Sewer	4,197,624	5,787,773
Bridge	623,706	557,462
Solid waste	<u>1,470,865</u>	<u>706,257</u>
Total disbursements	<u>6,292,195</u>	<u>7,051,492</u>
Other financing sources (uses)	<u>2,704,276</u>	<u>(241,965)</u>
Change in cash basis net position	1,580,105	(1,322,575)
Cash basis net position beginning of year	<u>3,499,840</u>	<u>4,822,415</u>
Cash basis net position end of year	\$ <u>5,079,945</u>	\$ <u>3,499,840</u>

Total business-type activities receipts for the fiscal year decreased \$802,858 or 13.5%. The decrease in receipts was primarily the result of a decrease in charges for service for solid waste and capital grants, contributions, and restricted interest receipts during the current year.

Total business-type activities disbursements decreased \$759,297 or 10.8% from the prior year. This resulted primarily from a decrease in disbursements by the Sewer Fund.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance – related legal requirements. The focus of the City's funds is to provide information on near-term inflows, outflows and cash balances of spendable resources. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund is the chief operating fund of the City. The cash balance increased by \$633,062 from the prior year to \$2,495,373 due to an increase in transfers.
- The Road Use Tax Fund (RUTF) cash balance increased by \$435,477 to \$1,238,574 due to an increase in intergovernmental revenues and a decrease in transfers out of the fund.
- The Local Option Sales Tax cash balance increased by \$230,604 to \$596,108. This increase was due to an increase in other city tax receipts during the current year.
- The Employee Benefits Fund increased from \$881,730 to \$915,447 due to a decrease in transfers out of the fund.
- The Urban Renewal TIF Fund decreased from \$44,601 to \$42,181 due to an increase in tax increment financing expenditures and transfers out.
- The Debt Service Fund increased from \$466,254 to \$510,489, due to an increase in property tax receipts during the current year.
- The Capital Projects Fund decreased from \$(613,296) to a deficit of \$(702,829), due to capital projects disbursements exceeding receipts and transfers in during the current year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS (Continued)

- The Cemetery Perpetual Care Fund increased from \$492,361 to \$498,361 due to receipts exceeding disbursements during the current year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Sewer Fund cash balance increased \$1,859,274 to \$2,513,821 due to an increase in bond proceeds.
- The Bridge Fund cash balance decreased \$257,441 to \$2,364,271 due to an increase in operating disbursements.
- The Solid Waste Fund cash balance decreased \$21,728 to \$201,853 due to a decrease in operating receipts during the current year.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the City Council annually adopts a budget following required public notice and hearings for all funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund-type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Over the course of the year, the City amended its operating budget. The amendment was approved on May 6, 2021 and resulted in a decrease in budgeted revenues and a decrease in budgeted operating disbursements of \$1,101,471 and \$22,155,194, respectively. The City exceeded the amount budgeted in debt service function for the year ended June 30, 2021.

DEBT ADMINISTRATION

At June 30, 2021, the City had \$26,002,241 in bonds and other long-term debt outstanding, compared to \$24,104,030 last year as shown below.

	<u>Outstanding Debt at Year End</u>	
	June 30,	
	<u>2021</u>	<u>2020</u>
General obligation bonds/notes	\$ 13,465,000	\$ 13,770,000
Revenue notes	<u>12,537,241</u>	<u>10,334,030</u>
Total	\$ <u>26,002,241</u>	\$ <u>24,104,030</u>

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 and Tax Increment Financing (TIF) debt of \$13,465,000 is below its constitutional debt limit of \$32,587,009. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

More detailed information about the City's long-term liabilities is presented in Note 3 to the financial statements. It is important to note that all revenues derived from Keokuk Senior Housing TIF are directed toward internal debt service and bank debt for the industrial development project is being serviced from TIF revenues from that project.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Keokuk, Iowa'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. One of those factors is the economy. The Lee County unemployment rate now stands at 6.6 % versus 8.9% a year ago. This compares with the State's unemployment rate of 3.9% and the national rate of 4.6%.

The continued poor economy, high unemployment regionally, the increased cost of public pensions and a rollback on commercial property taxable valuation has caused the City to continue to experience cuts in revenues resulting in decreased operating revenues for the City especially in general fund departmental operations. There is also concern regarding future property tax revenues resulting from State legislation which could overhaul the property tax system. Changes are currently in effect and will significantly impact the City in future years.

EXCLUDED COMPONENT UNITS

Keokuk Municipal Waterworks (Waterworks) is a component unit of the City of Keokuk, Iowa. Waterworks and the City of Keokuk, Iowa are considered separate legal entities. Waterworks meets the component unit definition because the City Council appoints the Board of Trustees of Waterworks. However, since Waterworks operates under the accrual method of accounting and the City of Keokuk, Iowa operates under the cash method of accounting, this component unit has not been presented in the accompanying financial statements. The financial statements of Waterworks are available at Waterworks' office, 20 North 4th Street, Keokuk, Iowa.

Keokuk Public Library Foundation (Foundation) is a component unit of the City of Keokuk, Iowa. The Foundation, a separate legal entity, exists for the purpose of attracting funds to benefit the Public Library which serves the Keokuk area and to disburse those funds in a manner which will benefit the Library. The Foundation meets the definition of a component unit since it raises funds on behalf of the Library. The financial statements of the Foundation have not been audited, so this component unit has not been presented in the accompanying financial statements.

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 demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City Administrator at 501 Main Street, Keokuk, Iowa 52632 or telephone at 319-524-2050.

BASIC FINANCIAL STATEMENTS

CITY OF KEOKUK, IOWA

CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

Functions/Programs:	Disbursements	Charges for Services	Program Receipts	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 5,331,775	\$ 34,470	\$ 46,599	\$ -
Public works	2,176,635	9,714	1,613,359	-
Culture and recreation	1,496,162	113,508	14,874	-
Community and economic development	273,503	-	185,586	-
General government	1,532,495	287,719	581,147	-
Debt service	1,703,192	-	-	-
Capital projects	322,419	-	-	118,410
Total governmental activities	12,836,181	445,411	2,441,565	118,410
Business-type activities:				
Sewer	4,197,624	4,052,530	-	1,008
Bridge	623,706	286,787	-	-
Solid waste	1,470,865	752,914	-	-
Total business-type activities	6,292,195	5,092,231	-	1,008
Total	\$ 19,128,376	\$ 5,537,642	\$ 2,441,565	\$ 119,418
General receipts:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Utility excise tax				
Riverboat gaming tax				
Hotel/motel tax				
Unrestricted investment earnings				
Bond proceeds				
Miscellaneous				
Transfers				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
<u>Cash Basis Net Position</u>				
Restricted:				
Nonexpendable:				
Cemetery perpetual care				
Expendable:				
Debt service				
Local option sales tax				
Employee benefits				
Streets				
Urban renewal purposes				
Other purposes				
Unrestricted				
Total cash basis net position				

