

MARSHALLTOWN

— I O W A —

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FINANCE DEPARTMENT

January 27, 2022

To: Mayor Joel Greer
Members of the City Council

From: Diana Steiner, Finance Director

Re: Annual Comprehensive Financial Report (ACFR) for fiscal year ending June 30, 2021

Recommendation: Staff recommends approving the June 30, 2021 ACFR.

Background: The Finance Department has prepared the FY2021 ACFR. The report presents the City's financial information on an accrual basis in accordance with governmental accounting standards. Revenues for the year excluding the component unit totaled \$43,837,877 and expenses excluding the component unit totaled \$39,076,346 (see page 14). The component unit is Marshalltown Water Works.

The ACFR contains various sections but the Management Discussion and Analysis (MD&A) prepared by the City Finance Department provides a summary of the report (see pages 11-19). Many of the tables distinguish between Governmental Activities and Business-Type Activities and then also provide totals and a comparison to last fiscal year.

During FY2021, the City experienced a Derecho. Those expenditures, as well as the remaining street reconstruction costs from the tornado, are shown in the Disaster Fund (p. 26-27). The Derecho expenditures were not yet obligated by FEMA at the end of the fiscal year 2021. Therefore, no revenues or receivables are shown for derecho related FEMA expenditures. We anticipate the Derecho expenditures will be obligated later in FY2022. For FEMA eligible expenditures, the federal government reimburses 75% and the state reimburses 10%.

The City borrowed \$9.9 million dollars for streets, sidewalks, parks, trail bridge replacement, airport hangar/terminal, storm and sewer projects. Approximately \$5.8 million of debt was retired. In addition, \$7.2 million of already existing debt was refunded to lower interest rates. Overall

outstanding principal debt was \$35.8 million for governmental activities (p. 102-106) and \$20.5 million for business-type activities (p. 107-109).

Capital assets, before accumulated depreciation, increased by \$13.5 million (p.17). This is primarily due to the remodel of the Veterans Memorial Coliseum, the purchase of two new fire trucks, the purchase of a dump truck, and the completion of various street and storm water projects.

The fund balance in the General Fund increased from \$5.2 million to \$6.4 million. Page 45 shows that \$5.6 million is unrestricted; however \$2.4 million is in a cash flow reserve fund that cannot be spent without Council publishing a notice of the proposed uses and holding a public hearing.

Eide Bailly LLP has also completed its annual audit of the City (see pages 8-10 for their report). The City received an unmodified ("clean") opinion, which means the report is presented fairly, in all material respects. The compliance sections outline the findings of the annual audit (see pages 139-147). There were two findings noted. The first one was a significant deficiency, the lowest level of financial statement finding, whereby there was an understatement of the accounts receivable amount in the Sewer Fund. The misstatement was corrected prior to the financial statement being finalized. The second finding deals with statutory reporting requirements. Disbursements exceeded the budget prior to the completion of the budget amendment. This was due to unpredictable and immediate expenses that were incurred in response to the Derecho. The City later completed a budget amendment and ended the fiscal year under budget.

Attachment: Resolution Approving FY21 Annual Comprehensive Financial Report (ACFR)
City of Marshalltown FY2021 Annual Comprehensive Financial Report

cc: Jessica Kinser, City Administrator