



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

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Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

March 24, 2020

Contact: Marlys Gaston
515/281-5834

Auditor of State Rob Sand today released an audit report on the City of Wilton, Iowa.

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$11,447,526 for the year ended June 30, 2019, an 111.2% increase over the prior year. Disbursements for the year ended June 30, 2019 totaled \$10,302,402, an 80.9% increase over the prior year. The significant increase in receipts and disbursements is due primarily to interim note proceeds received from the Iowa Finance Authority and spent on improvements to the City's sanitary sewer system.

AUDIT FINDINGS:

Sand reported eleven findings related to the receipt and disbursement of taxpayer funds. They are found on pages 49 through 54 of this report. The findings address issues such as a lack of segregation of duties, lack of an independent review of bank reconciliations, the lack of supervisor review and approval of timesheets reviewed, the lack of a proper public purpose documentation for employee clothing allowances, and disbursements exceeding budgeted amounts at year end. Sand provided the City with recommendations to address each of the findings.

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 <https://auditor.iowa.gov/audit-reports>.

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CITY OF WILTON
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2019

City of Wilton



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Rob Sand
Auditor of State

February 11, 2020

Officials of the City of Wilton
Wilton, 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 Wilton, Iowa for the year ended June 30, 2019. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards 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 Wilton 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,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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City of Wilton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Barrett	Mayor	Jan 2020
Keith Stanley	Mayor Pro tem	Jan 2022
Wayne Budding	Council Member	Jan 2020
Sheryl Lenker	Council Member	Jan 2020
Ted Marolf	Council Member	Jan 2020
Steve Owens	Council Member	Jan 2022
Christopher Ball	Administrator	Indefinite
Lori A. Brown	City Clerk/Treasurer	Indefinite
Julie Degen-Sprague	Attorney	Indefinite

City of Wilton



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wilton, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for all of the City's component units which should be discretely presented because the Wilton Municipal Light and Power System reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data of all component units. The City has not issued such reporting entity financial statements. The amount by which this departure affects cash and cash basis net position of the aggregate discretely presented component units is \$1,966,313.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Wilton as of June 30, 2019, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Wilton as of June 30, 2019, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wilton's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the six years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. We expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Wilton Municipal Light and Power System. We also previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2012 and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. Because of the significance of the matter described in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph on the preceding page, it is inappropriate to, and we do not, express an opinion on the supplementary information.

The other information, 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 30 through 36, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2020 on our consideration of the City of Wilton’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 Wilton’s internal control over financial reporting and compliance.


Marlys K. Gaston, CPA
Deputy Auditor of State

February 11, 2020

City of Wilton

Basic Financial Statements

City of Wilton

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 525,378	3,753	143,361	-
Public works	746,385	13,671	361,978	-
Health and social services	2,112	-	-	-
Culture and recreation	390,287	71,297	73,056	-
Community and economic development	589,397	5,150	28,000	255,138
General government	457,585	35,717	-	-
Debt service	1,173,892	-	-	-
Total governmental activities	3,885,036	129,588	606,395	255,138
Business type activities:				
Water	505,618	714,167	-	-
Sewer	5,402,550	925,618	-	-
Garbage	368,998	395,496	-	-
Total business type activities	6,277,166	2,035,281	-	-
Total primary government	\$ 10,162,202	2,164,869	606,395	255,138
Component Unit:				
Wilton Library Foundation	\$ 15	-	-	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Commercial/industrial tax replacement				
Unrestricted interest on investments				
Bond/note proceeds, net of \$31,055 initiation fee				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Streets				
Debt service				
Capital projects				
Employee benefits				
Police department				
Fire department				
Library				
Parks				
Recreation center				
Customer deposits				
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	Wilton Library Foundation
(378,264)	-	(378,264)	
(370,736)	-	(370,736)	
(2,112)	-	(2,112)	
(245,934)	-	(245,934)	
(301,109)	-	(301,109)	
(421,868)	-	(421,868)	
(1,173,892)	-	(1,173,892)	
(2,893,915)	-	(2,893,915)	
-	208,549	208,549	
-	(4,476,932)	(4,476,932)	
-	26,498	26,498	
-	(4,241,885)	(4,241,885)	
(2,893,915)	(4,241,885)	(7,135,800)	

(15)

1,031,020	-	1,031,020	-
391,363	-	391,363	-
568,661	-	568,661	-
384,878	-	384,878	-
61,468	-	61,468	-
40,343	20,090	60,433	578
610,000	5,091,806	5,701,806	-
81,295	-	81,295	-
53,333	(53,333)	-	-
3,222,361	5,058,563	8,280,924	578
328,446	816,678	1,145,124	563
3,909,798	1,583,202	5,493,000	42,598
\$ 4,238,244	2,399,880	6,638,124	43,161

\$ 565,407	-	565,407	-
343,916	34,421	378,337	-
499,996	110,094	610,090	-
136,143	-	136,143	-
7,248	-	7,248	-
561,465	-	561,465	-
65,001	-	65,001	-
42,598	-	42,598	-
633,480	-	633,480	-
-	40,756	40,756	-
1,382,990	2,214,609	3,597,599	43,161
\$ 4,238,244	2,399,880	6,638,124	43,161

