



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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NEWS RELEASE

FOR RELEASE

May 12, 2020

Contact: Marlys Gaston
515/281-5835

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$2,508,103 for the year ended June 30, 2019, a 5.9% increase over the prior year. Disbursements for the year ended June 30, 2019 totaled \$2,382,249 a 2.1% increase over the prior year. The significant increase in receipts and disbursements is due primarily to the City taking over the operation of the ambulance service during the year ended June 30, 2019.

AUDIT FINDINGS:

Sand reported ten findings related to the receipt and disbursement of taxpayer funds and one finding pertaining to Wapello Fire and Rescue, Inc., a discretely presented component unit. They are found on pages 46 through 53 of this report. The findings address issues such as a lack of segregation of duties, the lack of utility reconciliations, disbursements exceeding budgeted amounts and separately maintained records. Sand provided the City with recommendations to address each of the findings.

Eight of the findings pertaining to the City and discussed above, and the finding pertaining to the discretely presented component unit are repeated from the prior year. The City Council and management of the discretely presented component unit have 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 WAPELLO

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

JUNE 30, 2019

City of Wapello



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Rob Sand
Auditor of State

March 10, 2020

Officials of the City of Wapello
Wapello, 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 Wapello, 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 Wapello 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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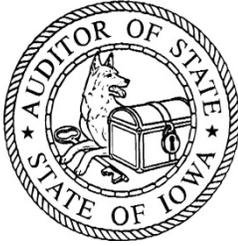
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City of Wapello

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Shawn Maine	Mayor	Jan 2020
Brett Shafer	Mayor Pro tem	Jan 2022
Gene Arnold	Council Member	Jan 2020
Richard Taylor	Council Member	Jan 2020
Larry Wagg	Council Member	Jan 2020
Kenny Marlette	Council Member	Jan 2022
Eric Small	Council Member	Jan 2022
Charles Wagg	Council Member	Jan 2022
Mike Delzell	City Clerk	Indefinite
Cindy Bockes	Deputy Clerk	Indefinite
Adam Parsons	Attorney	Indefinite

City of Wapello



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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, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Wapello, 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 audit opinions.

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, the discretely presented component unit and the aggregate remaining fund information of the City of Wapello 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

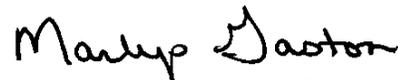
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wapello's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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 28 through 34 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 March 10, 2020 on our consideration of the City of Wapello'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 Wapello's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

March 10, 2020

City of Wapello

Basic Financial Statements

City of Wapello

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2019

	Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
Functions/Programs:			
Primary Government:			
Governmental activities:			
Public safety	\$ 613,506	168,750	109,811
Public works	349,838	146,845	267,027
Culture and recreation	320,047	47,978	38,308
Community and economic development	2,020	-	-
General government	177,049	13,131	-
Debt service	304,838	-	-
Total governmental activities	<u>1,767,298</u>	<u>376,704</u>	<u>415,146</u>
Business type activities:			
Water	193,607	229,743	-
Sewer	421,344	490,604	-
Total business type activities	<u>614,951</u>	<u>720,347</u>	<u>-</u>
Total Primary Government	\$ 2,382,249	1,097,051	415,146
Component Unit:			
Wapello Fire and Rescue, Inc.	\$ 54,566	-	37,984
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			
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:			
Nonexpendable:			
Library Bequest			
Expendable:			
Parks and recreation			
Fire and rescue purposes			
Library purposes			
Local option sales tax purposes			
Streets			
Debt service			
Capital projects			
Customer deposits			
Unrestricted			
Total cash basis net position			
See notes to financial statements.			

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Wapello Fire and Rescue, Inc.
(334,945)	-	(334,945)	
64,034	-	64,034	
(233,761)	-	(233,761)	
(2,020)	-	(2,020)	
(163,918)	-	(163,918)	
(304,838)	-	(304,838)	
(975,448)	-	(975,448)	
-	36,136	36,136	
-	69,260	69,260	
-	105,396	105,396	
(975,448)	105,396	(870,052)	
			(16,582)
605,057	-	605,057	-
64,268	-	64,268	-
126,357	-	126,357	-
159,209	-	159,209	-
17,704	-	17,704	-
2,092	-	2,092	-
21,219	-	21,219	-
58,702	(58,702)	-	-
1,054,608	(58,702)	995,906	-
79,160	46,694	125,854	(16,582)
717,189	389,438	1,106,627	179,272
\$ 796,349	436,132	1,232,481	162,690
\$ 30,000	-	30,000	-
42,530	-	42,530	-
-	-	-	162,690
43,107	-	43,107	-
225,122	-	225,122	-
214,500	-	214,500	-
11,743	17,176	28,919	-
7,864	-	7,864	-
-	73,977	73,977	-
221,483	344,979	566,462	-
\$ 796,349	436,132	1,232,481	162,690

