OFFICE OF AUDITOR OF STATE

STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834
www.auditor.iowa.gov

Rob Sand
Auditor of State

NEWS RELEASE

Contact: Brian Brustkern

FOR RELEASE	August 28, 2026	515/281-5834

Auditor of State Rob Sand today released an audit report on the City of Hamburg, Iowa. The City originally contracted with a private CPA firm to perform the audit for the year ended June 30, 2022. The private CPA firm did not complete the engagement; therefore, the City contacted the Office of Auditor of State in December 2024.

FINANCIAL HIGHLIGHTS:

The City's receipts totaled $4,998,191 for the year ended June 30, 2022, a 55.7% decrease over the prior year. Disbursements for the year ended June 30, 2022 totaled $5,373,588, a 54.1% decrease over the prior year. The significant decrease in receipts is primarily due to the decrease in federal grant funds received for the levy rebuild project due to flooding. The significant decrease in disbursements is primarily due to the levy rebuild project in the prior fiscal year.

AUDIT FINDINGS:

Sand reported twenty-eight findings related to the receipt and disbursement of taxpayer funds. They are found on pages 45 through 64 of this report. The findings address issues such as a lack of segregation of duties, a lack of monthly utility reconciliations, disbursements exceeded budgeted amounts, public purpose of certain transactions, and deficit fund balances. Sand provided the City with recommendations to address each of the findings.

Twelve of the findings discussed above are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at Audit Reports – Auditor of State.

# # #

CITY OF HAMBURG

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

JUNE 30, 2022

City of Hamburg

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Rob Sand
Auditor of State

July 21, 2026

Officials of the City of Hamburg
Hamburg, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Hamburg, Iowa, for the year ended June 30, 2022. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

Rob Sand
Auditor of State

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City of Hamburg

Officials

(Before January 2022)

Name	Title	Term Expires
Cathy E. Crain	Mayor	Jan 2024
Russell Stockstell	Council Member	Jan 2022
Willie Thorp	Council Member	Jan 2022
Kent Benefiel	Council Member	Jan 2024
Micael Gregg	Council Member	Jan 2024
Earl Hendrickson	Council Member	Jan 2024
Sheryl Owen	City Clerk/Treasurer	Indefinite
G. Rawson Stevens	Attorney	Indefinite

(After January 2022)

Name	Title	Term Expires
Cathy E. Crain	Mayor	(Resigned May 2022)
Harry Adams (Appointed June 2022)	Mayor	Nov 2023
Kent Benefiel	Council Member	Jan 2024
Earl Hendrickson	Council Member	Jan 2024
Michael Gregg	Council Member	Jan 2024
Troy Hendrickson	Council Member	Jan 2026
Melissa Smith	Council Member	Jan 2026
Sheryl Owen	City Clerk/Treasurer	(Resigned June 2022)
Amanda Driever (Appointed July 2022)	City Clerk/Treasurer	Indefinite
G. Rawson Stevens	Attorney	Indefinite

City of Hamburg

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Rob Sand
Auditor of State

Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Hamburg, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Hamburg as of June 30, 2022, and the respective changes in cash basis financial position for the year then ended in accordance with the cash basis of accounting described in Note 1.

Basis for Opinions

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

Emphasis of Matter - Basis of Accounting

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

Responsibilities of Management for the Financial Statements

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Hamburg’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hamburg’s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hamburg’s basic financial statements. We previously audited, in accordance with the standards referred to in the Auditor’s Responsibilities for the Audit of the Financial Statements section of this report, the financial statements for the two years ended June 30, 2021 (which are not presented herein) and expressed a modified opinion on the financial statements for the fiscal year ended June 30, 2020 and an unmodified opinion on the financial statements for the fiscal year ended June 30, 2021. Those financial statements were prepared on the cash basis of accounting. The supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information in Schedules 1 through 3 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in this report. The other information comprises the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 26 through 32 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 21, 2026 on our consideration of the City of Hamburg's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Hamburg's internal control over financial reporting and compliance.

Brian R. Brustkern, CPA
Deputy Auditor of State

July 21, 2026

City of Hamburg

Basic Financial Statements

City of Hamburg

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2022

			Program Receipts	
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	$ 2,507,362	413	-	2,140,758
Public works	197,926	26,733	130,537	79,226
Culture and recreation	159,097	7,406	79,690	-
Community and economic development	172,783	-	-	161,386
General government	231,588	-	-	-
Debt service	657,409	-	-	-
Total governmental activities	3,926,165	34,552	210,227	2,381,370
Business type activities:				
Water	1,289,193	141,476	-	-
Sewer	158,230	121,820	-	-
Total business type activities	1,447,423	263,296	-	-
Total Primary Government	$ 5,373,588	297,848	210,227	2,381,370
Component Unit:				
Hamburg Hometown Pride Affiliate	$ -	-	-	-
General Receipts:				
Property and other city tax levied for:				
General purposes				
Local option sales tax				
Commercial/industrial tax replacement				
Utility excise tax				
Unrestricted interest on investments				
General obligation note proceeds net of $19,375 discount and $23,250 issuance costs				
Miscellaneous				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year, as previously reported				
Restatement of cash basis net position				
Cash basis net position beginning of year, as restated				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonspendable				
Cemetery perpetual care				
Expendable:				
Library				
Streets				
Local option sales tax purposes				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Governmental Activities	Business Type Activities	Total	Hamburg Hometown Pride Affiliate
(366,191)	-	(366,191)	
38,570	1,086,961	1,125,531	
(72,001)	-	(72,001)	
(11,397)	-	(11,397)	
(231,588)	-	(231,588)	
(657,409)	-	(657,409)	
(1,300,016)	1,086,961	(213,055)	
-	(1,147,717)	(1,147,717)	
-	(36,410)	(36,410)	
-	(1,184,127)	(1,184,127)	
(1,300,016)	(97,166)	(1,397,182)	
			-
372,844	-	372,844	-
137,515	-	137,515	-
33,914	-	33,914	-
6,454	-	6,454	-
360	487	847	-
1,507,375	-	1,507,375	-
49,797	-	49,797	-
2,108,259	487	2,108,746	-
808,243	(96,679)	711,564	-
1,329,971	(115,152)	1,214,819	27,037
72,772	-	72,772	(27,037)
1,402,743	(115,152)	1,287,591	-
$ 2,210,986	(211,831)	1,999,155	-
32,421	-	32,421	-
270,017	-	270,017	-
190,488	-	190,488	-
293,840	-	293,840	-
40,774	-	40,774	-
1,383,446	(211,831)	1,171,615	-
$ 2,210,986	(211,831)	1,999,155	-