City of Wilton

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

As of and for the year ended June 30, 2019

	Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax
Receipts:				
Property tax	\$ 848,605	-	-	-
Tax increment financing	-	-	568,661	-
Other city tax	12	-	-	384,878
Licenses and permits	35,717	-	-	-
Use of money and property	36,429	-	-	257
Intergovernmental	414,681	361,978	17,189	-
Charges for service	42,341	-	-	-
Special Assessments	5,630	-	-	-
Miscellaneous	161,437	-	-	-
Total receipts	1,544,852	361,978	585,850	385,135
Disbursements:				
Operating:				
Public safety	434,348	-	-	-
Public works	424,252	273,251	-	-
Health and social services	2,112	-	-	-
Culture and recreation	367,874	-	-	-
Community and economic development	452,277	-	137,120	-
General government	374,866	-	-	-
Debt service	-	-	3,756	-
Total disbursements	2,055,729	273,251	140,876	-
Excess (deficiency) of receipts over (under) disbursements	(510,877)	88,727	444,974	385,135
Other financing sources (uses):				
Loan and bond proceeds	305,000	-	-	-
Transfers in	381,734	-	-	-
Transfers out	-	-	(440,875)	(385,135)
Total other financing sources (uses)	686,734	-	(440,875)	(385,135)
Change in cash balances	175,857	88,727	4,099	-
Cash balances beginning of year	2,407,577	476,680	247,985	-
Cash balances end of year	\$ 2,583,434	565,407	252,084	-
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	565,407	-	-
Debt service	-	-	252,084	-
Capital projects	-	-	-	-
Employee benefits	-	-	-	-
Police department	7,248	-	-	-
Fire department	502,410	-	-	-
Library	14,708	-	-	-
Parks	42,598	-	-	-
Recreation center	633,480	-	-	-
Unassigned	1,382,990	-	-	-
Total cash basis fund balances	\$ 2,583,434	565,407	252,084	-

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
391,363	-	182,395	1,422,363
-	-	-	568,661
5	-	3	384,898
-	-	-	35,717
1,946	583	1,128	40,343
13,462	-	5,423	812,733
-	-	-	42,341
-	-	-	5,630
-	-	76,026	237,463
<u>406,776</u>	<u>583</u>	<u>264,975</u>	<u>3,550,149</u>
-	-	91,030	525,378
-	-	48,882	746,385
-	-	-	2,112
-	-	22,413	390,287
-	-	-	589,397
-	-	82,719	457,585
<u>1,170,136</u>	<u>-</u>	<u>-</u>	<u>1,173,892</u>
<u>1,170,136</u>	<u>-</u>	<u>245,044</u>	<u>3,885,036</u>
<u>(763,360)</u>	<u>583</u>	<u>19,931</u>	<u>(334,887)</u>
305,000	-	-	610,000
524,129	-	-	905,863
-	-	(26,520)	(852,530)
<u>829,129</u>	<u>-</u>	<u>(26,520)</u>	<u>663,333</u>
65,769	583	(6,589)	328,446
<u>26,063</u>	<u>499,413</u>	<u>252,080</u>	<u>3,909,798</u>
<u>91,832</u>	<u>499,996</u>	<u>245,491</u>	<u>4,238,244</u>
-	-	-	565,407
91,832	-	-	343,916
-	499,996	-	499,996
-	-	136,143	136,143
-	-	-	7,248
-	-	59,055	561,465
-	-	50,293	65,001
-	-	-	42,598
-	-	-	633,480
-	-	-	1,382,990
<u>91,832</u>	<u>499,996</u>	<u>245,491</u>	<u>4,238,244</u>

City of Wilton

City of Wilton

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

As of and for the year ended June 30, 2019

	Enterprise			
	Water	Sewer	Garbage	Total
Operating receipts:				
Charges for service	\$ 699,137	925,618	395,496	2,020,251
Miscellaneous	15,030	-	-	15,030
Total operating receipts	714,167	925,618	395,496	2,035,281
Operating disbursements:				
Business type activities	425,285	503,228	368,998	1,297,511
Excess of operating receipts over operating disbursements	288,882	422,390	26,498	737,770
Non-operating receipts (disbursements):				
Interest on investments	8,861	7,033	4,196	20,090
Bond proceeds, net of \$31,055 initiation fee	-	5,091,806	-	5,091,806
Debt service	(80,333)	(175,906)	-	(256,239)
Capital improvements	-	(4,723,416)	-	(4,723,416)
Net non-operating receipts (disbursements)	(71,472)	199,517	4,196	132,241
Excess of receipts over disbursements	217,410	621,907	30,694	870,011
Transfers:				
Transfers in	-	192,568	-	192,568
Transfers out	(87,647)	(133,254)	(25,000)	(245,901)
Total transfers	(87,647)	59,314	(25,000)	(53,333)
Change in cash balances	129,763	681,221	5,694	816,678
Cash balances beginning of year	867,651	555,889	159,662	1,583,202
Cash balances end of year	\$ 997,414	1,237,110	165,356	2,399,880
Cash Basis Fund Balances				
Restricted for debt service	\$ 34,421	-	-	34,421
Restricted for capital projects	-	110,094	-	110,094
Restricted for customer deposits	40,756	-	-	40,756
Unrestricted	922,237	1,127,016	165,356	2,214,609
Total cash basis fund balances	\$ 997,414	1,237,110	165,356	2,399,880

See notes to financial statements.

City of Wilton

Notes to Financial Statements

June 30, 2019

(1) Summary of Significant Accounting Policies

The City of Wilton is a political subdivision of the State of Iowa located in Cedar and Muscatine Counties. It was first incorporated in 1878 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, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

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

These financial statements include the City of Wilton (the primary government) and its component units, except the Wilton Light and Power System. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Units

The Friends of the Wilton Public Library and the Wilton Volunteer Fire Department are entities which are legally separate from the City but are so intertwined with the City they are, in substance, the same as the City. They are reported as part of the City and blended as Special Revenue Funds of the City.

Discretely Presented Component Unit

The Wilton Library Foundation (Foundation) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable, scientific and educational purposes for the enhancement and improvement of the Wilton Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Foundation are substantially for the direct benefit of the City of Wilton Library.

Excluded Component Unit

The Wilton Municipal Light and Power System (System) was established under Chapter 388 of the Code of Iowa to operate the City's electric utility. The System is governed by a five-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the System meets the definition of a component unit which should be discretely presented. Financial statements for the System were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles but are not included in the City's financial statements since the City prepares its financial statements on the cash basis. Complete financial statements can be obtained from the Wilton Municipal Light and Power System, 220 W. 3rd Street, Wilton, Iowa 52778.