City of Wapello

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	Tax Increment Financing	Local Option Sales Tax
Receipts:				
Property tax	\$ 528,483	-	-	-
Tax increment financing	-	-	126,357	-
Other city tax	-	-	-	159,209
Licenses and permits	14,341	-	-	-
Use of money and property	5,231	-	-	-
Intergovernmental	96,668	267,027	-	-
Charges for service	321,399	-	-	-
Miscellaneous	125,584	-	-	-
Total receipts	1,091,706	267,027	126,357	159,209
Disbursements:				
Operating:				
Public safety	534,224	-	-	79,282
Public works	146,127	203,711	-	-
Culture and recreation	320,047	-	-	-
Community and economic development	-	-	2,020	-
General government	177,049	-	-	-
Debt service	-	-	-	-
Total disbursements	1,177,447	203,711	2,020	79,282
Excess (deficiency) of receipts over (under) disbursements	(85,741)	63,316	124,337	79,927
Other financing sources (uses):				
Transfers in	174,749	-	-	-
Transfers out	-	(36,393)	(162,000)	(80,827)
Total other financing sources (uses)	174,749	(36,393)	(162,000)	(80,827)
Change in cash balances	89,008	26,923	(37,663)	(900)
Cash balances beginning of year	218,112	187,577	41,061	226,022
Cash balances end of year	\$ 307,120	214,500	3,398	225,122
Cash Basis Fund Balances				
Nonspendable - Library bequest	\$ -	-	-	-
Restricted for:				
Parks and recreation	42,530	-	-	-
Library purposes	43,107	-	-	-
Local option sales tax purposes	-	-	-	225,122
Streets	-	214,500	-	-
Debt service	-	-	3,398	-
Capital projects	-	-	-	-
Assigned for:				
Police equipmnet	23,361	-	-	-
Fire equipment	16,861	-	-	-
Ambulance	41,633	-	-	-
Unassigned	139,628	-	-	-
Total cash basis fund balances	\$ 307,120	214,500	3,398	225,122

See notes to financial statements.

Employee Benefits	Debt Service	Nonmajor	Total
76,574	64,268	-	669,325
-	-	-	126,357
-	-	-	159,209
-	-	-	14,341
-	-	-	5,231
1,019	1,596	-	366,310
-	-	-	321,399
-	-	-	125,584
<u>77,593</u>	<u>65,864</u>	<u>-</u>	<u>1,787,756</u>
-	-	-	613,506
-	-	-	349,838
-	-	-	320,047
-	-	-	2,020
-	-	-	177,049
-	304,838	-	304,838
-	304,838	-	1,767,298
<u>77,593</u>	<u>(238,974)</u>	<u>-</u>	<u>20,458</u>
-	240,766	-	415,515
<u>(77,593)</u>	<u>-</u>	<u>-</u>	<u>(356,813)</u>
<u>(77,593)</u>	<u>240,766</u>	<u>-</u>	<u>58,702</u>
-	1,792	-	79,160
-	6,553	37,864	717,189
-	8,345	37,864	796,349
-	-	30,000	30,000
-	-	-	42,530
-	-	-	43,107
-	-	-	225,122
-	-	-	214,500
-	8,345	-	11,743
-	-	7,864	7,864
-	-	-	23,361
-	-	-	16,861
-	-	-	41,633
-	-	-	139,628
-	8,345	37,864	796,349