City of Hamburg

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

As of and for the year ended June 30, 2022

		Special Revenue		
	General	Road Use Tax	Economic Development LOST	Local Option Sales Tax
Receipts:				
Property tax	$ 309,367	-	-	-
Local option sales tax	-	-	-	137,515
Other city tax	33,563	-	-	-
Licenses and permits	1,406	-	-	-
Use of money and property	22,975	-	-	-
Intergovernmental	2,302,143	-	-	-
Charges for service	33,146	-	-	-
Miscellaneous	185,168	-	-	-
Total receipts	2,887,768	-	-	137,515
Disbursements:				
Operating:				
Public safety	2,507,362	-	-	-
Public works	56,292	-	-	-
Culture and recreation	152,986	-	-	-
Community and economic development	142,596	-	-	-
General government	205,218	-	-	-
Debt service	-	-	-	-
Total disbursements	3,064,454	-	-	-
Excess (deficiency) of receipts over (under) disbursements	(176,686)	-	-	137,515
Other financing sources (uses):				
General obligation note proceeds net of $19,375 discount and $23,250 issuance costs	-	-	-	-
Transfers In	91,219	-	-	-
Transfers Out	-	-	-	(91,219)
Total other financing sources (uses)	91,219	-	-	(91,219)
Change in cash balances	(85,467)	-	-	46,296
Cash balances beginning of year, as previously reported	814,479	204,617	135,451	-
Restatement for error corrections	104,671	-	-	135,451
Restatement for changes to or within Financial Reporting Entity	(26,580)	(204,617)	(135,451)	112,093
Cash balances beginning of year, as restated	892,570	-	-	247,544
Cash balances end of year	$ 807,103	-	-	293,840
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	-	-	-	-
Restricted for:				
Library	270,017	-	-	-
Streets	-	-	-	-
Local option sales tax purposes	-	-	-	293,840
Other	-	-	-	-
Unassigned	537,086	-	-	-
Total cash basis fund balances	$ 807,103	-	-	293,840

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	63,477	372,844
-	-	137,515
-	6,805	40,368
-	-	1,406
-	441	23,416
-	130,537	2,432,680
-	-	33,146
-	490	185,658
-	201,750	3,227,033
-	-	2,507,362
-	141,634	197,926
-	6,111	159,097
-	30,187	172,783
-	26,370	231,588
652,999	4,410	657,409
652,999	208,712	3,926,165
(652,999)	(6,962)	(699,132)
1,507,375	-	1,507,375
-	-	91,219
-	-	(91,219)
1,507,375	-	1,507,375
854,376	(6,962)	808,243
-	175,424	1,329,971
-	(167,350)	72,772
26,580	227,975	-
26,580	236,049	1,402,743
880,956	229,087	2,210,986
-	32,421	32,421
-	-	270,017
-	190,488	190,488
-	-	293,840
-	40,774	40,774
880,956	(34,596)	1,383,446
880,956	229,087	2,210,986

City of Hamburg

City of Hamburg

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

As of and for the year ended June 30, 2022

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	$ 141,476	121,820	263,296
Operating disbursements:			
Business type activities	228,535	158,230	386,765
Deficiency of operating receipts under operating disbursements	(87,059)	(36,410)	(123,469)
Non-operating receipts and (disbursements):			
Capital outlays	(1,060,658)	-	(1,060,658)
Federal grants	1,086,961	-	1,086,961
Interest on investments	99	388	487
Net non-operating receipts	26,402	388	26,790
Deficiency of receipts under disbursements	(60,657)	(36,022)	(96,679)
Cash balances beginning of year	(189,798)	74,646	(115,152)
Cash balances end of year	$ (250,455)	38,624	(211,831)
Cash Basis Fund Balances			
Unrestricted	$ (250,455)	38,624	(211,831)

See notes to financial statements.

(1) Summary of Significant Accounting Policies

The City of Hamburg is a political subdivision of the State of Iowa located in Fremont County. It was first incorporated in 1867 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Fremont County Assessor's Conference Board, Fremont County Emergency Management Commission, Fremont County Landfill Commission and Fremont County Joint 911 Service Board.

B. Basis of Presentation

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

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

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

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

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

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

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 Local Option Sales Tax Fund is used to account for receipts from the tax authorized by referendum and is to be used 90% for infrastructure and 10% for economic development.

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax receipts recognized in the governmental funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2020 assessed property valuations; is for the tax accrual period July 1, 2021 through June 30, 2022 and reflects tax asking contained in the budget certified to the City Council in June 2021.

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

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

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

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, 2022, disbursements exceeded the amounts budgeted in the community and economic development, general government, debt service and business type activities functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the community and economic development, general government, debt service and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2022 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

(3) Notes and Leases Payable

A summary of changes in notes payable for the year ended June 30, 2022 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation antipation project note - direct borrowing	$ 645,250	1,550,000	645,250	1,550,000	1,550,000
Lease agreement	-	26,151	6,047	20,104	7,915
Governmental activities total	$ 645,250	1,576,151	651,297	1,570,104	1,557,915

General Obligation Corporate Purpose Loan Agreement Anticipation Project Note:

The City's June 30, 2022 general obligation note payable is as follows:

Year Ending June 30,	Capital Projects Issued Sep 13, 2021 Interest Rates	Principal	Interest
2023	0.40%	$ 1,550,000	6,200

On May 31, 2019, the City entered into a revenue project note agreement with an interest rate of 3.30% with Great Western Bank of Hamburg Iowa for up to $2,000,000 with a maturity date of May 28, 2020 to be used for the purpose of paying costs of (1) constructing a water system, sanitary sewer system, storm water drainage, street and sidewalk repairs, improvements and extensions, (2) repairing and effectuating street lighting, signage and signalization improvements; (3) constructing flood control and levee improvements; 4) acquiring, demolishing and /or restoring dangerous, dilapidated and /or abandoned properties; (5) acquiring and replacing public works vehicles and equipment; (6) acquiring and replacing fire department vehicles and equipment; (7) undertaking the remediation, restoration, repair, cleanup, replacement, and improvement of property, buildings, equipment and public facilities that have been damaged by a disaster; and (8) reimbursing the City's general fund or other funds of the City for the expenditures made related to remediation, restoration, repair, and cleanup of damage caused by a disaster (collectively, the "Projects"), and is issued under authority of Section 76.13 of the Code of Iowa in anticipation of the receipt of and is payable from the proceeds (the Loan Proceeds) of an authorized loan agreement and a corresponding future issuance of General Obligation Bonds or Notes in a principal amount not to exceed $2,000,000. On May 26, 2021, the City amended this agreement to extend the maturity date to September 28, 2021. As of June 30, 2022, the City has drawn down $1,763,998. During the year ended June 30, 2022, the City paid the remaining principal of $645,250 and interest of $7,748 from the Capital Projects Fund on the note.

On September 13, 2021, the City issued $1,550,000 of general obligation notes with an interest rate of 0.40% and a maturity date of June 1, 2023. The notes were issued for various capital projects. During the year ended June 30, 2022, the City paid no principal and interest of $4,410 from the Debt Service Fund on the notes. The remaining balance on the notes at June 30, 2022 was $1,550,000.

Lease Agreement:

On July 1, 2020, the City entered into a noncancelable lease agreement for an office copier. An initial lease liability was recorded in the amount of $9,452. The agreement requires monthly payments of $199 over 60 months, with an implicit interest rate of 0.40% and a final payment on June 1, 2025. During the year ended June 30, 2022, the City paid principal of $2,349 and interest of $34.

On November 3, 2021, the City entered into a noncancelable lease agreement for an office phone system and copier machines. An initial lease liability was recorded in the amount of $16,699. The agreement requires monthly payments of $467 over 36 months, with an implicit interest rate of 0.40% and a final payment on October 3, 2024. During the year ended June 30, 2022, the City paid principal of $3,698 and interest of $38.