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 or appoint representatives to the following boards and commissions: Cedar and Muscatine County Assessor's Conference Boards, 911 Joint Service Board, Muscatine County Solid Waste Management Agency, Muscatine County Emergency Management Commission and Cedar County Solid Waste Commission.

Related Organization

The Wilton Community Foundation is excluded from the reporting entity because the City's accountability does not extend beyond appointing a member of the organization's 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/components:

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 category. 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 and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

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

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

The Local Option Sales Tax Fund is used to account for local option sales tax collections used for sewer projects and property tax relief.

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

The Capital projects fund is utilized to account for resources used in the acquisition and construction of capital facilities and other capital assets 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.

The Enterprise, Garbage Fund accounts for the operation and maintenance of the City's solid waste disposal 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 that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

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

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

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

D. Governmental Cash Basis Fund Balances

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

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 classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the public works, general government, debt service and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2019 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) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation corporate purpose and refunding bonds, direct borrowings and direct placements, and revenue bonds and notes are as follows:

Year Ending June 30,	General Obligation Corporate Purpose and Refunding Bonds		Bank Loan		Urban Renewal Tax Increment Revenue Bond	
	Principal	Interest	Principal	Interest	Principal	Interest
	2020	\$ 760,000	98,098	6,547	189	30,500
2021	430,000	81,898	3,329	38	30,500	7,712
2022	445,000	70,048	-	-	30,500	6,831
2023	450,000	57,748	-	-	30,500	5,950
2024	465,000	48,148	-	-	30,500	5,081
2025-2029	795,000	81,578	-	-	152,500	12,125
2030-2032	220,000	12,765	-	-	-	-
Total	\$ 3,565,000	450,283	9,876	227	305,000	46,315

Year Ending June 30,	Water Revenue Note		Sewer Revenue Bond		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
	2020	\$ 62,000	18,879	126,000	2,205	985,047
2021	64,000	16,973	-	-	527,829	106,621
2022	66,000	15,059	-	-	541,500	91,938
2023	67,000	13,085	-	-	547,500	76,783
2024	69,000	10,959	-	-	564,500	64,188
2025-2029	301,470	22,600	-	-	1,248,970	116,303
2030-2032	-	-	-	-	220,000	12,765
Total	\$ 629,470	97,555	126,000	2,205	4,635,346	596,585

Direct borrowings and direct placements

On October 27, 2105, the City borrowed \$31,641 from CBI Bank and Trust to provide funds for the purchase of a vehicle for the police department. The loan bears interest at 2.25% per annum and matures on November 1, 2020. The City's bank loan includes a provision that in the event of default the interest rate will be increased to 18.00% per annum.

On June 1, 2018, the City entered into an Urban Renewal Tax Increment Revenue Bond Anticipation Project Note with DeWitt Bank and Trust Co. for \$305,000 to finance the extension of West 4th Street. The note bears interest of 2.75% per annum and was paid off with the proceeds of the June 20, 2019 Urban Renewal Tax Increment Revenue Bond.

On June 20, 2019 the City issued an Urban Renewal Tax Increment Revenue Bond, Series 2019 with DeWitt Bank and Trust Co. for \$305,000 to pay off the balance of the Urban Renewal Tax Increment Bond Anticipation Project Note that was used to finance the extension of West 4th Street. The bond bears interest at 2.89% per annum and matures on June 1, 2029. The bond is payable solely from the income and proceeds of the Urban Renewal Tax Revenue Fund.

Revenue Loan Bonds and Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay a \$1,200,000 water revenue note issued in July 2008. Proceeds from the note provided financing for the construction of improvements and extensions to the municipal waterworks system. The note is payable solely from water customer net receipts and is payable through 2028. Annual principal and interest payments on the note required 28% of net receipts. The total principal and interest remaining to be paid on the note is \$727,025. For the current year, principal and interest paid and total customer net receipts were \$80,333 and \$288,882, respectively.

The resolution providing for the issuance of the water revenue note issued under an agreement between the City and Community Bank, Wilton, Iowa includes the following provisions:

- (1) Sufficient monthly transfers shall be made to a separate water revenue note sinking account for the purpose of making the note principal and interest payments when due.
- (2) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the note falling due in the same year.

Pursuant to a loan modification agreement effective September 9, 2013, the interest rate on the water revenue note was changed to an adjustable rate of between 2.95% and 3.94% per annum.

The City does not pay for water usage as required by the revenue note resolution.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,794,000 of sewer revenue bonds issued in December 1999. Proceeds from the bonds provided financing for the construction of improvements and extensions to the sanitary sewer system. The bonds are payable solely from sewer customer net receipts and are payable through 2020. Annual principal and interest payments on the bonds required approximately 30% of net receipts. The total principal and interest remaining to be paid on the bonds is \$128,205. For the current year, principal and interest paid and total customer net receipts were \$125,323 and \$422,390, respectively.

Pursuant to action taken by the Iowa Finance Authority, the interest rate on the sewer revenue bonds was reduced from 3.00% to 1.75% per annum, effective June 1, 2013.

On June 29, 2018, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority for the issuance of up to \$6,211,000 of sewer revenue bonds with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of construction of certain improvements and extensions to the sewer treatment facilities. The City will draw funds from the Iowa Finance Authority upon request to reimburse the City for costs as they are incurred.

At June 30, 2019, the City had drawn \$5,091,806 of the authorized amount. In initiation fee of .50% of the authorized borrowing for the sewer revenue bonds was charged by the Iowa Finance Authority. The total initiation fee was withheld from the first proceeds of the sewer revenue bonds drawn by the City during the year ended June 30, 2019. A final repayment schedule has not yet been adopted. However, during the year ended June 30, 2019, the City paid interest of \$50,460 on the bonds under a preliminary repayment schedule.