Net (Disbursements) Receipts and
Changes in Cash Basis Net Position

Governmental Activities	Business-Type Activities	Total
\$ (5,250,706)	\$ -	\$ (5,250,706)
(553,562)	-	(553,562)
(1,367,780)	-	(1,367,780)
(87,917)	-	(87,917)
(663,629)	-	(663,629)
(1,703,192)	-	(1,703,192)
(204,009)	-	(204,009)
<u>(9,830,795)</u>	<u>-</u>	<u>(9,830,795)</u>
-	(144,086)	(144,086)
-	(336,919)	(336,919)
-	<u>(717,951)</u>	<u>(717,951)</u>
-	<u>(1,198,956)</u>	<u>(1,198,956)</u>
<u>(9,830,795)</u>	<u>(1,198,956)</u>	<u>(11,029,751)</u>
4,377,649	-	4,377,649
623,549	-	623,549
1,247,593	-	1,247,593
1,596,679	-	1,596,679
952,114	-	952,114
403,582	-	403,582
190,841	-	190,841
63,557	66,387	129,944
1,000,000	2,946,241	3,946,241
538,538	8,398	546,936
241,965	<u>(241,965)</u>	<u>-</u>
<u>11,236,067</u>	<u>2,779,061</u>	<u>14,015,128</u>
1,405,272	1,580,105	2,985,377
<u>4,332,584</u>	<u>3,499,840</u>	<u>7,832,424</u>
\$ <u>5,737,856</u>	\$ <u>5,079,945</u>	\$ <u>10,817,801</u>
\$ 498,361	\$ -	\$ 498,361
510,489	122,100	632,589
596,108	-	596,108
915,447	-	915,447
1,238,574	-	1,238,574
42,181	-	42,181
144,152	-	144,152
<u>1,792,544</u>	<u>4,957,845</u>	<u>6,750,389</u>
\$ <u>5,737,856</u>	\$ <u>5,079,945</u>	\$ <u>10,817,801</u>

CITY OF KEOKUK, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Employee Benefits
RECEIPTS:				
Property tax	\$ 2,394,923	\$ -	\$ -	\$ 1,907,528
Tax increment financing	-	-	-	-
Other city tax	1,001,768	-	1,596,679	406,407
Licenses and permits	113,257	-	-	-
Use of money and property	155,982	-	-	14
Intergovernmental	805,780	1,613,359	-	-
Charges for service	283,952	-	-	-
Miscellaneous	325,284	-	-	-
Total receipts	<u>5,080,946</u>	<u>1,613,359</u>	<u>1,596,679</u>	<u>2,313,949</u>
DISBURSEMENTS:				
Operating:				
Public safety	5,331,775	-	-	-
Public works	998,753	1,177,882	-	-
Culture and recreation	1,496,162	-	-	-
Community and economic development	127,133	-	-	-
General government	1,532,495	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>9,486,318</u>	<u>1,177,882</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(4,405,372)</u>	<u>435,477</u>	<u>1,596,679</u>	<u>2,313,949</u>
Other financing sources (uses):				
Capital loan note proceeds	1,000,000	-	-	-
Transfers in	4,046,469	-	-	-
Transfers out	(8,035)	-	(1,366,075)	(2,280,232)
Total other financing sources (uses)	<u>5,038,434</u>	<u>-</u>	<u>(1,366,075)</u>	<u>(2,280,232)</u>
Change in cash balances	633,062	435,477	230,604	33,717
CASH BALANCES - Beginning of year	<u>1,862,311</u>	<u>803,097</u>	<u>365,504</u>	<u>881,730</u>
CASH BALANCES - End of year	<u>\$ 2,495,373</u>	<u>\$ 1,238,574</u>	<u>\$ 596,108</u>	<u>\$ 915,447</u>
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Debt service	-	-	-	-
Local option sales tax	-	-	596,108	-
Employee benefits	-	-	-	915,447
Streets	-	1,238,574	-	-
Urban renewal purposes	-	-	-	-
Other purposes	-	-	-	-
Unassigned	<u>2,495,373</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 2,495,373</u>	<u>\$ 1,238,574</u>	<u>\$ 596,108</u>	<u>\$ 915,447</u>

See Notes to Financial Statements

Permanent		Debt Service	Capital Projects	Other Nonmajor Governmental	Total
Urban Renewal TIF	Cemetery Perpetual Care				
\$ -	\$ -	\$ 623,549	\$ -	\$ 75,198	\$ 5,001,198
1,247,593	-	-	-	-	1,247,593
-	-	94,866	-	85,725	3,185,445
-	-	-	-	-	113,257
-	-	-	-	-	155,996
-	-	24,899	-	116,013	2,560,051
-	-	-	-	-	283,952
-	6,000	-	120,712	-	451,996
<u>1,247,593</u>	<u>6,000</u>	<u>743,314</u>	<u>120,712</u>	<u>276,936</u>	<u>12,999,488</u>
-	-	-	-	-	5,331,775
-	-	-	-	-	2,176,635
-	-	-	-	-	1,496,162
-	-	-	-	146,370	273,503
24,931	-	1,678,261	-	-	1,532,495
-	-	-	322,419	-	1,703,192
<u>24,931</u>	<u>-</u>	<u>1,678,261</u>	<u>322,419</u>	<u>146,370</u>	<u>322,419</u>
<u>24,931</u>	<u>-</u>	<u>1,678,261</u>	<u>322,419</u>	<u>146,370</u>	<u>12,836,181</u>
1,222,662	6,000	(934,947)	(201,707)	130,566	163,307
-	-	-	-	-	1,000,000
-	-	979,182	175,000	70,900	5,271,551
<u>(1,225,082)</u>	<u>-</u>	<u>-</u>	<u>(62,826)</u>	<u>(87,336)</u>	<u>(5,029,586)</u>
<u>(1,225,082)</u>	<u>-</u>	<u>979,182</u>	<u>112,174</u>	<u>(16,436)</u>	<u>1,241,965</u>
(2,420)	6,000	44,235	(89,533)	114,130	1,405,272
<u>44,601</u>	<u>492,361</u>	<u>466,254</u>	<u>(613,296)</u>	<u>30,022</u>	<u>4,332,584</u>
\$ <u>42,181</u>	\$ <u>498,361</u>	\$ <u>510,489</u>	\$ <u>(702,829)</u>	\$ <u>144,152</u>	\$ <u>5,737,856</u>
\$ -	\$ 498,361	\$ -	\$ -	\$ -	\$ 498,361
-	-	510,489	-	-	510,489
-	-	-	-	-	596,108
-	-	-	-	-	915,447
42,181	-	-	-	-	1,238,574
-	-	-	-	-	42,181
-	-	-	-	144,152	144,152
-	-	-	(702,829)	-	1,792,544
\$ <u>42,181</u>	\$ <u>498,361</u>	\$ <u>510,489</u>	\$ <u>(702,829)</u>	\$ <u>144,152</u>	\$ <u>5,737,856</u>