Future principal and interest payments are as follows:

Year Ending June 30,	Copier Principal	Copier Interest	Copier Total	Phone/Copier System Principal	Phone/Copier System Interest	Phone/Copier System Total
2023	$ 2,358	30	2,388	$ 5,557	47	5,604
2024	2,368	20	2,388	5,579	25	5,604
2025	2,377	11	2,388	1,865	3	1,868
	$ 7,103	61	7,164	$ 13,001	75	13,076

Year Ending June 30,	Total Principal	Total Interest	Total
2023	$ 7,915	77	7,992
2024	7,947	45	7,992
2025	4,242	14	4,256
	$ 20,104	136	20,240

(4) Plan Pension

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

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

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

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

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

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

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

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

In fiscal year 2022, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%.

The City's contributions to IPERS for the year ended June 30, 2022 totaled $28,185.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2022, the City reported a liability of $5,185 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2021, the City's proportion was (0.001502)%, which was a decrease of 0.004689% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City's pension reduction, deferred outflows of resources and deferred inflows of resources totaled $(18,027), $34,123 and $218,603, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2021 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, 2021 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2021 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	6.01
Global smart beta equity	6.0	5.10
Core plus fixed income	26.0	0.29
Public credit	4.0	2.08
Cash	1.0	(0.25)
Private equity	13.0	9.51
Private real assets	7.5	4.63
Private credit	3.0	2.87
Total	100.0%	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	$ 183,508	5,185	(144,262)

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

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2022 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	$ 91,219

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

(6) Risk Management

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

(7) Deficit Fund Balance

The Special Revenue, Economic Development LOST Fund had a deficit balance of $30,186, the Enterprise, Water Fund had a deficit balance of $250,455 and the Debt Service Fund had a deficit balance of $4,410 at June 30, 2022. The City is investigating alternatives to eliminate these deficits.

(8) Subsequent Event

In May 2023, the City Council authorized $1,360,000 of general obligation refunding capital loan notes, Series 2023, for the purpose of refunding of the general obligation corporate purpose loan agreement anticipation project notes, Series 2021A.

(9) Restatement

Beginning net position for the Governmental Activities, General Fund, Special Revenue, Road Use Tax Fund, Special Revenue, Local Option Sales Tax Fund, and Special Revenue, Economic Development LOST Fund were restated to properly report previously reported cash balances. In addition, the beginning net position for the discretely presented component unit, Hamburg Hometown Pride, was restated to properly report the beginning net position due to it not meeting the criteria set forth by the Governmental Accounting Standards Board for a discretely presented component unit. The restatement to retroactively report the change in net position is as follows:

	Cash Balance June 30, 2021, as previously reported	Restatement for error corrections	Restatement for Change to Financial Reporting Entity	Cash Balance July 1, 2021, as restated
Governmental Activities	$ 1,329,971	72,772	-	1,402,743
General	814,479	104,671	(26,580)	892,570
Special Revenue:				
Road Use Tax - Major	204,617	-	(204,617)	-
Road Use Tax - Nonmajor	-	(31,899)	204,617	172,718
Local Option Sales Tax - Nonmajor	112,093	-	(112,093)	-
Local Option Sales Tax - Major	-	135,451	112,093	247,544
Economic Development LOST - Major	135,451	-	(135,451)	-
Economic Development LOST - Nonmajor	-	(135,451)	135,451	-
Capital Projects	-		26,580	26,580
Discretely Presented Component Unit:				
Hamburg Hometown Pride	27,037	-	(27,037)	-

Other Information

City of Hamburg

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

Other Information

Year ended June 30, 2022

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	$ 372,844	-	372,844
Other city tax	177,883	-	177,883
Licenses and permits	1,406	-	1,406
Use of money and property	23,416	487	23,903
Intergovernmental	2,432,680	1,086,961	3,519,641
Charges for service	33,146	263,296	296,442
Miscellaneous	185,658	-	185,658
Total receipts	3,227,033	1,350,744	4,577,777
Disbursements:			
Public safety	2,507,362	-	2,507,362
Public works	197,926	-	197,926
Culture and recreation	159,097	-	159,097
Community and economic development	172,783	-	172,783
General government	231,588	-	231,588
Debt service	657,409	-	657,409
Business type activities	-	1,447,423	1,447,423
Total disbursements	3,926,165	1,447,423	5,373,588
Excess (deficiency) of receipts over (under) disbursements	(699,132)	(96,679)	(795,811)
Other financing sources:			
Loan proceeds	1,507,375	-	1,507,375
Change in balances	808,243	(96,679)	711,564
Balances beginning of year, as previously reported	1,329,971	(115,152)	1,214,819
Restatement for error corrections	72,772	-	72,772
Balances beginning of year, as restated	1,402,743	(115,152)	1,287,591
Balances end of year	$ 2,210,986	(211,831)	1,999,155

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
379,470	473,470	(100,626)
96,450	116,450	61,433
1,500	1,500	(94)
5,900	13,900	10,003
14,253,930	14,253,930	(10,734,289)
1,385,000	1,385,000	(1,088,558)
125,000	125,000	60,658
16,247,250	16,369,250	(11,791,473)
13,442,400	12,822,991	10,315,629
362,200	362,200	164,274
175,000	175,000	15,903
-	162,000	(10,783)
192,500	212,500	(19,088)
19,000	638,409	(19,000)
1,375,000	1,375,000	(72,423)
15,566,100	15,748,100	10,374,512
681,150	621,150	(1,416,961)
-	-	1,507,375
681,150	621,150	(90,414)
2,394,284	2,394,284	1,179,465
-	-	(72,772)
2,394,284	2,394,284	1,106,693
3,075,434	3,015,434	1,016,279

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 and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by $182,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2022, disbursements exceeded the amounts budgeted in the community and economic development, general government, debt service and business type activities functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the community and economic development, general government, debt service and business type activities functions.

City of Hamburg

Schedule of the City's Proportionate Share of the Net Pension Liability

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

Other Information

	2022	2021	2020	2019
City's proportion of the net pension liability (asset)	(0.001502%) **	0.003187%	0.003805%	0.002430%
City's proportionate share of the net pension liability	$ 5	224	220	205
City's covered payroll	$ 295	254	286	235
City's proportionate share of the net pension liability as a percentage of its covered payroll	1.69%	88.19%	76.92%	87.23%
IPERS' net position as a percentage of the total pension liability (asset)	100.81%	82.90%	85.45%	83.62%

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

** Overall plan net pension asset.

See accompanying independent auditor's report.

City of Hamburg

Schedule of City Contributions

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

Other Information

		2022	2021	2020	2019
Statutorily required contribution	$	28	28	24	27
Contributions in relation to the statutorily required contribution		(28)	(28)	(24)	(27)
Contribution deficiency (excess)	$	-	-	-	-
City's covered payroll	$	298	295	254	286
Contributions as a percentage of covered payroll		9.40%	9.49%	9.45%	9.44%

See accompanying independent auditor's report.