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

- (1) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (2) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- (3) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

The City does not pay for sewer usage as required by the revenue bond resolutions.

(4) Pension Plan

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by 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. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

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

Protection occupation members may retire at normal retirement age, which is generally at age and may retire any time after reaching age 50 with 22 or more years of covered employment.

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

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

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

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

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

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

In fiscal year 2019, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.81% of covered payroll and the City contributed 10.21% of covered payroll, for a total rate of 17.02%.

The City's contributions to IPERS for the year ended June 30, 2019 totaled \$89,416.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2019, the City reported a liability of \$547,818 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018 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, 2018, the City's proportion was 0.008657%, which was a decrease of 0.000019% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$98,183, \$200,657 and \$130,586, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2018 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, 2018 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 2018 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	22.0%	6.01%
International equity	15.0	6.48
Global smart beta equity	3.0	6.23
Core plus fixed income	27.0	1.97
Public credit	3.5	3.93
Public real assets	7.0	2.91
Cash	1.0	(0.25)
Private equity	11.0	10.81
Private real assets	7.5	4.14
Private credit	3.0	3.11
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. 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 to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS’ investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate 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	\$ 1,088,317	547,818	94,657

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

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2019, primarily relating to the General Fund, totaled approximately \$47,000. This liability has been computed based on rates of pay in effect at June 30, 2019.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2019, the City contributed \$240,543 and plan members eligible for benefits contributed \$60,136 to the plan. At June 30, 2019, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

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

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>18</u>
Total	<u><u>19</u></u>

(7) Industrial Development Revenue Bonds

The City has issued a total of \$4,200,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$2,446,313 is outstanding at June 30, 2019. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the City.

(8) Urban Renewal Project Rebate and Economic Development Agreements

Project Rebate Agreements

The City has entered into nine tax increment financing agreements. The City has agreed to assist in urban renewal projects by rebating incremental property tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of years determined by each agreement, beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The agreements end by fiscal year 2034. The total amount that will be rebated in any fiscal year for the tax increment financing agreements is based on the assessed value of the land and buildings less the frozen property values times the property tax values for the City, Muscatine County and the Wilton Community School District, less the portion attributable to debt service for that year. The total amount rebated during the year ended June 30, 2019 was \$107,120. The estimated outstanding principal balance of the rebate agreements at June 30, 2019 is approximately \$291,600.

One of the nine tax increment financing agreements above also provides for a \$483,740 economic development grant to the company as well as an obligation by the City to accomplish certain infrastructure improvements projected to cost \$2,300,000. Before the City makes any rebate payments to this company, the City will retain incremental property tax revenues sufficient to reimburse the City for the cost of the economic development grant and the infrastructure improvements.

Economic Development Agreement

On November 22, 2010, the City entered into an agreement with Wilton Development Corporation (Corporation) to provide a \$210,000 economic development grant to the Corporation to provide grants, loans, tax incentives, guarantees and other financial assistance to or for the benefit of private persons as set forth in the urban renewal plan. The grant is to be annually appropriated from the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa and paid to the Corporation in annual installments over a ten year period. During the year ended June 30, 2019, the City paid \$30,000 under the agreement, leaving a balance of \$0.

The above agreements are not general obligations of the City. However, the agreements are subject to the constitutional debt limitation of the City.

Eight of the nine agreements described above include an annual appropriation clause and only the amount payable in the succeeding year is subject to the City's constitutional debt limitation. The remaining three agreements do not include an annual appropriation clause and, accordingly, the entire outstanding principal balance of these agreements is subject to the City's constitutional debt limitation.

(9) 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.

(10) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2019 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 192,567
	Group Health Insurance	26,520
	Enterprise:	
	Water	87,647
	Sewer	50,000
	Garbage	<u>25,000</u>
		<u>381,734</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	440,875
	Enterprise:	
	Sewer	<u>83,254</u>
		<u>524,129</u>
Enterprise:		
Sewer	Special Revenue:	
	Local Option Sales Tax	<u>192,568</u>
Total		<u>\$ 1,098,431</u>

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

(11) Joint Venture

The City is a party to an agreement with the Wilton Community School District (District) pursuant to Chapter 28E of the Code of Iowa to operate a public swimming pool. The pool was constructed by the District on land donated by the City. The agreement established a separate entity known as the Recreational Swim Program governed by a five-member Board of Trustees, of whom two are appointed by the City, two are appointed by the District and one is appointed by the other four members. Operating expenses are shared equally by the City and the District.

Selected unaudited information for the Wilton Community School District Swimming Pool for the year ended June 30, 2019 is as follows:

Receipts	\$ 164,611
Disbursements	<u>154,555</u>
Disbursements over receipts	10,056
Cash and investments beginning of year	<u>32,475</u>
Cash and investments end of year	<u>\$ 42,531</u>

Financial statements for the swimming pool can be obtained from the Wilton Community School District.

(12) Tax Abatements

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

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount.

For the year ended June 30, 2019, \$50,630 of property tax was diverted from the City under the urban renewal and economic development agreements.

(13) Subsequent Events

In December 2019, the City borrowed \$100,000 under a general obligation police car note with Community Bank and Trust for the purchase of police cars and related equipment. The note bears interest at 2.85% per annum and matures on May 1, 2021.