City of Wapello

City of Wapello

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	Total
Operating receipts:			
Charges for service	\$ 218,893	490,604	709,497
Miscellaneous	10,850	-	10,850
Total operating receipts	229,743	490,604	720,347
Operating disbursements:			
Business type activities	186,597	197,627	384,224
Excess of operating receipts over operating disbursements	43,146	292,977	336,123
Non-operating disbursements:			
Debt service	-	(213,578)	(213,578)
Capital outlay	(7,010)	(10,139)	(17,149)
Net non-operating disbursements	(7,010)	(223,717)	(230,727)
Excess of receipts over disbursements	36,136	69,260	105,396
Transfers out	(36,027)	(22,675)	(58,702)
Change in cash balances	109	46,585	46,694
Cash balances beginning of year	148,314	241,124	389,438
Cash balances end of year	\$ 148,423	287,709	436,132
Cash Basis Fund Balances			
Restricted for debt service	\$ -	17,176	17,176
Restricted for customer deposits	73,977	-	73,977
Unrestricted	74,446	270,533	344,979
Total cash basis fund balances	\$ 148,423	287,709	436,132

See notes to financial statements.

Notes to Financial Statements

City of Wapello

June 30, 2019

(1) Summary of Significant Accounting Policies

The City of Wapello is a political subdivision of the State of Iowa located in Louisa County. It was first incorporated in 1856 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 and sewer utilities for its citizens.

A. Reporting Entity

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

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

Discretely Presented Component Unit

Wapello Fire and Rescue, Inc. (Fire and Rescue) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act, Chapter 504A of the Code of Iowa, for the purpose of aiding in the extinguishing of fires and performing such other duties as set forth by the Wapello Volunteer Fire Department. Fire and Rescue receives donations for the benefit of the Wapello Volunteer Fire Department. These donations are to be used to purchase items which are not included in the City's budget. In accordance with criteria set forth by the Governmental Accounting Standards Board, Fire and Rescue meets the definition of a component unit which should be discretely presented.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Louisa County Assessor's Conference Board, Louisa County Joint 911 Service Board and Louisa County Emergency Management Agency. The City also participates in the Louisa Regional Solid Waste Agency, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

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:

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

The 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 Tax Increment Financing 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 and services tax receipts and related disbursements.

The Employee Benefits Fund is used to account for the property tax levy and disbursements or transfers out for employee benefits, such as health insurance, pensions, etc.

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 City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Governmental Cash Basis Fund Balances

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

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

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

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

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the general government function.

(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) Long-Term Debt

Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 103,438	24,685	149,000	57,115	252,438	81,800
2021	105,621	21,806	153,000	53,783	258,621	75,589
2022	107,840	18,862	157,000	50,367	264,840	69,229
2023	116,095	15,853	161,000	46,858	277,095	62,711
2024	98,388	12,650	166,000	43,253	264,388	55,903
2025-2029	340,720	27,050	802,000	160,725	1,142,720	187,775
2030-2034	-	-	508,000	79,135	508,000	79,135
2035-2039	-	-	377,000	41,458	377,000	41,458
2040-2042	-	-	245,000	8,627	245,000	8,627
Total	\$ 872,102	120,906	2,718,000	541,321	3,590,102	662,227

Sewer Revenue Bonds

On June 2, 2005, the City entered into a state revolving loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$447,000 of sewer revenue bonds with interest at 3.00% 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 Chapter 384.24A of the Code of Iowa. During the year ended June 30, 2019, the City paid principal of \$24,000 and interest of \$3,693 on the bonds. At June 30, 2019, the outstanding principal balance was \$187,000.

On April 7, 2010, the City entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of \$900,000 of sewer revenue bonds with interest at 3.00% 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 constructing improvements and extensions to the municipal wastewater treatment system. During the year ended June 30, 2019, the City paid principal of \$42,000 and interest of \$18,180 on the bonds. At June 30, 2019, the outstanding principal balance was \$564,000.

On July 1, 2011, the City entered into a loan agreement with the Iowa Finance Authority for the issuance of \$298,000 of sewer revenue bonds with interest at 3.00% 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 constructing improvements and extensions to the municipal wastewater treatment system. During the year ended June 30, 2019, the City paid principal of \$14,000 and interest of \$6,420 on the bonds. At June 30, 2019, the outstanding principal balance was \$200,000.

On September 27, 2013, the City entered into a loan agreement with the Iowa Finance Authority for the issuance of up to \$393,000 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 constructing improvements and extensions to the municipal wastewater treatment system. The City has completed the project drawing down a total of \$293,000 of the bonds. During the year ended June 30, 2019, the City paid principal of \$13,000 and interest of \$3,973 on the bonds. At June 30, 2019, the outstanding principal balance was \$214,000.