2018	2017	2016	2015	2014	2013
21	21	19	18	19	18
(21)	(21)	(19)	(18)	(19)	(18)
-	-	-	-	-	-
235	235	213	202	213	208
8.94%	8.94%	8.92%	8.91%	8.92%	8.65%

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

Supplementary Information

City of Hamburg

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2022

	Special Revenue			
	Road Use Tax	Employee Benefits	Local Option Sales Tax	Economic Development
Receipts:				
Property tax	$ -	63,477	-	-
Other city tax	-	6,805	-	-
Use of money and property	243	-	-	1
Intergovernmental	130,537	-	-	-
Miscellaneous	-	-	-	-
Total receipts	130,780	70,282	-	1
Disbursements:				
Operating:				
Public works	113,010	28,624	-	-
Cultures and recreation	-	6,111	-	-
Community and Economic Development	-	-	-	30,187
General government	-	26,370	-	-
Debt service	-	-	-	-
Total disbursements	113,010	61,105	-	30,187
Excess (deficiency) of receipts over (under) disbursements	17,770	9,177	-	(30,186)
Cash balances beginning of year, as previously reported	-	31,597	112,093	-
Restatement for error corrections	(31,899)	-	-	(135,451)
Restatement for changes to or within Financial Reporting Entity	204,617	-	(112,093)	135,451
Cash balances beginning of year, as restated	172,718	31,597	-	-
Cash balances end of year	$ 190,488	40,774	-	(30,186)
Cash Basis Fund Balances				
Nonspendable - Cemetery perpetual care	-	-	-	-
Restricted				
Streets	190,488	-	-	-
Other purposes	-	40,774	-	-
Unassigned	-	-	-	(30,186)
Total cash basis fund balances	190,488	40,774	-	(30,186)

See accompanying independent auditor’s report.

	Permanent	
Debt Service	Cemetery Perpetual Care	Total
-	-	63,477
-	-	6,805
-	197	441
-	-	130,537
-	490	490
-	687	201,750
-	-	141,634
-	-	6,111
-	-	30,187
-	-	26,370
4,410	-	4,410
4,410	-	208,712
(4,410)	687	(6,962)
-	31,734	175,424
-	-	(167,350)
-	-	227,975
-	31,734	236,049
(4,410)	32,421	229,087
-	32,421	32,421
-	-	190,488
-	-	40,774
(4,410)	-	(34,596)
(4,410)	32,421	229,087

City of Hamburg

Schedule of Receipts By Source and Disbursements By Function - All Governmental Funds

For the Last Three Years

	2022	2021	2020
Receipts:			
Property tax	$ 372,844	412,168	392,146
Local option sales tax	137,515	154,494	96,573
Other tax	40,368	38,136	48,700
Licenses and permits	1,406	792	1,418
Use of money and property	23,416	995	24,543
Intergovernmental	2,432,680	9,608,934	3,588,787
Charges for service	33,146	32,475	29,039
Miscellaneous	185,658	114,605	226,272
Total	$ 3,227,033	10,362,599	4,407,478
Disbursements:			
Operating:			
Public safety	$ 2,507,362	9,274,249	2,746,289
Public works	197,926	318,400	388,045
Culture and recreation	159,097	192,014	111,796
Community and economic development	172,783	662,380	419,958
General government	231,588	155,329	202,741
Debt service	657,409	503,241	645,078
Total	$ 3,926,165	11,105,613	4,513,907

See accompanying independent auditor's report.

City of Hamburg

Schedule of Expenditures of Federal Awards

Year ended June 30, 2022

Grantor/Program	Assistance Listing Number	Pass-Through Entity Identifying Number	Program Expenditures
U.S. Department of Agriculture:			
Emergency Community Water Assitance Grants	10.763	19-DRI-002	$ 537,788
U.S. Department of Housing and Urban Development:			
Iowa Economic Development Authority:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	19-DRI-002	445,008
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	19-DRMB-003	640,405
Total U.S. Department of Housing and Urban Development			1,085,413
U.S Department of the Treasury:			
Iowa Department of Education:			
COVID-19, CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	ARPA 2021-217	4,875
Iowa Department of Revenue:			
COVID-19, CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	IA0339	11,039
Total U.S Department of the Treasury			15,914
U.S. Department of Homland Security:			
Iowa Department of Homeland Security and Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-4421-DRIA	401,701
Hazard Mitigation Grant	97.039	FEMA-4421-HMGP	1,058,052
Total U.S Department of Homeland Security			1,459,753
Total Federal Awards			$ 3,098,868

Basis of Presentation – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Hamburg under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Hamburg, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Hamburg.

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

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

See accompanying independent auditor's report.

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Rob Sand
Auditor of State

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Hamburg, Iowa, as of and for the year ended June 30, 2022, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 21, 2026. Our report expressed unmodified opinions on the financial statements which were prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Hamburg's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hamburg's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hamburg'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. However, as described in Part II of the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2022-001 through 2022-008 to be material weaknesses.

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 deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items 2022-009 and 2022-010 to be significant deficiencies.

Report on Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2022 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Hamburg's Responses to the Findings

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

Purpose of this Report

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

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

Brian R. Brustkern, CPA
Deputy Auditor of State

July 21, 2026

City of Hamburg

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Rob Sand
Auditor of State

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

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Hamburg, Iowa's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Hamburg's major federal programs for the year ended June 30, 2022. The City of Hamburg's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City of Hamburg complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City of Hamburg and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City of Hamburg's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City of Hamburg's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City of Hamburg's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence judgment made by a reasonable user of the report on compliance about the City of Hamburg's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City of Hamburg's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of the City of Hamburg's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City of Hamburg's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2022-011 through 2022-13. Our opinion on the major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2022-014 and 2022-015 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2022-016 through 2022-018, to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

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

Brian R. Brustkern, CPA
Deputy Auditor of State

July 21, 2026

City of Hamburg

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

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

(a) Unmodified opinions were issued on the financial statements prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

(b) Material weaknesses and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.

(c) The audit did not disclose any noncompliance which is material to the financial statements.

(d) Material weaknesses and significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements.

(e) An unmodified opinion was issued on compliance with requirements applicable to each major program.

(f) The audit disclosed seven audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.

(g) The major programs were Assistance Listing Numbers 14.228 – Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii and 97.039 – Hazard Mitigation Grant.

(h) The dollar threshold used to distinguish between Type A and Type B programs was $750,000.

(i) The City of Hamburg did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

2022-001 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 – Generally, one or two individuals have control over the following areas for which no compensating controls exist:

(1) Accounting system – performance of all accounting functions and having custody of assets.

(2) Cash – initiating cash receipt and disbursement transactions, handling and recording cash and reconciling bank accounts.

(3) Investments – detailed record keeping, custody of investments and reconciling earnings.

(4) Long-term debt – maintaining long-term debt records and handling and recording cash.

(5) Receipts – entering rates, opening mail, collecting, depositing, recording, and reconciling.

(6) Disbursements – purchasing, disbursement preparation, recording, check writing, signing, and reconciling.

(7) Payroll – preparing, reconciling, recording, and distributing.

(8) Journal entries are not reviewed and approved by an independent person.

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

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

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Reviews of journal entries and reconciliations should be performed by independent persons and should be evidenced by the signature or initials of the reviewer and the date of the review.

Response – We will implement procedures by which journal entries and reconciliations are reviewed monthly by the Mayor or a Council member.