CITY OF KEOKUK, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Enterprise</u>			
	<u>Sewer</u>	<u>Bridge</u>	<u>Solid Waste</u>	<u>Total</u>
<u>Operating receipts:</u>				
Charges for service	\$ 4,052,530	\$ 286,787	\$ 752,914	\$ 5,092,231
<u>Operating disbursements:</u>				
Business-type activities	<u>2,246,080</u>	<u>623,706</u>	<u>1,385,354</u>	<u>4,255,140</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>1,806,450</u>	<u>(336,919)</u>	<u>(632,440)</u>	<u>837,091</u>
<u>Non-operating receipts (disbursements):</u>				
Capital projects	(1,063,110)	-	-	(1,063,110)
Debt service	(888,434)	-	(85,511)	(973,945)
Interest on investments	188	66,199	-	66,387
Miscellaneous	<u>2,939</u>	<u>5,244</u>	<u>1,223</u>	<u>9,406</u>
Total non-operating receipts (disbursements)	<u>(1,948,417)</u>	<u>71,443</u>	<u>(84,288)</u>	<u>(1,961,262)</u>
Deficit of receipts under disbursements	(141,967)	(265,476)	(716,728)	(1,124,171)
Proceeds from bonds	2,251,241	-	695,000	2,946,241
Transfers in	-	8,035	-	8,035
Transfers out	<u>(250,000)</u>	<u>-</u>	<u>-</u>	<u>(250,000)</u>
Change in cash balances	1,859,274	(257,441)	(21,728)	1,580,105
<u>CASH BALANCES - Beginning of year</u>	<u>654,547</u>	<u>2,621,712</u>	<u>223,581</u>	<u>3,499,840</u>
<u>CASH BALANCES - End of year</u>	\$ <u>2,513,821</u>	\$ <u>2,364,271</u>	\$ <u>201,853</u>	\$ <u>5,079,945</u>
<u>Cash Basis Fund Balances</u>				
Restricted for debt service	\$ -	\$ -	\$ 122,100	\$ 122,100
Unrestricted	<u>2,513,821</u>	<u>2,364,271</u>	<u>79,753</u>	<u>4,957,845</u>
Total cash basis fund balances	\$ <u>2,513,821</u>	\$ <u>2,364,271</u>	\$ <u>201,853</u>	\$ <u>5,079,945</u>

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Keokuk, Iowa is a political subdivision of the State of Iowa located in Lee County. It was first incorporated in 1847 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 solid waste removal and sewer utilities for its citizens.

A. Reporting Entity

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

These financial statements present the City of Keokuk, Iowa (the primary government).

Excluded Component Units

Keokuk Municipal Waterworks (Waterworks) is a component unit of the City of Keokuk, Iowa. Waterworks and the City of Keokuk, Iowa are considered separate legal entities. Waterworks meets the component unit definition because the City Council appoints the Board of Trustees of Waterworks. However, since Waterworks operates under the accrual basis of accounting and the City of Keokuk, Iowa operates under the cash basis of accounting, this component unit has not been presented in the accompanying financial statements. The financial statements of Waterworks are available at Waterworks' office, 20 North 4th Street, Keokuk, Iowa.

Keokuk Public Library Foundation (Foundation) is a component unit of the City of Keokuk, Iowa. The Foundation, a separate legal entity, exists for the purpose of attracting funds to benefit the Public Library which serves the Keokuk area and to disburse those funds in a manner which will benefit the Library. The Foundation meets the definition of a component unit since it raises funds on behalf of the Library. The financial statements of the Foundation have not been audited, so this component unit has not been presented in the accompanying financial statements.

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: Keokuk Economic Development Corporation and Great River Regional Waste Authority. See note 13 for further information.

B. Basis of Presentation

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

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue –

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

The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and is used for property tax relief, infrastructure and parks and recreation services.

The Employee Benefits Fund is used to account for property tax and other receipts to be used for the payment of the City's governmental fund employee benefits.

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

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Cemetery Perpetual Care Fund is used to account for all resources related to cemetery servicing and maintenance.

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

The City reports the following major proprietary funds:

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

The Bridge Fund accounts for the operation and maintenance of the City's bridge.

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste system.

C. Measurement Focus and Basis of Accounting

The City of Keokuk, Iowa 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 programs. 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 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. Governmental Cash Basis Fund Balances:

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.

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, 2021, disbursements exceeded the amounts budgeted in the debt service function.

CITY OF KEOKUK, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2: CASH AND POOLED INVESTMENTS

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

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

At June 30, 2021, the City held the following investments:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
United States Treasury Note	<u>1,106,875</u>	<u>1,106,875</u>	2/15/2041
Total	\$ <u>1,106,875</u>	\$ <u>1,106,875</u>	

At June 30, 2021, the City invested the cemetery perpetual care trust in the following investments. The carrying amount at June 30, 2021 was \$498,361.

<u>Type</u>	<u>Fair Value</u>
Cash and cash equivalents	\$ <u>498,361</u>
Total	\$ <u>498,361</u>

The City uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure 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, and Level 3 inputs are significant unobservable inputs.

The recurring fair values of the investments listed above were determined using quoted market prices. (Level 1 inputs).

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$840,137 pursuant to Rule 2a-7 under the Investment Company Act of 1940 and are not subject to risk categorization.

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.

Credit risk – The City's investment in the Iowa Public Agency Investment Trust and United States Treasury Notes are unrated.