On August 29, 2014, the City entered into a loan agreement with the Iowa Finance Authority for the issuance of sewer revenue bonds of up to \$2,000,000 with interest at 2.00% per annum. The agreement also requires the City to annually pay a 0.25% 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 constructing improvements and extensions to the municipal wastewater treatment system. The City has completed the project drawing down a total of \$1,818,610 of the bonds. During the year ended June 30, 2019, the City paid principal of \$53,000 and interest of \$28,105 on the bonds. At June 30, 2019, the outstanding principal balance was \$1,553,000.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$3,756,610 of sewer revenue bonds issued in June 2005, April 2010, July 2011, September 2013 and August 2014. The bonds are payable solely from sewer customer net receipts and are payable through 2042. For the year ended June 30, 2019, annual principal and interest payments on the bonds required 70% of net receipts. The total principal and interest remaining to be paid on the bonds is \$3,259,321. For the current year, principal and interest paid and total customer net receipts were \$206,371 and \$292,977 respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the utility activity and the bond holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- (c) User rates shall be established at a level which produce and maintain 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.

Iowa Department of Public Safety Loan

On February 25, 2009, the City obtained a \$40,000 interest free loan from the Iowa Department of Public Safety to assist the City in purchasing a fire truck. The loan is to be repaid in 20 semi-annual installments of \$2,000 beginning on November 1, 2009. At June 30, 2019, the loan was repaid.

(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. These qualifications must be met on the member’s first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

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

Protection occupation members may retire at normal retirement age, which is generally age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment.

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

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

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month 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 \$52,831.

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 \$228,313 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 0.003608%, which was an increase of 0.000087% 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 \$41,961, \$86,049 and \$56,134, 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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	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 of current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 460,471	228,313	33,678

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

(5) 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 hours payable to employees at June 30, 2019, primarily relating to the General Fund and the Enterprise, Water Fund, was approximately \$33,000. This liability has been computed based on rates of pay in effect at June 30, 2019.

(6) Risk Management

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

(7) Interfund Transfers

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 2,643
	Local Option Sales Tax	80,827
	Employee Benefits	77,593
	Enterprise:	
	Water	6,849
	Sewer	<u>6,837</u>
		<u>174,749</u>
Debt Service	Special Revenue:	
	Road Use Tax	33,750
	Tax Increment Financing	162,000
	Enterprise:	
	Water	29,178
	Sewer	<u>15,838</u>
		<u>240,766</u>
Total		<u>\$ 415,515</u>

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

(8) Rebate Agreements

The City has entered into five tax increment financing rebate agreements to assist in urban renewal projects by rebating incremental property tax paid by the developer 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 developers will be rebated for a period of five years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. During the year ended June 30, 2019, the City rebated \$2,020 of incremental property tax to the participating developers.

(9) Subsequent Event

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

(10) 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 Wapello
 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	Total
Receipts:			
Property tax	\$ 669,325	-	669,325
Tax increment financing	126,357	-	126,357
Other city tax	159,209	-	159,209
Licenses and permits	14,341	-	14,341
Use of money and property	5,231	-	5,231
Intergovernmental	366,310	-	366,310
Charges for service	321,399	709,497	1,030,896
Miscellaneous	125,584	10,850	136,434
Total receipts	1,787,756	720,347	2,508,103
Disbursements:			
Public safety	613,506	-	613,506
Public works	349,838	-	349,838
Culture and recreation	320,047	-	320,047
Community and economic development	2,020	-	2,020
General government	177,049	-	177,049
Debt service	304,838	-	304,838
Business type activities	-	614,951	614,951
Total disbursements	1,767,298	614,951	2,382,249
Excess (deficiency) of receipts over (under) disbursements	20,458	105,396	125,854
Other financing sources, net	58,702	(58,702)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	79,160	46,694	125,854
Balances beginning of year	717,189	389,438	1,106,627
Balances end of year	\$ 796,349	436,132	1,232,481

See accompanying independent auditor's report.