Conclusion – Responses acknowledged. The City should continue to review procedures to provide additional control through independent review of financial transactions, reconciliations and reports. The reviews performed by an independent person should be documented by the signature or initials of the reviewer and the date of the review.

2022-002 Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances. Supervisory review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – The following issues were noted related to bank reconciliations:

- The bank reconciliation did not include any CD balances on the reconciliation.
- The bank reconciliation did not contain evidence of independent review.
- The auditor attempted to reconcile bank and book balances for June 2025 and there was an unresolved variance of $457.
- Outstanding checks are not periodically reviewed for propriety.

Cause – Procedures have not been designed and implemented to ensure monthly bank to book reconciliations are completed which include all accounts held by the City and outstanding transactions.

Effect – The lack of a complete monthly bank to book reconciliation could result in unrecorded transactions, undetected errors, and the opportunity for misappropriation.

Recommendation – The City should implement procedures to ensure monthly bank to book reconciliation are performed which include all accounts held by the City and outstanding transactions. In addition, an independent person should review the bank reconciliations and document their review by signing or initialing and dating the monthly reconciliations.

Response – A significant lapse in bank reconciliation occurred prior to FY26. We have engaged a consultant to work with us to bring these reconciliations up to date. At this time, all but two of the bank account reconciliations are up to date, and bank to GL reconciliations are ongoing. Once these issues have been resolved, the consultant will assist in resolving the outstanding transactions . We will implement a procedure by which bank reconciliations and bank to GL reconciliations are reviewed monthly by the Mayor or a Council member.

Conclusion – Response accepted.

2022-003 Reconciliation of Utility Billings, Collections and Delinquent Accounts

Criteria – An effective internal control system provides for internal controls related to maintaining delinquent account listings, reconciling utility billings, collections and delinquent accounts and comparing utility collections to deposits to ensure proper recording of utility receipts, the propriety of adjustments and write-offs and the propriety of delinquent account balances.

Condition – Utility billings, collections and delinquent accounts were not reconciled throughout the year. In addition, the utility receivable balance at the end of the test month of May 2022 was $3,985,500 per the utility system which does not appear reasonable with a monthly utility billing much less than this amount.

Cause – Policies have not been established and procedures have not been implemented to reconcile utility billings, collections and delinquent accounts balances and to reconcile utility collections to deposits.

Effect – This condition could result in unrecorded or misstated utility receipts, improper or unauthorized adjustments and write-offs and/or misstated delinquent account balances.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquent accounts for each billing period and to reconcile collections to deposits. The City Council or a Council-designated independent person should review the reconciliations and monitor delinquents. The review of the reconciliations should be documented by the signature or initials of the reviewer and the date of review.

Response – We will institute a procedure by which utility billings are reconciled monthly and reviewed by a Council member. A current Council member (Rod Wilson) is overseeing a renewed effort at utility billing collections. Collections efforts to be implemented include pursing collections through County property tax, and establishing a State setoff program.

Conclusion – Response accepted.

2022-004 Annual Financial Report

Criteria – Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report (AFR) contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the city, and all expenditures…"

Condition – Fund balances reported in the AFR do not agree with the City's records and the total beginning balance did not trace to prior year ending balance. In addition, property tax receipts, federal grants, and Community Development Block grants reported in the AFR did not agree with the City's records.

Cause – Policies have not been established, and procedures have not been implemented to ensure all amounts in the AFR are supported by the City's financial records. Also, policies have not been established to require independent review of the AFR.

Effect – The AFR does not accurately reflect the City's financial activity for the fiscal year ended June 30, 2022.

Recommendation – The City should establish procedures to ensure the AFR beginning balances and financial activity is properly supported and reported.

Response – We agree that many of the financial accounting procedures require more oversight . As you noted, this can be challenging for small municipalities with limited resources. Many of the more routine functions, such as bank reconciliations, etc., can be feasibly reviewed by a city council member. For some items however, such as the AFR, proper oversight would ideally be performed by an individual with more in-depth knowledge. We will establish procedures whereby the AFR is at minimum reviewed by the Mayor or a Council member, but we will also explore the possibility of engaging a consultant to provide additional expert review.

Conclusion – Response accepted.

2022-005 Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City's financial statements.

Condition – A material amount of receipts and disbursements were incorrectly recorded in the City's financial records according to the Uniform Chart of Accounts. Adjustments were subsequently made to properly include these amounts in the financial statements.

Cause – City policies do not require and procedures have not been established for an independent person to review the financial records to help ensure accuracy.

Effect – Lack of policies and procedures resulted in City employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the City financial records were necessary.

Recommendation – The City should ensure all receipts and disbursements are recorded to the proper receipt or disbursement account and fund in the financial records according to the recommended Uniform Chart of Accounts for Iowa City Governments.

Response – Similar to the response 2022-004 Financial Report (above), we feel that engaging a consultant to periodically review the financial activity for the appropriate use of funds according to the Uniform Chart of Accounts for Iowa City Governments.

Conclusion – Response accepted.

2022-006 Timesheets

Criteria – An effective internal controls system provides for internal controls related to the preparation of timesheets by all employees. Timesheets support all hours worked and taken as leave and provide a record of hours worked. Supervisory review of timesheets can help ensure the accuracy of recorded hours worked.

Condition – For the month of May 2022, timesheets for multiple employees are missing department approval or mayor/council approval.

Cause – City policies do not require and procedures have not been established for timesheet approval.

Effect – The lack of documented supervisory review increases the probability staff errors in recording hours or leave time will go undetected.

Recommendation – The City should establish procedures to ensure timesheets are prepared and signed by the employee and reviewed and approved by supervisory personnel prior to the preparation of payroll. Supervisory review should be evidenced by the supervisor's signature or initials and the date of the approval.

Response – We will institute a policy by which all timesheets are signed by the employee and the supervisor and reviewed by the Mayor.

Conclusion – Response accepted.

2022-007 Physical Safeguards

Criteria – Items such as petty cash, undeposited receipts, credit cards, unused checks and voided checks should be stored in a location that only people who need access to those items can access them.

Condition – Petty cash, undeposited receipts, credit cards, unused checks and voided checks are stored in locations in city hall that are not locked and can be accessed by people who should not have access to these items.

Cause – The City has not established policies and procedures requiring these items to be stored in locations that can only be accessed by those who have a legitimate need to do so.

Effect – There is a risk that any of these items could be accessed/misappropriated by people who do not have a legitimate need to access them.

Recommendation – The City should establish policies and procedures ensuring that these items can only be accessed by those with a legitimate need to do so.

Response – The current practice is that these items are kept in the clerk's office, which is kept locked when neither the clerk nor the utility billing clerk is present. Petty cash and undeposited receipts are kept in a locked drawer during non-operating hours. For additional security, we could consider purchasing a safe in which to keep credit cards, unused checks, and voided checks whenever not in use, and to keep petty cash and undeposited receipts during non-working hours.

Conclusion – Response accepted.

2022-008 Utility Billing Procedures

Criteria – A city should have a written policy in place detailing how delinquent utility accounts will be handled. A city should also ensure that all utility customers are charged the same rates for service.

Condition – The City does not have a written policy for delinquent accounts. An unwritten policy is that customers who are past due will be shut off, however not all customers have a shutoff for water service preventing the city from enforcing the unwritten policy. In addition, the City only charges some customers the base rate for water and sewer due to the City not being able to track the water usage of some customers.