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3: BONDS AND NOTES PAYABLE

A summary of the City's June 30, 2021 general obligation and revenue bond indebtedness is as follows:

<u>Year Ending</u>	<u>Revenue Notes</u>		<u>General Obligation and Refunding Capital Loan Notes</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u>				
2022	\$ 751,000	\$ 114,384	\$ 1,745,000	\$ 343,160
2023	3,019,241	105,144	1,625,000	305,890
2024	766,000	95,799	1,685,000	269,560
2025	795,000	86,267	1,375,000	232,580
2026	807,000	76,564	1,365,000	197,180
2027 – 2031	4,116,000	232,659	3,625,000	590,467
2032 – 2036	2,283,000	37,921	1,375,000	291,076
2037 – 2038	-	-	670,000	40,202
Total	\$ <u>12,537,241</u>	\$ <u>748,737</u>	\$ <u>13,465,000</u>	\$ <u>2,270,115</u>

<u>Year Ending</u>	<u>Total</u>	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 2,496,000	\$ 457,544
2023	4,644,241	411,034
2024	2,451,000	365,359
2025	2,170,000	318,847
2026	2,172,000	273,744
2027 – 2031	7,741,000	823,126
2032 – 2036	3,658,000	328,997
2037 – 2038	670,000	40,202
Total	\$ <u>26,002,241</u>	\$ <u>3,018,853</u>

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 3: BONDS AND NOTES PAYABLE (Continued)

Revenue Notes

The City has pledged future solid waste customer receipts, net of specified operating disbursements, to repay \$695,000 in solid waste revenue notes issued in July 2020. The notes are payable solely from solid waste customer net receipts and are payable through 2030. The total principal and interest remaining to be paid on the notes is \$712,350. For the current year, principal and interest paid and total customer net receipts were \$85,511 and \$(632,440), respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$19,412,182 in sewer revenue notes issued between January 2010 and September 2020. The notes are payable solely from sewer customer net receipts and are payable through 2035. The total principal and interest remaining to be paid on the notes is \$12,573,628. For the current year, principal and interest paid and total customer net receipts were \$888,434 and \$1,806,450, respectively.

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

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- b) A Solid Waste Enterprise Revenue Debt Service Reserve Fund of \$122,100 shall be maintained and used solely for the purpose of paying principal of and interest on the Note and Parity Obligations as the same shall become due and payable.
- c) Solid Waste Net Revenues must be sufficient to produce and maintain net revenues at a level not less than 130% of the principal and interest requirements of the fiscal year.
- d) Sewer Net Revenues must be sufficient to produce and maintain net revenues at a level not less than 110% of the principal and interest requirements of the fiscal year.
- e) Sufficient monthly transfers shall be made to separate solid waste revenue bond sinking accounts for the purpose of making the bond principal and interest payments when due.

During fiscal year 2021, sufficient user rates were not established at a level to produce net revenues equal to at least 130% of the principal and interest on the solid waste revenue notes as they become due.

NOTE 4: PENSION PLAN – IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS)

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org. IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching 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 for 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.

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4: PENSION PLAN – IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS) (Continued)

Pension Benefits (Continued)

Protection occupation members may retire at normal retirement age, which is generally age 55. 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 that 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.

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 that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

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

The City's contributions to IPERS for the year ended June 30, 2021 totaled \$240,565.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$2,525,817 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the IPERS relative to the contributions of all IPERS participating employers. At June 30, 2020, the City's proportion was 0.036209%, which was a decrease of 0.00046% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021 the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$355,523, \$528,896 and \$173,481, respectively.

There were no non-employer contributing entities to IPERS.

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 4: PENSION PLAN – IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS) (Continued)

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

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

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

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

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0 %	4.43 %
International equity	17.5	5.15
Global smart beta equity	6.00	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100.0</u> %	

Discount Rate – The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.0%, 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 (6.0%) or 1% higher (8.0%) than the current rate.

	<u>1% Decrease (6.0%)</u>	<u>Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
City's proportionate share of the net pension liability:	\$ 4,211,587	\$ 2,525,817	\$ 1,112,325

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 4: PENSION PLAN – IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (IPERS) (Continued)

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

NOTE 5: PENSION PLAN – MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI)

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

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

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

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

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

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

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

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

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

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 5: PENSION PLAN – MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI) (Continued)

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

Employer contribution rates are based upon an actuarially determined normal contribution rate and set by state statute. The required actuarially determined contributions are calculated on the basis of the entry age normal method as adopted by the Board of Trustees as permitted under Chapter 411 of the Code of Iowa. The normal contribution rate is provided by state statute to be the actuarial liabilities of the plan less current plan assets, with such total divided by 1% of the actuarially determined present value of prospective future compensation of all members, further reduced by member contributions and state appropriations. Under the Code of Iowa, the City's contribution rate cannot be less than 17.00% of earnable compensation. The contribution rate was 24.41% for the year ended June 30, 2021.

The City's contributions to MFPRSI for the year ended June 30, 2021 was \$639,918.

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

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

Net Pension Liability, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$4,860,456 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the MFPRSI relative to the contributions of all MFPRSI participating employers. At June 30, 2020, the City's proportion was 0.00741006% which was a decrease of 0.00025775% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$1,097,813, \$971,288 and \$358,728, respectively.

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

Rate of inflation	3%
Salary increases	3.75% to 15.11%, including inflation
Investment rate of return	7.5%, net of investment expense, including inflation

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

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

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5: PENSION PLAN – MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA (MFPRSI) (Continued)

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

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Large cap	7.49 %
Small cap	8.1
International large cap	7.2
Emerging markets	7.9
Global infrastructure	7.5
Private non-core real estate	11.5
Private credit	6.4
Private equity	10.8
Core plus fixed income	4.0
Private core real estate	7.2

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

Sensitivity of City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

	<u>1% Decrease (6.50%)</u>	<u>Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
City's proportionate share of the net pension liability	\$ 9,065,198	\$ 4,860,456	\$ 3,296,980

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

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical, prescription drug, dental, and vision benefits for employees, retirees and their spouses. There are 146 active and 2 retired members in the plan. Retired participants must be age 55 or older at retirement. The medical, prescription drug, dental and vision benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for coverage as active employees.

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$583 for single coverage, \$1,372 for employee/spouse coverage, \$1,359 for employee/child coverage and \$1,615 for family coverage. For the year ended June 30, 2021, the City contributed \$1,576,217 and plan members eligible for benefits contributed \$150,896 to the plan. At June 30, 2021, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

NOTE 7: COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death, or normal retirement. Upon retirement each employee is entitled to 100% of his accumulated sick leave up to a maximum of 71 days or 568 hours. City management employees may accumulate a maximum of 90 days or 720 hours. The fire department employees are entitled to 900 hours of accumulated sick leave due to their longer average work week. Fire and police administration employees are entitled to 720 hours of accumulated sick leave. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2021, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 498,506
Sick leave	<u>345,665</u>
Total	\$ <u>844,171</u>

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

NOTE 8: REVOLVING LOAN FUND

The City has entered into an agreement with Southeast Iowa Regional Planning Commission (SEIRPC) to establish a revolving loan fund for commercial business growth and to assist in new business development. The City received a matching grant of \$99,000 from the United States Department of Agriculture – Rural Business Enterprise Grant. The City transferred \$100,000 in fiscal year 2007 to SEIRPC, which administers and manages the revolving loan fund. At June 30, 2021, these loans to businesses had outstanding balances totaling \$92,662. At June 30, 2021, SEIRPC held cash of \$74,142 for the City, which represents loan repayments received from participating businesses that is available to fund future commercial business growth loans.