(14) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2020. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Other Information

City of Wilton

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, 2019

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted
Receipts:			
Property tax	\$ 1,422,363	-	-
Tax increment financing	568,661	-	-
Other city tax	384,898	-	-
Licenses and permits	35,717	-	-
Use of money and property	40,343	20,090	444
Intergovernmental	812,733	-	-
Charges for service	42,341	2,020,251	-
Special assessments	5,630	-	-
Miscellaneous	237,463	15,030	27,153
Total receipts	3,550,149	2,055,371	27,597
Disbursements:			
Public safety	525,378	-	15,798
Public works	746,385	-	-
Health and social services	2,112	-	-
Culture and recreation	390,287	-	4,433
Community and economic development	589,397	-	-
General government	457,585	-	-
Debt service	1,173,892	-	-
Capital projects	-	-	-
Business type activities	-	6,277,166	-
Total disbursements	3,885,036	6,277,166	20,231
Excess (deficiency) of receipts over (under) disbursements	(334,887)	(4,221,795)	7,366
Other financing sources (uses), net	663,333	5,038,473	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	328,446	816,678	7,366
Balances beginning of year	3,909,798	1,583,202	101,982
Balances end of year	\$ 4,238,244	2,399,880	109,348

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
1,422,363	1,398,397	1,398,397	23,966
568,661	593,956	593,956	(25,295)
384,898	335,644	335,644	49,254
35,717	34,250	34,250	1,467
59,989	38,900	38,900	21,089
812,733	755,541	755,541	57,192
2,062,592	5,750,500	5,800,500	(3,737,908)
5,630	-	-	5,630
225,340	114,500	114,500	110,840
<u>5,577,923</u>	<u>9,021,688</u>	<u>9,071,688</u>	<u>(3,493,765)</u>
509,580	554,245	554,245	44,665
746,385	439,650	439,650	(306,735)
2,112	2,200	2,200	88
385,854	432,450	432,450	46,596
589,397	839,675	839,675	250,278
457,585	449,510	449,510	(8,075)
1,173,892	393,284	393,284	(780,608)
-	-	308,000	308,000
<u>6,277,166</u>	<u>5,767,125</u>	<u>6,042,125</u>	<u>(235,041)</u>
<u>10,141,971</u>	<u>8,878,139</u>	<u>9,461,139</u>	<u>(680,832)</u>
(4,564,048)	143,549	(389,451)	(4,174,597)
<u>5,701,806</u>	-	308,000	<u>5,393,806</u>
1,137,758	143,549	(81,451)	1,219,209
<u>5,391,018</u>	<u>5,713,435</u>	<u>5,713,435</u>	<u>(322,417)</u>
<u>6,528,776</u>	<u>5,856,984</u>	<u>5,631,984</u>	<u>896,792</u>

City of Wilton

Notes to Other Information – Budgetary Reporting

June 30, 2019

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects 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 \$583,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements exceeded the amounts budgeted in the public works, general government, debt service and business type activities functions.

City of Wilton

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

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

Other Information

	2019	2018	2017	2016	2015
City's proportion of the net pension liability	0.008657%	0.008638%	0.009030%	0.008214%	0.007675%
City's proportionate share of the net pension liability	\$ 548	575	568	406	304
City's covered payroll	\$ 927	875	865	831	799
City's proportionate share of the net pension liability as a percentage of its covered payroll	59.12%	65.71%	65.66%	48.86%	38.05%
IPERS' net position as a percentage of the total pension liability	83.62%	82.21%	81.82%	85.19%	87.61%

* 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.

See accompanying independent auditor's report.

City of Wilton

Schedule of City Contributions

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

Other Information

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contribution	\$ 89	83	81	79
Contributions in relation to the statutorily required contribution	<u>(89)</u>	<u>(83)</u>	<u>(81)</u>	<u>(79)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 927	911	875	865
Contributions as a percentage of covered payroll	9.60%	9.11%	9.26%	9.13%

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
77	74	69	65	55	54
(77)	(74)	(69)	(65)	(55)	(54)
-	-	-	-	-	-
831	799	752	752	701	742
9.27%	9.26%	9.18%	8.64%	7.84%	7.28%

City of Wilton

Notes to Other Information – Pension Liability

for the Year ended June 30, 2019

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

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

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

Supplementary Information

City of Wilton

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

As of and for the year ended June 30, 2019

	Group Health Insurance	Special Friends of the Wilton Public Library
Receipts:		
Property tax	\$ 182,395	-
Other city tax	3	-
Use of money and property	684	397
Intergovernmental	5,423	-
Miscellaneous	48,873	5,503
Total receipts	<u>237,378</u>	<u>5,900</u>
Disbursements:		
Operating:		
Public safety	75,232	-
Public works	48,882	-
Culture and recreation	17,980	4,433
General government	82,719	-
Total disbursements	<u>224,813</u>	<u>4,433</u>
Excess (deficiency) of receipts over (under) disbursements	12,565	1,467
Other financing uses:		
Transfers out	<u>(26,520)</u>	-
Change in cash balances	(13,955)	1,467
Cash balances beginning of year	<u>150,098</u>	<u>48,826</u>
Cash balances end of year	<u>\$ 136,143</u>	<u>50,293</u>
Cash Basis Fund Balances		
Restricted for:		
Employee benefits	\$ 136,143	-
Fire department	-	-
Library	-	50,293
Total	<u>\$ 136,143</u>	<u>50,293</u>

See accompanying independent auditor's report.