Cause – The City has not developed a written policy for delinquent accounts. In addition, the City has not established a process for tracking water usage for all customers to ensure that all customers are billed in accordance with established rates.

Effect – Some customers may not pay their utility bill if there are no penalties or shutoffs enforced . In addition, established utility rates are not being applied to all customers.

Recommendation – The City should establish a written policy for delinquent utility accounts. This policy should include possible fines for past due accounts and possibly procedures for shutting off service to some customers. In addition, the City should establish a process for tracking water usage for all customers to ensure that all customers are billed in accordance with established rates.

Response – A current Council member (Rod Wilson) is overseeing a renewed effort at utility billing collections. A clear written policy for delinquent activity will be established. We will discuss with the council and will review the penalty structure for past due accounts to consider fines other than the current $5. Collections efforts to be implemented include pursing collections through County property tax, and establishing a State setoff program.

Conclusion – Response accepted.

2022-009 Personnel Policy

Criteria – Management is responsible for establishing and maintaining internal control and approving personnel policies which address compensatory time and expected hours to be worked by all employees.

Condition – The City of Hamburg's Employee Handbook denotes all employees shall be considered to be in one of the three following classifications: Regular Full-Time, Regular Part-Time, or Temporary. The Handbook goes on to state, "Regular full-time employees are eligible to receive all benefits provided in this Handbook." The Handbook also denotes the following: "A non-exempt employee is one who is covered by the overtime provisions of the Fair Labor Standards Act and is eligible to receive overtime compensation" and "An exempt employee is a salaried employee who is not covered by the overtime provisions of the Fair Labor Standards Act.

The Hours of Work section of the Handbook states the following: "All FLSA non-exempt employees shall be paid at the rate of time and one-half (1½) times the employee's straight time hourly rate for all hours worked in excess of forty (40) hours in a workweek. To work overtime, employees must fill out a request form and have it authorized by the Mayor or a City Council member. Overtime must be pre-approved before it is worked except under the following conditions: weather related road conditions dictating work or water main breakage causing water shut off to customers. Employees may fill out the request form after the fact for these emergencies. Failure to follow the overtime procedures will subject the employee to disciplinary action."

Multiple employees that are paid a salary received overtime pay for normal job duties exceeding 40 hours in a given week. This resulted in pay exceeding salary amounts that were approved by the council.

Cause – The handbook does not clearly state that all salaried employees are exempt employees.

Effect – The lack of a clear policy could cause confusion between management and employees regarding the expected hours to be worked, overtime and compensatory time.

Recommendation – The City should develop a policy for exempt employees not covered by a union contract. The policy should include specifications for paid holidays, sick leave, personal leave, vacation time, comp time and expected hours to be worked.

Response – In April, 2026, the Council adopted a revised Employee Handbook detailing these specifications. We will review the current handbook to ensure it meets the suggestions detailed above and will implement changes if necessary.

Conclusion – Response accepted.

2022-010 Disbursement Support

Criteria – A City should have policies and procedures in place ensuring that all disbursements are supported with documentation indicating what was purchased. This supporting documentation should then be maintained. In addition, supporting documentation that is maintained should be cancelled once the disbursement has been made to prevent reuse.

Condition – Two disbursements tested did not have supporting documentation maintained. As a result, the auditor was unable to determine what the disbursement was for. In addition, one disbursement tested did not have supporting documentation cancelled to prevent reuse.

Cause – The City does not have policies and procedures in place ensuring that all disbursements are supported by documentation indicating what was purchased, and that any supporting documentation that is being maintained be cancelled to prevent reuse once it has been paid.

Effect – It's possible that disbursements without supporting documentation are for items that would otherwise be unallowable for a City to purchase. For supporting documentation that is not cancelled to prevent reuse, the invoice may accidentally be paid twice.

Recommendation – The City should develop policies and procedures ensuring that all disbursements have supporting documentation being maintained showing what was purchased. In addition, supporting documentation that is maintained should be cancelled to prevent reuse once it has been paid.

Response – Disbursements are currently reviewed prior to claims approval by the Council in City Council meetings. The procedure includes the Mayor, and where possible a Council member reviewing each invoice and initialing to indicate the review. In addition, for grant-funded expenditures, invoices are stamped with "Payment Approved/Invoice Cancelled" and initialed and dated.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCE OF NON-COMPLIANCE:

Assistance Listing Number 97.036: Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Pass-through Entity Identifying Number: FEMA-4421-DRIA
Federal Award Year: 2022
Prior Year Finding Number: N/A
U.S. Department of Homeland Security
Passed through Iowa Department of Homeland Security and Emergency Management

2022-011 Reimbursements

Criteria – Only grant related disbursements which are paid by the City should be submitted for reimbursement.

Condition – Two invoices totaling $27,900 were submitted to Iowa Department of Homeland Security and Emergency Management for reimbursement. However, there is no record of these invoices ever being paid by the City.

Cause – Policies and procedures were not in place to ensure that only grant related disbursements which had been paid by the City were submitted for federal reimbursement.

Effect – The City received funds which it should not have received since the disbursements were never paid.

Recommendation – The City should consult with the Iowa Department of Homeland Security and Emergency Management to determine the disposition of this matter.

Response and Corrective Action Planned – The City will research and document the discrepancy, and contact the Iowa Department of Homeland Security and Emergency Management to determine the disposition.

Conclusion – Response accepted.

Assistance Listing Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
Pass-through Entity Identifying Number: 19-DRI-002 and 19-DRMB-003
Federal Award Year: 2022
Prior Year Finding Number: N/A
U.S. Department of Housing and Urban Development
Passed through Iowa Economic Development Authority

2022-012 Period of Performance

Criteria – Federal award requirements often require that any allowable costs be incurred within an agreed upon period of performance. This period of performance is included in the federal award agreement between the federal agency and the non-federal entity.

Condition – For two of twenty-nine disbursements tested for AL# 14.228 for compliance with federal requirements, the cost was incurred outside of the period of performance.

Cause – The City did not have policies and procedures in place ensuring that costs submitted for reimbursement under the award were incurred within the period of performance.

Effect – The City was reimbursed with federal funds for costs incurred outside the period of performance.

Recommendation – The City should develop policies and procedures ensuring any costs submitted for reimbursement under a federal award were incurred within the period of performance.

Response and Corrective Action Planned – We will establish a procedure by which review of invoices for grant-funded expenses will include compliance with allowable expenses and period of performance and note it on the invoice.

Conclusion – Response accepted.

Assistance Listing Number 97.039: Hazard Mitigation Grant
Pass-through Entity Identifying Number: FEMA-4421-HMGP
Federal Award Year: 2022
Prior Year Finding Number: N/A
U.S. Department of Homeland Security
Passed through Iowa Department of Homeland Security and Emergency Management

2022-013 Cash Management

Criteria – Effective cash management procedures provide for minimizing the amount of time between the drawdown/request for federal funds and the disbursement of those funds by the City. Effective cash management also minimizes the amount of state and other federal funds used to cover programs until federal funds are received. Generally, a maximum of five days is considered acceptable between the receipt of federal funds and the disbursement of those funds.