NOTE 9: OPERATING LEASES – LESSOR

The City leases land to Crown Castle in Tolmie Park. The lease has a term of five years and expires in December 2026, with the option to renew for eight additional five-year periods. Rental income for the year ended June 30, 2021 totaled \$3,850. Future minimum lease payments are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2022	\$ 10,494
2023	10,494
2024	10,494
2025	10,494
2026	<u>5,247</u>
	\$ <u>47,223</u>

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10: RELATED PARTY TRANSACTIONS

Keokuk Municipal Waterworks pays the City on an annual basis in lieu of taxes. This amounted to \$183,333 for the year ended June 30, 2021.

NOTE 11: 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 785 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to risk pool. The City's contributions to the Pool for the year ended June 30, 2021 were \$169,557.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event that 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.

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

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

CITY OF KEOKUK, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12: INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Employee Benefits	\$ 2,280,232
	Emergency	87,336
	Lost	1,366,075
	Sewer	250,000
	Capital Projects	<u>62,826</u>
		<u>4,046,469</u>
Economic Development	TIF	<u>70,900</u>
Bridge	General	<u>8,035</u>
Debt Service	TIF	<u>979,182</u>
Capital Projects	TIF	<u>175,000</u>
		\$ <u>5,279,586</u>

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

NOTE 13: JOINTLY GOVERNED ORGANIZATION

The City is a participant in Great River Regional Waste Authority, a political subdivision pursuant to the Code of Iowa Chapter 28E. The purpose of the agreement is to provide area governments with solid waste disposal sources. The City currently provides one member of the five-member board. The City paid \$40 in fees in fiscal year June 30, 2021. Great River Regional Waste Authority's audited financial statements are available at City Hall.

CITY OF KEOKUK, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14: CASH BASIS FUND BALANCES

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

	<u>General</u>	<u>Road Use</u>	<u>Local Option Sales Tax</u>	<u>Employee Benefits</u>	<u>Urban Renewal TIF</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Nonmajor</u>	<u>Cemetery Perpetual Care</u>	<u>Total</u>
Nonspendable for cemetery: Perpetual care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 498,361	\$ 498,361
Restricted for:										
Streets	-	1,238,574	-	-	-	-	-	-	-	1,238,574
Employee benefits	-	-	-	915,447	-	-	-	-	-	915,447
Urban renewal projects	-	-	-	-	42,181	-	-	-	-	42,181
Debt service	-	-	-	-	-	510,489	-	-	-	510,489
LOST	-	-	596,108	-	-	-	-	-	-	596,108
Other purposes	-	-	-	-	-	-	-	144,152	-	144,152
Unassigned	<u>2,495,373</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(702,829)</u>	<u>-</u>	<u>-</u>	<u>1,792,544</u>
Total	\$ <u>2,495,373</u>	\$ <u>1,238,574</u>	\$ <u>596,108</u>	\$ <u>915,447</u>	\$ <u>42,181</u>	\$ <u>510,489</u>	\$ <u>(702,829)</u>	\$ <u>144,152</u>	\$ <u>498,361</u>	\$ <u>5,737,856</u>

NOTE 15: TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity 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. 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, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2021, the City abated \$510,261 of property tax under the urban renewal and economic development projects.

NOTE 16: COMMITMENTS

The City entered into construction contracts totaling \$1,121,650 during fiscal year 2021 for various projects. Payments totaling \$590,053 were made on the contracts during fiscal year 2021. The remaining portion of the contracts, \$531,597 will be paid during fiscal year 2022 when the projects are completed.

NOTE 17: DEFICIT BALANCE

The Capital Projects Fund had a balance of \$702,829 at June 30, 2021. The balance was a result of disbursements exceeding receipts within the fund.

NOTE 18: COVID-19

The COVID-19 outbreak is disrupting business across a range of industries in the United States and financial markets have experienced a significant decline. As a result, local, regional and national economies, including that of the City, may be adversely impacted. The extent of the financial impact of COVID-19 will depend on future developments, including the duration and spread, which are uncertain and cannot be predicted. Due to the uncertainties surrounding the outbreak, management cannot presently estimate the potential impact to the City's operations and finances.

NOTE 19: SUBSEQUENT EVENTS

The City has evaluated subsequent events through January 25, 2022, the date statements were available to be issued.

OTHER INFORMATION

CITY OF KEOKUK, IOWA
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
OTHER INFORMATION
YEAR ENDED JUNE 30, 2021

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	<u>Total</u>
<u>RECEIPTS:</u>			
Property tax	\$ 5,001,198	\$ -	\$ 5,001,198
Tax increment financing collections	1,247,593	-	1,247,593
Other city taxes	3,185,445	-	3,185,445
Use of money and property	113,257	66,387	179,644
License and permits	155,996	-	155,996
Intergovernmental	2,560,051	-	2,560,051
Charges for service	283,952	5,092,231	5,376,183
Miscellaneous	451,996	9,406	461,402
Total receipts	<u>12,999,488</u>	<u>5,168,024</u>	<u>18,167,512</u>
<u>DISBURSEMENTS:</u>			
Public safety	5,331,775	-	5,331,775
Public works	2,176,635	-	2,176,635
Culture and recreation	1,496,162	-	1,496,162
Community and economic development	273,503	-	273,503
General government	1,532,495	-	1,532,495
Debt service	1,703,192	-	1,703,192
Capital projects	322,419	-	322,419
Business-type	-	6,292,195	6,292,195
Total disbursements	<u>12,836,181</u>	<u>6,292,195</u>	<u>19,128,376</u>
Excess (deficiency) of receipts over (under) disbursements	163,307	(1,124,171)	(960,864)
Other financing sources (uses), net	<u>1,241,965</u>	<u>2,704,276</u>	<u>3,946,241</u>
Excess of receipts and other financing sources over disbursements and other financing uses	1,405,272	1,580,105	2,985,377
<u>BALANCES - Beginning of year</u>	<u>4,332,584</u>	<u>3,499,840</u>	<u>7,832,424</u>
<u>BALANCES - End of year</u>	\$ <u>5,737,856</u>	\$ <u>5,079,945</u>	\$ <u>10,817,801</u>

Budgeted Amounts		Final to Total Variance
<u>Original</u>	<u>Final</u>	
\$ 4,911,699	\$ 4,911,699	\$ 89,499
1,315,979	1,384,279	(136,686)
2,626,757	2,655,800	529,645
225,700	212,129	(32,485)
136,850	136,415	19,581
3,956,514	3,542,461	(982,410)
5,849,550	5,779,025	(402,842)
2,554,500	1,854,270	(1,392,868)
<u>21,577,549</u>	<u>20,476,078</u>	<u>(2,308,566)</u>
5,893,920	6,533,920	1,202,145
2,974,826	2,361,651	185,016
2,194,583	1,711,032	214,870
695,549	680,194	406,691
4,258,788	3,693,457	2,160,962
1,678,280	1,678,280	(24,912)
20,000	390,952	68,533
<u>28,534,293</u>	<u>7,045,559</u>	<u>753,364</u>
<u>46,250,239</u>	<u>24,095,045</u>	<u>4,966,669</u>
(24,672,690)	(3,618,967)	2,658,103
<u>26,186,800</u>	<u>4,391,800</u>	<u>(445,559)</u>
1,514,110	772,833	2,212,544
<u>8,078,807</u>	<u>7,841,568</u>	<u>(9,144)</u>
\$ <u>9,592,917</u>	\$ <u>8,614,401</u>	\$ <u>2,203,400</u>

CITY OF KEOKUK, IOWA

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING

JUNE 30, 2021

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Funds and the Enterprise Funds. Although the budget document presents functional disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$22,155,194. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the debt service function.