<u>Revenue</u>	
<u>Wilton Volunteer Fire Department</u>	<u>Total</u>
-	182,395
-	3
47	1,128
-	5,423
<u>21,650</u>	<u>76,026</u>
<u>21,697</u>	<u>264,975</u>
15,798	91,030
-	48,882
-	22,413
-	82,719
<u>15,798</u>	<u>245,044</u>
5,899	19,931
-	(26,520)
<u>5,899</u>	<u>(6,589)</u>
<u>53,156</u>	<u>252,080</u>
<u>59,055</u>	<u>245,491</u>
-	136,143
59,055	59,055
-	50,293
<u>59,055</u>	<u>245,491</u>

City of Wilton
Schedule of Indebtedness
Year ended June 30, 2019

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose and refunding	Mar 26, 2013	1.50-2.90%	\$ 4,100,000
Corporate purpose	Mar 28, 2017	2.00-4.00	2,545,000
Total			
Direct borrowings and direct placements:			
Bank loan	Oct 27, 2015	2.25%	\$ 31,641
Bond anticipation project note	Jun 1, 2018	2.75	350,000
Urban Renewal Tax Increment Revenue Bond	Jun 10, 2019	2.89	305,000
Total			
Revenue bonds and notes:			
Water revenue note	Jul 7, 2008	2.95-3.94%	\$ 1,200,000
Sewer revenue bonds	Dec 13, 1999	1.75	1,794,000
Sewer revenue bonds	Jun 29, 2018	1.75 *	5,122,861
Total			

* The agreements also require the City to annually pay a .25% service fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
2,055,000	-	435,000	1,620,000	40,573
2,255,000	-	310,000	1,945,000	70,250
<u>\$ 4,310,000</u>	<u>-</u>	<u>745,000</u>	<u>3,565,000</u>	<u>110,823</u>
16,273	-	6,397	9,876	337
-	305,000	305,000	-	4,901
-	305,000	-	305,000	-
<u>\$ 16,273</u>	<u>610,000</u>	<u>311,397</u>	<u>314,876</u>	<u>5,238</u>
689,470	-	60,000	629,470	20,333
247,000	-	121,000	126,000	4,323
-	5,122,861	-	5,122,861	50,460
<u>\$ 936,470</u>	<u>5,122,861</u>	<u>181,000</u>	<u>5,878,331</u>	<u>75,116</u>

City of Wilton
 Bond and Note Maturities
 June 30, 2019

General Obligation Bonds					
Year Ending June 30,	Corporate Purpose and Refunding Bonds		General Obligation Corporate Purpose		Total
	Issued Mar 26, 2013		Issued Mar 28, 2017		
	Interest Rates	Amount	Interest Rates	Amount	
2020	1.50%	\$ 440,000	3.00%	\$ 320,000	760,000
2021	2.00	105,000	3.00	325,000	430,000
2022	2.00	105,000	3.00	340,000	445,000
2023	2.00	105,000	4.00	345,000	450,000
2024	2.00	110,000	4.00	355,000	465,000
2025	2.20	115,000	2.50	85,000	200,000
2026	2.20	115,000	2.50	85,000	200,000
2027	2.45	115,000	2.50	90,000	205,000
2028	2.45	120,000		-	120,000
2029	2.70	70,000		-	70,000
2030	2.70	70,000		-	70,000
2031	2.90	75,000		-	75,000
2032	2.90	75,000		-	75,000
Total		<u>\$ 1,620,000</u>		<u>\$ 1,945,000</u>	<u>3,565,000</u>

Revenue Bonds and Notes					
Year Ending June 30,	Water Revenue Note		Sewer Revenue Bonds		Total
	Issued Jul 7, 2008		Issued Dec 13, 1999		
	Interest Rates	Amount	Interest Rates	Amount	
2020	2.95%	\$ 62,000	1.75%	\$ 126,000	188,000
2021	2.95	64,000		-	64,000
2022	2.95	66,000		-	66,000
2023	2.95	67,000		-	67,000
2024	2.95	69,000		-	69,000
2025	2.95	72,000		-	72,000
2026	2.95	74,000		-	74,000
2027	2.95	76,000		-	76,000
2028	2.95	79,470		-	79,470
2029		-		-	-
2030		-		-	-
2031		-		-	-
2032		-		-	-
Total		<u>\$ 629,470</u>		<u>\$ 126,000</u>	<u>755,470</u>

* Interest rate in effect from September 9, 2013 through June 1, 2023. The interest rate will be adjusted on June 1, 2023 using the Wall Street Journal Prime Lending Rate minus 30 basis points limited to a maximum of 3.94%.

See accompanying independent auditor's report.

Direct Borrowings and Direct Placements						
Year Ending June 30,	Bank Loan		Urban Renewal Tax Increment Revenue Bond		Total	
	Issued Oct 27, 2015		Issued Jun 10, 2019			
	Interest Rates	Amount	Interest Rates	Amount		
2020	2.25%	\$ 6,547	2.89%	\$ 30,500	37,047	
2021	2.25	3,329	2.89	30,500	33,829	
2022		-	2.89	30,500	30,500	
2023		-	2.89	30,500	30,500	
2024		-	2.89	30,500	30,500	
2025		-	2.89	30,500	30,500	
2026		-	2.89	30,500	30,500	
2027		-	2.89	30,500	30,500	
2028		-	2.89	30,500	30,500	
2029		-	2.89	30,500	30,500	
2030		-		-	-	
2031		-		-	-	
2032		-		-	-	
Total		<u>\$ 9,876</u>		<u>\$ 305,000</u>	<u>314,876</u>	

City of Wilton

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

For the Last Ten Years

	2019	2018	2017	2016
Receipts:				
Property tax	\$ 1,422,363	1,439,705	1,349,277	1,255,268
Tax increment financing	568,661	570,578	216,681	223,798
Other city tax	384,898	378,382	356,724	339,865
Licenses and permits	35,717	33,604	35,768	37,207
Use of money and property	40,343	32,676	40,496	40,481
Intergovernmental	812,733	630,812	783,031	516,807
Charges for service	42,341	45,848	16,858	31,546
Special assessments	5,630	-	-	-
Miscellaneous	237,463	339,888	184,654	799,728
Total	\$ 3,550,149	3,471,493	2,983,489	3,244,700
Disbursements:				
Operating:				
Public safety	\$ 525,378	564,801	736,715	594,741
Public works	746,385	362,890	371,904	581,009
Health and social services	2,112	3,168	2,112	2,112
Culture and recreation	390,287	394,807	442,971	381,104
Community and economic development	589,397	723,938	237,292	169,868
General government	457,585	580,988	393,450	388,601
Debt service	1,173,892	864,551	2,622,873	497,832
Capital projects	-	12,451	308,964	1,444,957
Total	\$ 3,885,036	3,507,594	5,116,281	4,060,224