Condition – A review of the City's records identified three instances where the City received funds more than five days before they disbursed those funds.

Cause – The City did not have policies and procedures in place ensuring that federal funds would be drawn down to cover only current needs.

Effect – Federal funds were drawn down by the City before they were needed.

Recommendation – The City should develop policies and procedures ensuring any drawdowns of federal funds are only done for current needs.

Response and Corrective Action Planned – Currently, requests for reimbursement and the associated invoices are reviewed by the City Council before submission. Upon approval and subsequent receipt of funds from the funding agency, the City is required to pay out funds within 10 days.

Conclusion – Response accepted.

INTERNAL CONTROL DEFICIENCY:

Assistance Listing Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
Pass-through Entity Identifying Number: 19-DRI-002 and 19-DRMB-003
Federal Award Year: 2022
Prior Year Finding Number: N/A
U.S. Department of Housing and Urban Development
Passed through Iowa Economic Development Authority

Assistance Listing Number 97.039: Hazard Mitigation Grant
Pass-through Entity Identifying Number: FEMA-4421-HMGP
Federal Award Year: 2022
Prior Year Finding Number: N/A
U.S. Department of Homeland Security
Passed through Iowa Department of Homeland Security and Emergency Management

2022-014 Segregation of Duties – The City did not properly segregate collection, deposit and recordkeeping for receipts, including those related to federal programs. See item 2022-001.

Assistance Listing Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
Pass-through Entity Identifying Number: 19-DRI-002 and 19-DRMB-003
Federal Award Year: 2022
Prior Year Finding Number: N/A
U.S. Department of Housing and Urban Development
Passed through Iowa Economic Development Authority

Assistance Listing Number 97.039: Hazard Mitigation Grant
Pass-through Entity Identifying Number: FEMA-4421-HMGP
Federal Award Year: 2022
Prior Year Finding Number: N/A
U.S. Department of Homeland Security
Passed through Iowa Department of Homeland Security and Emergency Management

2022-015 Compliance Monitoring

Criteria – The City entered into agreements with the Southwest Iowa Planning Council (SWIPCO) to administer the Hazard Mitigation Grant Program (HMGP) and the Community Development Block Grant – Disaster Recovery (CDBG-DR). The agreements require SWIPCO identify applicable federal and state laws and regulations and assist in complying with federal and state requirements. The agreements also require SWIPCO monitor and evaluate the project progress to facilitate compliance with applicable federal and state laws and regulations.

Condition – As the primary recipient of the HMGP and CDBG-DR grants, the City is responsible to ensure compliance with the requirements of the Uniform Guidance. SWIPCO monitored the HMGP and CDBG-DR grants to ensure compliance with the requirements of the Uniform Guidance. However, the City did not maintain documentation indicating requirements for allowable costs and period of performance, among other requirements, were met.

Cause – Although the City contracted with SWIPCO to administer the grants, the City is the grant recipient and, accordingly, is responsible for ensuring compliance. The City was unaware it retained this responsibility.

Effect – The City is not properly monitoring SWIPCO to ensure compliance with the requirements of the Uniform Guidance. Noncompliance with the requirements of the Uniform Guidance could result in the loss and refunding of grant funds.

Recommendation – The City should maintain and review documentation to ensure applicable compliance requirements have been met. The review should be evidenced by the initials or signature of the reviewer and the date of the review.

Response and Corrective Action Planned – We will establish a procedure by which review of invoices for grant-funded expenses will include compliance with allowable expenses and period of performance and note it on the invoice.

Conclusion – Response accepted.

Assistance Listing Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
Pass-through Entity Identifying Number: 19-DRI-002 and 19-DRMB-003
Federal Award Year: 2022
Prior Year Finding Number: N/A
U.S. Department of Housing and Urban Development
Passed through Iowa Economic Development Authority

Assistance Listing Number 97.039: Hazard Mitigation Grant
Pass-through Entity Identifying Number: FEMA-4421-HMGP
Federal Award Year: 2022
Prior Year Finding Number: N/A
U.S. Department of Homeland Security
Passed through Iowa Department of Homeland Security and Emergency Management

2022-016 Invoice Cancellation

Criteria – To prevent an invoice from being resubmitted for payment, the invoice should be cancelled to prevent reuse. This can be done by marking the invoice as having been paid.

Condition – For all nineteen disbursements tested for AL# 97.039 for compliance with federal requirements, the invoices were not cancelled to prevent reuse.

In addition, for twenty of twenty-nine disbursements tested for AL# 14.228 for compliance with federal requirements, the invoices were not cancelled to prevent reuse.

Cause – The City has not developed policies and procedures to ensure that all invoices be cancelled to prevent reuse.

Effect – The City could pay the same invoice twice without realizing that it had already been paid.

Recommendation – The City should develop policies and procedures ensuring that all invoices are cancelled to prevent reuse.

Response and Corrective Action Planned – Invoices for grant-funded expenditures are stamped with "Payment Approved/Invoice Cancelled" and initialed and dated upon review by the Mayor or Council member.

Conclusion – Response accepted.

Assistance Listing Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
Pass-through Entity Identifying Number: 19-DRI-002 and 19-DRMB-003
Federal Award Year: 2022
Prior Year Finding Number: N/A
U.S. Department of Housing and Urban Development
Passed through Iowa Economic Development Authority

2022-017 Disbursement Approval

Criteria – To ensure that costs submitted for reimbursement under federal awards are allowable according to the federal award's requirements, an entity should have an approval process established for all costs before they are submitted for reimbursement.

Condition – For ten of the twenty-nine disbursements tested for AL# 14.228 for compliance with federal requirements, the disbursement was not approved by the City council.

Cause – The City did not have policies and procedures in place ensuring that all costs submitted for reimbursement were first approved by the City Council.

Effect – Costs submitted for reimbursements could have been unallowable under the federal award's requirements.

Recommendation – The City should develop policies and procedures ensuring any costs submitted for reimbursement under a federal award are approved by the City Council.

Response and Corrective Action Planned – Currently, requests for reimbursement and the associated invoices are reviewed by the City Council before submission.

Conclusion – Response accepted.

Assistance Listing Number 97.039: Hazard Mitigation Grant
Pass-through Entity Identifying Number: FEMA-4421-HMGP
Federal Award Year: 2022
Prior Year Finding Number: N/A
U.S. Department of Homeland Security
Passed through Iowa Department of Homeland Security and Emergency Management

2022-018 SF-425, Federal Financial Report

Criteria – Federal compliance requirements include the submission of a financial report of federal funds is submitted quarterly. For subrecipients of federal funds, these reports are to be submitted to the pass-through entity.

Condition – The SF-425 Federal Financial Reports for the fiscal year ended June 30, 2022 were submitted to the Iowa Department of Homeland Security and Emergency Management by the City. However, these reports were not independently reviewed and approved by City officials.

Cause – The City did not have policies and procedures in place ensuring that federal reports be independently reviewed and approved before submission.

Effect – The information included on those federal financial reports by the City may not be accurate.

Recommendation – The City should develop policies and procedures ensuring that all federal financial reports be independently reviewed and approved by a City official before they are submitted to the respective pass-through entity.

Response and Corrective Action Planned – We will institute a policy whereby all federal financial reports are reviewed before submission by the Mayor or a Council member.