CITY OF KEOKUK, IOWA

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

OTHER INFORMATION

	<u>2021</u>	<u>2020</u>
City's proportion of the net pension liability	0.036209 %	0.036669 %
City's proportionate share of the net pension liability	\$ 2,525,817	\$ 2,137,625
City's covered payroll	\$ 2,854,000	\$ 2,809,000
City's proportionate share of the net pension liability as a percentage of its covered payroll	88.50 %	74.90 %
IPERS' net position as a percentage of the total pension liability	82.90 %	85.45 %

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

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.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.036805 %	0.040426 %	0.039442 %	0.039040 %	0.039435 %
\$ 2,328,379	\$ 2,668,822	\$ 2,458,194	\$ 1,940,871	\$ 1,596,000
\$ 2,765,000	\$ 2,990,000	\$ 2,803,000	\$ 2,688,000	\$ 2,632,000
82.89 %	89.26 %	87.89 %	72.21 %	60.64 %
83.62 %	82.21 %	81.82 %	85.19 %	87.61 %

CITY OF KEOKUK, IOWA
SCHEDULE OF CITY CONTRIBUTIONS
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
FOR THE LAST TEN YEARS

OTHER INFORMATION

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 240,565	\$ 269,375	\$ 265,205
Contributions in relation to the statutorily required contribution	<u>(240,565)</u>	<u>(269,375)</u>	<u>(265,205)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ 2,548,000	\$ 2,854,000	\$ 2,809,000
Contributions as a percentage of covered payroll	9.44 %	9.44 %	9.44 %

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 246,948	\$ 267,065	\$ 250,318	\$ 240,000	\$ 235,000	\$ 220,000	\$ 205,000
<u>(246,948)</u>	<u>(267,065)</u>	<u>(250,318)</u>	<u>(240,000)</u>	<u>(235,000)</u>	<u>(220,000)</u>	<u>(205,000)</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ 2,765,000	\$ 2,990,000	\$ 2,803,000	\$ 2,688,000	\$ 2,632,000	\$ 2,537,000	\$ 2,540,000
8.93 %	8.93 %	8.93 %	8.93 %	8.93 %	8.67 %	8.07 %

CITY OF KEOKUK, IOWA

NOTES TO OTHER INFORMATION – IPERS PENSION LIABILITY

YEAR ENDED JUNE 30, 2021

Changes of benefit terms:

There were no significant changes to benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of the 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 percent to 2.60 percent.
- Decreased the assumed rate of interest on member accounts from 3.75 percent to 3.50 percent per year.
- Decreased the discount rate from 7.50 percent to 7.00 percent.
- Decreased the wage growth assumption from 4.00 percent to 3.25 percent.
- Decreased the payroll growth assumption from 4.00 percent to 3.25 percent.

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

CITY OF KEOKUK, IOWA

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA
FOR THE LAST SEVEN YEARS*

OTHER INFORMATION

	<u>2021</u>		<u>2020</u>	
City's proportion of the net pension liability	0.0074101	%	0.0076678	%
City's proportionate share of the net pension liability	\$ 4,860,456		\$ 4,565,441	
City's covered payroll	\$ 2,354,206		\$ 2,321,150	
City's proportionate share of the net pension liability as a percentage of its covered payroll	206.46	%	196.69	%
Plan fiduciary net position as a percentage of the total pension liability	74.00	%	79.94	%

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

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

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0078512 %	0.008315 %	0.008186 %	0.818680 %	0.809408 %
\$ 4,604,545	\$ 5,198,813	\$ 3,807,187	\$ 3,846,278	\$ 2,934,000
\$ 2,282,036	\$ 2,335,291	\$ 2,196,017	\$ 2,147,000	\$ 2,058,000
198.37 %	222.62 %	173.37 %	179.15 %	142.57 %
81.07 %	80.60 %	78.20 %	83.40 %	86.27 %

CITY OF KEOKUK, IOWA
SCHEDULE OF CITY'S CONTRIBUTIONS
MUNICIPAL FIRE AND POLICE RETIREMENT SYSTEM OF IOWA
FOR THE LAST TEN YEARS

OTHER INFORMATION

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 639,918	\$ 574,661	\$ 603,963
Contributions in relation to the statutorily required contribution	<u>(639,918)</u>	<u>(574,661)</u>	<u>(603,963)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
City's covered payroll	\$ 2,528,319	\$ 2,354,206	\$ 2,321,150
Contributions as a percentage of covered payroll	25.31 %	24.41 %	26.02 %

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 586,028	\$ 605,074	\$ 609,834	\$ 653,000	\$ 620,000	\$ 522,000	\$ 485,000
<u>(586,028)</u>	<u>(605,074)</u>	<u>(609,834)</u>	<u>(653,000)</u>	<u>(620,000)</u>	<u>(522,000)</u>	<u>(485,000)</u>
\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
\$ 2,282,036	\$ 2,335,291	\$ 2,196,017	\$ 2,147,000	\$ 2,058,000	\$ 1,998,000	\$ 1,959,000
25.68 %	25.91 %	27.77 %	30.41 %	30.12 %	26.12 %	24.76 %

CITY OF KEOKUK, IOWA

NOTES TO OTHER INFORMATION – MFPRSI PENSION LIABILITY

YEAR ENDED JUNE 30, 2021

Changes of benefit terms:

There were no significant changes of benefit terms.