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
1,254,833	1,204,400	1,192,643	1,148,723	1,084,877	1,045,346
199,471	300,880	244,140	236,455	325,502	-
339,220	337,484	311,625	315,634	296,359	179,452
37,832	37,377	37,609	38,905	34,180	33,374
36,593	39,498	39,343	39,865	32,048	31,036
427,425	377,548	358,369	363,569	376,791	796,921
11,326	10,859	9,148	11,147	32,540	14,118
-	-	212	10,175	11,211	12,122
924,098	265,462	198,011	428,221	391,139	1,620,402
<u>3,230,798</u>	<u>2,573,508</u>	<u>2,391,100</u>	<u>2,592,694</u>	<u>2,584,647</u>	<u>3,732,771</u>
773,201	467,105	478,537	481,639	462,448	437,224
433,813	344,051	342,494	336,956	396,078	408,378
2,112	4,952	4,834	4,570	4,372	4,062
421,612	365,381	384,010	384,566	330,445	233,911
163,159	203,538	224,195	246,222	242,391	250,821
370,292	394,752	332,480	345,013	323,960	347,337
495,557	582,860	3,143,549	689,927	579,656	355,650
526,860	-	-	1,000	754,248	2,661,986
<u>3,186,606</u>	<u>2,362,639</u>	<u>4,910,099</u>	<u>2,489,893</u>	<u>3,093,598</u>	<u>4,699,369</u>



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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wilton, Iowa, as of and for the year ended June 30, 2019, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 11, 2020. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Wilton Municipal Light and Power System.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Wilton's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Wilton's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Wilton'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 have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control 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 a material misstatement of City of Wilton's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) and (B) to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items (C) through (F) to be significant deficiencies.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2019 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

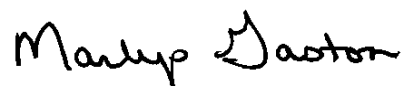
The City of Wilton's Responses to the Findings

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

Purpose of this Report

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

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



Marlys K. Gaston, CPA
Deputy Auditor of State

February 11, 2020

City of Wilton

Schedule of Findings

Year ended June 30, 2019

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

Condition – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- (1) Cash – preparing bank reconciliations, signing checks and recording cash.
- (2) Receipts – preparing bank reconciliations and recording receipts. There is no evidence of review of initial receipt listings and no evidence of review for correct coding after receipts are entered in the accounting system.

For the Friends of the Wilton Public Library and the Wilton Library Foundation, one individual has control over each of the following areas:

- (1) Cash – preparing bank reconciliations, signing checks and recording cash.
- (2) Receipts – opening mail, collecting and depositing.
- (3) Disbursements – check writing, signing and approving. Only one signature is required on the checks.

For the Wilton Volunteer Fire Department, one individual has control over each of the following areas:

- (1) Cash – preparing bank reconciliations, handling and recording cash.
- (2) Receipts – opening mail, collecting and depositing.

Cause – The City and its component units have 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 and its component unit’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.

City of Wilton

Schedule of Findings

Year ended June 30, 2019

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and its component units 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 have the departments and component units have independent persons review the entries and reconciliations.

Conclusion – Response accepted.

(B) 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 – Monthly bank statements are reconciled to the City’s monthly financial report. However, the monthly bank reconciliations are not reviewed by an independent person.

Cause – Procedures have not been designed and implemented to ensure the monthly bank reconciliations are reviewed by an independent person and to ensure the independent review is documented.

Effect – The lack of an independent review of bank reconciliations can result in unrecorded transactions, undetected errors and the opportunity for misappropriation.

Recommendation – An independent person should review the bank reconciliations and document their review by signing or initialing and dating the monthly reconciliations.

Response – The City will have the reconciliations independently reviewed.

Conclusion – Response accepted.

(C) Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the City’s computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable.

Condition – Although the City has a disaster recovery plan, the plan does not include identification of critical applications.

Cause – Management has not required the disaster recovery plan to include identification of critical applications.

City of Wilton

Schedule of Findings

Year ended June 30, 2019

Effect – The failure to have a formal disaster recovery plan which includes identification of critical applications could result in the City’s inability to function in the event of a disaster or continue City business without interruption.

Recommendation – The City should review and modify the current disaster recovery plan to include a listing of the critical applications of the City.

Response – We will work with the Police and Fire Departments to review the plan.

Conclusion – Response accepted.

(D) Timesheets

Criteria – An effective internal control system provides for internal controls related to the preparation and approval of timesheets for all City employees. Supervisory review of timesheets can help ensure the accuracy of recorded hours worked and taken as leave.

Condition – Timesheets are not prepared for one employee. In addition, there was no evidence of supervisory approval for two timesheets reviewed.

Cause – Policies have not been established and procedures have not been implemented to require timesheets be prepared by all employees or to require all timesheets to be reviewed and approved by supervisory personnel.

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

Recommendation – Timesheets should be prepared by all employees. Timesheets should be submitted to an appropriate supervisor for approval prior to the preparation of payroll. The supervisor approval should be documented by the signature of the reviewer and that date of the review.

Response – The Mayor/Council does not require the City Administrator to prepare a timesheet. After the timesheets are prepared, we will have them reviewed and signed by the supervisor.

Conclusion – Response acknowledged. If a timesheet is not required, at a minimum, the City should ensure leave time is documented, tracked and approved by supervisory personnel to provide accountability for actual time worked and leave time taken.

(E) Friends of the Wilton Library

Criteria – Internal controls over safeguarding assets constitute a process, affected by an entity’s governing body, management and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions. Such processes include establishing policies addressing proper supporting documentation.