Conclusion – Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

2022-A Certified Budget – Disbursements before amendment and at year end exceeded the amount budgeted in the community and economic development, general government, debt service, and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation." In addition, the FY22 original budget was not adopted by March 31, 2021.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. Also, the original budget should have been adopted by March 31, 2021.

Response – We will review the budget and expected expenditures monthly and amend the budget when required to avoid disbursements exceeding the budget. The yearly budgeting process will include developing a detailed schedule to ensure adoption of the budget by the adoption deadline.

Conclusion – Response accepted.

2022-B Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Great Western Bank	Late fees	$ 50
Great Western Bank	Unsupported	363

According to the opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation – The Council should determine and document the public purpose served by these types of disbursements prior to authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper public purpose documentation.

Response – We will determine and document the public purchase served by these disbursements.

Conclusion – Response accepted.

2022-C Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

2022-D Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kent Benefiel, City Council Member, Owns Benefiel Towing	Repairs, hauling and snow removal	$ 5,762

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

2022-E Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.

2022-F Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

2022-G City Council Minutes – Except as noted below, no transactions were found that we believe should have been approved in the City Council minutes but were not.

Although minutes of the City Council proceedings were published, we noted six disbursements which were not included in the approved listing of claims allowed, as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should publish a listing of all claims allowed, including the purpose of the claim, as required.

Response – We will ensure all transactions are approved before being paid.

Conclusion – Response accepted.

2022-H Deposits and Investments – The City had one certificate of deposit with an interest rate below the minimum allowable interest rate for public funds set by the State of Iowa's rate setting committee.

Recommendation – The City should ensure that all investments have interest rates that are equal to or above the minimum rate allowable interest rate for public funds set by the State of Iowa's rate setting committee.

Response – We will review investments monthly to ensure that investments meet this requirement, and that all certificates of deposit are renewed promptly to ensure that interest rates are compliant with minimum rates.

Conclusion – Response accepted.

2022-I Financial Condition – The following City funds had a deficit fund balance at June 30, 2022:

- The Debt Service Fund had a deficit fund balance of $4,410.
- The Special Revenue, Economic Development LOST Fund had a deficit fund balance of $30,186.
- The Enterprise, Water Fund had a deficit fund balance of $250,455.

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return the funds to a sound financial position.

Response – We are currently investigating all deficit fund balances to determine the cause and implement corrections to accounting or other procedures to eliminate these deficits.

Conclusion – Response accepted.

2022-J Notice of Public Hearing – The City approved the issuance of general obligation anticipation notes, Series 2021A, on September 13, 2021. The City did not publish a notice of the public hearing for the note agreement as required by Chapter 384.26 of the Code of Iowa.

Recommendation – The City should comply with Chapter 384.26 and publish notice of the public hearing to approve general obligation notes for general purposes.

Response – We will ensure that notices for public hearings are published according to requirements.

Conclusion – Response accepted.

2022-K Local Option Sales Tax – The City's local option sales tax (LOST) ballot states "A local option sales and services tax shall be imposed in the City of Hamburg at the rate of one percent (1%) to be effective on January 1, 1996. The specific purpose for which the revenues shall otherwise be expended is: 90% for infrastructure and 10% for economic development".

During fiscal year ended 2022, we noted that while 10% of revenues were given a description of economic development when deposited in the LOST fund, the City does not maintain documentation to support how the 10% of LOST collections credited to the LOST Fund for economic development were used or the unspent balances held for the specified purpose.

Recommendation – The City should establish procedures to properly account for LOST revenues, expenditures and balances in accordance with the LOST ballot provisions.

Response – LOST revenues are currently recorded in separate revenue and cash accounts for the 10% economic development and 90% infrastructure as indicated in the ballot measure. Expenditures using these funds are recorded in their respective expense accounts within Fund 121, and the resulting balances are reflected in the respective cash balances. The Council will determine the purpose for which current unspent balances are held.

Conclusion – Response accepted.

2022-L Interfund Transfers – Section 545-2 of the City Finance Committee Rules requires "A fund transfer resolution must be completed for all transfers between funds and must include a clear statement of reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred."

The resolution approving the City's fund transfer from the Special Revenue, Local Option Sales Tax Fund to the General Fund did not include the purpose of the transfer.

Recommendation – The resolutions approving fund transfers should include the information required by Section 545-2 of the City Finance Committee Rules.

Response – Resolutions for fund transfers will include the required information, including clear statement of reason or purpose for the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred.

Conclusion – Response accepted.

2022-M Annual Financial Report – The Annual Financial Report (AFR) was not certified to the Iowa Department of Management on or before December 1. The report was certified on December 15, 2022.

Recommendation – The City should approve and file the AFR before December 1st as required by the Code of Iowa.

Response – We will ensure that we approve and file the AFR before the December 1st Deadline.

Conclusion – Response accepted.

2022-N Community Catalyst Grant – The City entered into a Community Catalyst Building Remediation Grant Agreement with the Iowa Economic Development Authority (IEDA). The grant totaled $400,000 for costs directly related to privately owned properties located on Main Street damaged as part of a flood in 2019.

The Hamburg Economic Development Corporation (HEDC) is a Chapter 504A private nonprofit organization. The purpose of the Corporation, among other things, is to promote the betterment of the downtown area of Hamburg.

Political subdivisions and municipalities, including cities, counties, schools and townships are municipal – governmental entities. As governmental entities they are governed by elected bodies, are directly responsible to the public as a whole, and are subject to the limitations imposed on them by the state. Although a private organization may be formed to provide and support "public" services which are the same or similar to the services provided by government, the private organization are not subject to the same degree of public accountability and oversight as governmental entities.

The Community Catalyst Grant agreement between the City and IEDA, among other things, did not permit the City to assign, transfer or convey in whole or in part the agreement, delegate any obligations or duties, or pledge as collateral, grant a security interest in, create a lien against, or otherwise encumber, any payment that may or will be made to the City under this agreement. Also, the City did not enter into a written agreement with HEDC to formalize duties and responsibilities of each party and requirements for compliance with the Community Catalyst Grant.

Under the agreement, the City, not the HEDC, was required to prepare, review, and sign all requests for payment and verify claimed expenditures are allowable costs directly related to the project. While the City submitted reimbursement requests to IEDA supported by contractor or vendor invoices, the vendors were contracted and paid by the HEDC. Reimbursements received by the City from IEDA, were receipted by the City and City checks were issued to the Hamburg Economic Development Corporation for the invoices paid by HEDC. There would be no practical reason for the HEDC to contract and pay vendor invoices related to the catalyst grant between the City and IEDA. To comply with the agreement and to provide public accountability and oversight, the City should have contracted and approved the vendors and paid the vendors from City accounts.

Recommendation – The City should contact the Iowa Economic Development Authority for resolution to potential violations of the agreement including conflict of interest with the City Council member. The City should implement procedures to ensure compliance with grant agreements.

Response – In September of 2024 the Office of the Auditor of State released the results of an investigation which included the City Catalyst Grant Program. The results included the violations detailed above. In response, the city developed a remediation plan. Please advise if further action on this matter is recommended.

Conclusion – Response accepted.

City of Hamburg

Staff

This audit was performed by:

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