Changes of assumptions:

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

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

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

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

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

SUPPLEMENTARY INFORMATION

CITY OF KEOKUK, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2021

	<u>Special Revenue</u>		
	<u>Economic Development</u>	<u>Emergency Tax Levy</u>	<u>Total</u>
<u>RECEIPTS:</u>			
Property tax	\$ -	\$ 75,198	\$ 75,198
Other city taxes	72,931	12,794	85,725
Intergovernmental	<u>112,655</u>	<u>3,358</u>	<u>116,013</u>
Total receipts	<u>185,586</u>	<u>91,350</u>	<u>276,936</u>
<u>DISBURSEMENTS:</u>			
Community and economic development	<u>146,370</u>	<u>-</u>	<u>146,370</u>
Excess of receipts over disbursements	<u>39,216</u>	<u>91,350</u>	<u>130,566</u>
Other financing sources (uses):			
Transfer in	70,900	-	70,900
Transfers out	<u>-</u>	<u>(87,336)</u>	<u>(87,336)</u>
Total other financing sources (uses)	<u>70,900</u>	<u>(87,336)</u>	<u>(16,436)</u>
Change in cash balances	110,116	4,014	114,130
<u>CASH BALANCES - Beginning of year</u>	<u>2,056</u>	<u>27,966</u>	<u>30,022</u>
<u>CASH BALANCES - End of year</u>	\$ <u>112,172</u>	\$ <u>31,980</u>	\$ <u>144,152</u>
<u>Cash Basis Fund Balances</u>			
Restricted	\$ <u>112,172</u>	\$ <u>31,980</u>	\$ <u>144,152</u>
Total cash basis fund balances	\$ <u>112,172</u>	\$ <u>31,980</u>	\$ <u>144,152</u>

CITY OF KEOKUK, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2021

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>	<u>Balance Beginning of Year</u>
General obligation notes:				
Refunding capital loan notes	June 8, 2016	2.00-3.00%	\$ 3,155,000	\$ 2,195,000
Refunding capital loan notes	June 8, 2016	2.00-3.00%	4,515,000	3,295,000
Capital loan notes	June 8, 2021	0.80%	1,000,000	-
Refunding capital loan notes	June 6, 2019	3.69-4.00%	1,800,000	1,800,000
Refunding capital loan notes	April 2, 2020	2.00-3.00%	7,315,000	6,480,000
Total			<u>17,785,000</u>	<u>13,770,000</u>
Revenue notes:				
Planning and design revenue notes	September 18, 2020	0.00%	2,790,000	-
Solid waste revenue capital loan notes	July 20, 2020	2.75%	695,000	-
Sewer revenue capital loan notes	January 20, 2010	3.00%	3,889,000	1,640,000
Sewer revenue capital loan notes	December 20, 2013	2.00%	5,578,000	3,639,000
Sewer revenue capital loan notes	June 5, 2015	2.00%	7,155,182	5,055,030
Total			<u>20,107,182</u>	<u>10,334,030</u>
Total			\$ <u>37,892,182</u>	\$ <u>24,104,030</u>

SCHEDULE 2

<u>Issued During Year</u>	<u>Redeemed/ Cancelled During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ -	\$ 235,000	\$ 1,960,000	\$ 46,723	\$ 46,722
-	330,000	2,965,000	69,240	69,240
1,000,000	-	1,000,000		
-	-	1,800,000	69,617	69,617
-	740,000	5,740,000	184,700	184,700
<u>1,000,000</u>	<u>1,305,000</u>	<u>13,465,000</u>	<u>370,280</u>	<u>370,279</u>
2,251,241	-	2,251,241	-	-
695,000	69,000	626,000	16,511	17,215
-	126,000	1,514,000	32,800	32,800
-	238,000	3,401,000	49,127	49,126
-	310,030	4,745,000	132,477	132,476
<u>2,946,241</u>	<u>743,030</u>	<u>12,537,241</u>	<u>230,915</u>	<u>231,617</u>
\$ <u>3,946,241</u>	\$ <u>2,048,030</u>	\$ <u>26,002,241</u>	\$ <u>601,195</u>	\$ <u>601,896</u>

CITY OF KEOKUK, IOWA
BOND AND NOTE MATURITIES
YEAR ENDED JUNE 30, 2021

General Obligation Bonds/Notes

Year Ending June 30,	Capital Loan Notes				Refunding Capital Loan Notes					
	Issued June 6, 2019		Issued June 8, 2021		Issued April 2, 2020		Issued June 8, 2016		Issued June 8, 2016	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2022	3.69 %	\$ -	0.8 %	\$ 405,000	3.00 %	\$ 765,000	2.00 %	\$ 235,000	2.00 %	\$ 340,000
2023	3.69	-	0.8	300,000	3.00	745,000	2.00	230,000	2.00	350,000
2024	3.69	-	0.8	295,000	3.00	800,000	2.00	225,000	2.00	365,000
2025	3.69	-			3.00	790,000	2.00	220,000	2.00	365,000
2026	3.69	-			3.00	780,000	2.00	215,000	2.00	370,000
2027	3.69	10,000			3.00	295,000	2.00	210,000	2.00	380,000
2028	3.69	15,000			3.00	295,000	2.00	210,000	2.00	390,000
2029	3.69	20,000			3.00	300,000	3.00	205,000	3.00	405,000
2030	3.69	30,000			2.00	310,000	3.00	210,000		-
2031	3.69	35,000			2.00	305,000		-		-
2032	3.69	40,000			2.00	255,000		-		-
2033	3.69	50,000			2.00	100,000		-		-
2034	3.74	300,000				-		-		-
2035	3.85	310,000				-		-		-
2036	3.90	320,000				-		-		-
2037	3.94	330,000				-		-		-
2038	4.00	340,000				-		-		-
Total		\$ 1,800,000		1,000,000		\$ 5,740,000		\$ 1,960,000		\$ 2,965,000
										\$ 13,465,000

BOND AND NOTE MATURITIES
YEAR ENDED JUNE 30, 2020

Sewer Revenue Capital Loan Notes

Year Ending June 30,	<u>Issued January 20, 2010</u>		<u>Issued December 20, 2013</u>		<u>Issued June 5, 2015</u>	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2022	3.00 %	\$ 131,000	2.00 %	\$ 241,000	2.00 %	\$ 310,000
2023	3.00	135,000	2.00	244,000	2.00	320,000
2024	3.00	139,000	2.00	248,000	2.00	320,000
2025	3.00	144,000	2.00	252,000	2.00	330,000
2026	3.00	148,000	2.00	254,000	2.00	335,000
2027	3.00	153,000	2.00	258,000	2.00	335,000
2028	3.00	158,000	2.00	261,000	2.00	335,000
2029	3.00	163,000	2.00	265,000	2.00	340,000
2030	3.00	169,000	2.00	268,000	2.00	340,000
2031	3.00	174,000	2.00	272,000	2.00	345,000
2032		-	2.00	276,000	2.00	345,000
2033		-	2.00	279,000	2.00	355,000
2034		-	2.00	283,000	2.00	365,000
2035		-		-	2.00	370,000
Total		\$ 1,514,000		\$ 3,401,000		\$ 4,745,000