City of Wilton

Schedule of Findings

Year ended June 30, 2019

Condition – During the year ended June 30, 2019, certain disbursements for the Friends of the Wilton Library were not supported by proper documentation, including a check written to cash for \$250 for “Trivia Start Money”, a check for \$75 paid to Amazon for gift card prizes and a check for \$50 to reimburse an employee for Subway gift cards. Although the auditor confirmed a deposit of \$3,918 in the same month, the deposit documentation did not separately identify the “Trivia Start Money” cash.

Cause – Lack of supporting documentation is the result of a lack of policies and procedures requiring proper support for all disbursements.

Effect – Lack of written policies and procedures to properly support all disbursements could result in unauthorized transactions and the opportunity for misappropriation.

Recommendation – The Friends of the Wilton Library should adopt a written policy regulating the types of supporting documentation required to substantiate all disbursements. Start up cash for events should be re-deposited. The deposit slip should clearly identify the start-up cash versus event receipts.

Response – The Friends of the Wilton Library has implemented a policy for the prize distribution to address supporting documentation for all disbursements and re-deposit of startup cash.

Conclusion – Response accepted.

(F) Journal Entries

Criteria – An effective internal control system provides for internal controls related to preparation of journal entries. Supporting documentation for all journal entries supports the accuracy of the entries and an independent review helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – There was no evidence of independent review for two of four journal entries tested.

Cause – Procedures designed to clearly document the review and approval of journal entries were not followed.

Effect – Lack of independent approval of transactions could adversely affect the City’s ability to prevent or detect and correct misstatements, error or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – To strengthen controls, journal entries should be supported, and the support should be provided to an independent person for review and approval.

Response – Journal entries will be reviewed, approved and signed by an independent person.

Conclusion – Response accepted.

City of Wilton

Schedule of Findings

Year ended June 30, 2019

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 exceeded the amount budgeted in the public works, 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.”

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

Response – The City will do a better job of keeping track of the budget numbers.

Conclusion – Response accepted.

- (2) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s 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 the Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented.

All City employees are provided an annual clothing allowance, regardless of whether a specific type of clothing is required to perform their duties. The amount allowed is \$100 for office employees and \$300 for employees classified as City public works employees. During the year ended June 30, 2019, \$1,681 was reimbursed to City employees for clothing purchases. These reimbursements were not processed through payroll and, accordingly, the proper tax withholdings were not applied to the reimbursements.

According to the Attorney General’s opinion, it is possible for such 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 City should determine and document the public purpose served by paying a clothing allowance to City employees. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation and inclusion of these clothing allowances in taxable income.

Response – The clothing allowance criteria will be discussed with the City Council for their input.

Conclusion – Response acknowledged. The City should determine and document the public purpose served by paying a clothing allowance to City employees.

City of Wilton

Schedule of Findings

Year ended June 30, 2019

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Wayne Budding, Council Member, Owner of Sunset View Pet Hospital	Annually appropriated TIF rebate payment	\$ 4,000

The above transaction does not appear to represent a conflict of interest in accordance with Chapter 362.5(3)(j) of the Code of Iowa since the TIF project was approved prior to Mr. Budding’s appointment to the City Council and Mr. Budding did not participate in the vote to appropriate the TIF rebate payment.

- (5) 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.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council Minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds and Note – The City does not pay for water or sewer usage as required by the sewer revenue bond and water revenue note resolutions.

Recommendation – The City should pay for water and sewer usage as required by the revenue bond and note resolutions.

Response – We have been reviewing the issue with the City paying for water and sewer. The current facility does not have meters and meters will be installed when the water lines are updated. City Council will decide how to proceed once the meters are installed.

Conclusion – Response accepted.

- (9) Tax Increment Financing (TIF) Indebtedness Certification – Chapters 403.19(10)(b) and 403.22 of the Code of Iowa provide moneys in the Special Revenue, Urban Renewal Tax Increment (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund or to provide allowable low to moderate income (LMI) assistance.

During the year ended June 30, 2019, the City paid \$188,805 of revitalization costs, from the TIF Fund. These costs do not represent TIF obligations and, accordingly, are not an allowable use of tax increment financing receipts. In accordance with Chapter 403.19(10)(b) of the Code of Iowa, the City may not borrow from the TIF Fund. This was properly adjusted for reporting purposes.

City of Wilton

Schedule of Findings

Year ended June 30, 2019

Recommendation – The City has moved these costs to the General Fund. If the disbursements are for a qualified TIF project, the City may approve an advance (interfund loan) from the General Fund to the TIF Fund and certify the advance to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the General Fund to repay the advance.

Response – Corrective action was taken to move costs to the General Fund and the project is currently closed.

Conclusion – Response accepted

- (10) City Provided Vehicle – The City provides an employee a City vehicle for commuting to and from the employee’s residence. Internal Revenue Service (IRS) Publication 15-B “Employer’s Tax Guide to Fringe Benefits”, states personal use of an employer provided vehicle is a non-cash taxable fringe benefit. Publication 5137, Fringe Benefit Guide states, vehicles are considered listed property and therefore, in order to support an exclusion or deduction, separate records for business and personal mileage are required. The publication also states if records documenting business and personal mileage separately are not provided by the employee, the value of all use of the automobile represents wages to the employee.

The City does not maintain documentation of the business and personal mileage of the employee, therefore, the value of all use of the vehicle for commuting are wages to the employee. The City is not reporting this fringe benefit as employee wages.

Recommendation – The City should comply with the IRS regulations.

Response – The City does not feel that the IRS guideline is being misused for this vehicle.

Conclusion – Response acknowledged. The City should comply with the IRS regulations and maintain documentation of the business and personal mileage of the employee, thereby taxing only the personal use of the vehicle, or include the entire fringe benefit as employee wages.

City of Wilton

Staff

This audit was performed by:

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