Year Ending June 30,	<u>Issued September 18, 2020</u>		<u>Issued July 20, 2020</u>		<u>Total</u>
	Interest Rate	Amount	Interest Rate	Amount	
2022	0.00 %	\$ -	2.75 %	\$ 69,000	\$ 751,000
2023	0.00	2,251,241	2.75	69,000	3,019,241
2024		-	2.75	69,000	776,000
2025		-	2.75	69,000	795,000
2026		-	2.75	70,000	807,000
2027		-	2.75	70,000	816,000
2028		-	2.75	70,000	824,000
2029		-	2.75	70,000	838,000
2030		-	2.75	70,000	847,000
2031		-		-	791,000
2032		-		-	621,000
2033		-		-	634,000
2034		-		-	648,000
2035		-		-	370,000
Total		\$ 2,251,241		\$ 626,000	\$ 12,537,241

CITY OF KEOKUK, IOWA

SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS

FOR THE LAST TEN YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>RECEIPTS:</u>				
Property tax	\$ 5,001,198	\$ 4,927,657	\$ 4,769,360	\$ 4,584,033
Tax increment financing	1,247,593	1,308,398	1,277,043	1,276,160
Other city tax	3,185,445	2,946,773	2,746,949	3,082,193
Use of money and property	113,257	126,705	135,234	142,359
Licenses and permits	155,996	90,716	78,936	103,500
Intergovernmental	2,560,051	2,609,208	2,173,070	2,512,746
Charges for service	283,952	81,875	109,967	125,700
Miscellaneous	451,996	1,770,400	1,460,922	1,060,678
Total	\$ <u>12,999,488</u>	\$ <u>13,861,732</u>	\$ <u>12,751,481</u>	\$ <u>12,887,369</u>
<u>DISBURSEMENTS:</u>				
Public safety	\$ 5,331,775	\$ 5,442,822	\$ 5,125,895	\$ 5,621,547
Public works	2,176,635	2,161,178	1,664,847	1,747,734
Culture and recreation	1,496,162	1,585,572	1,517,644	1,955,421
Community and economic development	273,503	677,907	754,655	865,396
General government	1,532,495	1,097,864	1,088,622	1,468,963
Debt service	1,703,192	9,341,254	1,617,005	1,628,070
Capital projects	322,419	5,633,314	368,011	982,227
Total	\$ <u>12,836,181</u>	\$ <u>25,939,911</u>	\$ <u>12,136,679</u>	\$ <u>14,269,358</u>

SCHEDULE 4

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
\$ 4,342,566	\$ 4,285,973	\$ 4,563,921	\$ 4,192,222	\$ 4,049,068	\$ 3,832,718
1,080,317	831,826	1,444,299	1,475,276	1,524,770	1,573,868
3,201,258	3,085,227	2,949,695	2,501,875	2,505,805	2,703,582
154,831	238,483	123,663	91,338	137,508	117,145
89,220	171,002	130,274	133,055	148,821	138,043
2,263,827	2,143,687	3,664,508	1,812,070	5,484,072	2,084,405
136,685	111,812	209,129	251,948	230,424	320,194
1,142,047	1,003,132	173,863	1,136,841	342,430	127,099
<u>\$ 12,410,751</u>	<u>\$ 11,871,142</u>	<u>\$ 13,259,352</u>	<u>\$ 11,594,625</u>	<u>\$ 14,422,898</u>	<u>\$ 10,897,054</u>
\$ 5,106,066	\$ 4,540,975	\$ 4,554,654	\$ 4,449,148	\$ 4,316,334	\$ 4,413,059
1,747,234	1,640,975	1,747,198	2,145,775	1,716,978	1,500,390
1,604,799	1,316,719	1,356,187	1,389,520	1,313,819	1,265,330
666,048	242,748	700,083	384,175	352,134	153,374
1,401,869	1,245,057	585,476	597,592	576,226	594,634
1,672,955	4,762,076	2,005,454	1,955,098	3,937,346	1,757,380
453,353	143,317	2,998,715	3,450,778	6,777,796	716,900
<u>\$ 12,652,324</u>	<u>\$ 13,891,867</u>	<u>\$ 13,947,767</u>	<u>\$ 14,372,086</u>	<u>\$ 18,990,633</u>	<u>\$ 10,401,067</u>



ANDERSON, LARKIN & CO., P.C.
Certified Public Accountants
"Your Success Is Our Business."

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April D. Crosser, CPA
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Alexander T. Barr, CPA

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 of the City of Keokuk, Iowa:

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Keokuk, Iowa, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Keokuk, Iowa's basic financial statements and have issued our report thereon dated January 25, 2022. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. We expressed adverse opinions on the aggregate discretely presented component units.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the 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. We consider the deficiency described in the accompanying schedule of findings as item I-A-21 to be a significant deficiency.

Compliance and Other Matters

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

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

The City of Keokuk, Iowa's Response to Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Keokuk, Iowa during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

ANDERSON, LARKIN & CO., P.C.



Ottumwa, Iowa
January 25, 2022

CITY OF KEOKUK, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2021

Part I: Findings Related to the Financial Statements

Internal Control Deficiencies:

I-A-21 Segregation of Duties

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

Condition – Management has not separated incompatible activities of personnel, thereby creating risks related to the safeguarding of cash and the accuracy of the financial statements.

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

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

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

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

Conclusion – Response accepted.

Part II: Other Findings Related to Required Statutory Reporting

II-A-21 Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states in part that monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended on or before May 31 of the applicable fiscal year 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, on or before May 31.

Conclusion – Response accepted.

II-B-21 Questionable Disbursements – No disbursements were noted that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-21 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-21 Business Transactions – No business transactions between the City and City officials or employees were noted.

II-E-21 Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the code of Iowa.

CITY OF KEOKUK, IOWA

SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2021

- II-F-21 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- II-G-21 City Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-H-21 Deposits and Investments – We noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy.
- II-I-21 Revenue Bonds and Notes – The following instance of non-compliance with the solid waste revenue notes provisions was noted.

The provisions of the solid waste revenue note resolutions require the City to produce net operating revenues equal to at least 130% of the principal and interest on the bonds as they become due. The City fiscal year 2021 net operating receipts of \$(632,440) were less than 130% of the \$85,511 of the revenue note principal and interest due during fiscal year 2021.

Recommendation – The City should establish utility rates at a sufficient level to allow net receipts to comply with the note provisions.

Response – The City is reviewing this and will make changes to ensure compliance with the above requirement.

Conclusion – Response accepted.

- II-J-21 Annual Urban Renewal Report – The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- II-K-21 Financial Condition – The Capital Projects Fund had a deficit balance of \$702,829 at June 30, 2021.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The deficit was due to disbursements incurred prior to receipt of funding. The deficit will be eliminated in subsequent fiscal years.

Conclusion – Response accepted.

- II-L-21 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 instances of noncompliance were noted.