<u>Budgeted Amounts</u>		Final to
Original	Final	Total
		Variance
655,154	655,154	14,171
123,760	123,760	2,597
136,691	168,491	(9,282)
21,200	21,200	(6,859)
34,950	36,200	(30,969)
299,737	337,243	29,067
913,013	1,091,922	(61,026)
25,720	56,458	79,976
<u>2,210,225</u>	<u>2,490,428</u>	<u>17,675</u>
390,890	661,830	48,324
352,487	352,487	2,649
300,747	332,278	12,231
4,374	4,374	2,354
172,476	172,476	(4,573)
304,838	304,838	-
722,997	722,997	108,046
<u>2,248,809</u>	<u>2,551,280</u>	<u>169,031</u>
(38,584)	(60,852)	186,706
-	-	-
(38,584)	(60,852)	186,706
<u>839,425</u>	<u>839,425</u>	<u>267,202</u>
<u>800,841</u>	<u>778,573</u>	<u>453,908</u>

City of Wapello

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 the discretely presented component unit. 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, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$302,471. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2019, disbursements exceeded the amount budgeted in the general government function.

City of Wapello

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	0.003608%	0.003521%	0.003730%	0.003479%	0.003051%
City's proportionate share of the net pension liability	\$ 228	235	235	172	121
City's covered payroll	\$ 391	402	380	373	336
City's proportionate share of the net pension liability as a percentage of its covered payroll	58.31%	58.46%	61.84%	46.11%	36.01%
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 Wapello

Schedule of City Contributions

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

Other Information

	2019	2018	2017	2016
Statutorily required contribution	\$ 53	36	37	35
Contributions in relation to the statutorily required contribution	(53)	(36)	(37)	(35)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 538	391	402	380
Contributions as a percentage of covered payroll	9.85%	9.21%	9.20%	9.21%

* - The City's covered payroll information was not readily available. Therefore, contributions as a percentage of covered payroll could not be calculated.

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
35	30	32	28	27	26
(35)	(30)	(32)	(28)	(27)	(26)
-	-	-	-	-	-
373	336	341	332	*	*
9.38%	8.93%	9.38%	8.43%	*	*

City of Wapello

Notes to Other Information – Pension Liability

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.
- 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 Wapello

City of Wapello

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

As of and for the year ended June 30, 2019

	<u>Permanent</u>		
	Capital Projects	Library Bequest	Total
Receipts:			
None	\$ -	-	-
Disbursements:			
None	-	-	-
Change in cash balances	-	-	-
Cash balances beginning of year	7,864	30,000	37,864
Cash balances end of year	<u>\$ 7,864</u>	<u>30,000</u>	<u>37,864</u>
Cash Basis Fund Balances			
Nonspendable - library bequest	\$ -	30,000	30,000
Restricted for capital projects	7,864	-	7,864
Total cash basis fund balances	<u>\$ 7,864</u>	<u>30,000</u>	<u>37,864</u>

See accompanying independent auditor's report.

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds/notes:			
Corporate purpose and refunding	Nov 1, 2012	1.00-2.00%	\$ 2,000,000
Swimming pool	Nov 20, 2013	2.85	775,000
North 2nd Street Improvements	Aug 10, 2015	3.00	403,000
Total			
Revenue bonds:			
Sewer	Jun 2, 2005 *	3.00%	\$ 447,000
Sewer	Apr 7, 2010 *	3.00	900,000
Sewer	July 1, 2011 *	3.00	298,000
Sewer	Sep 27, 2013 *	1.75	293,000
Sewer	Aug 29, 2014 *	2.00	1,818,610
Total			
Iowa Department of Public Safety loan:			
Fire truck	Feb 25, 2009	0.00%	\$ 40,000

* The City is required to annually pay a .25% servicing 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
255,000	-	190,000	65,000	3,675
599,000	-	47,000	552,000	17,072
293,391	-	38,289	255,102	8,802
<u>\$ 1,147,391</u>	<u>-</u>	<u>275,289</u>	<u>872,102</u>	<u>29,549</u>
211,000	-	24,000	187,000	3,693
606,000	-	42,000	564,000	18,180
214,000	-	14,000	200,000	6,420
227,000	-	13,000	214,000	3,973
1,606,000	-	53,000	1,553,000	28,105
<u>\$ 2,864,000</u>	<u>-</u>	<u>146,000</u>	<u>2,718,000</u>	<u>60,371</u>
4,000	-	4,000	-	-

City of Wapello
 Bond and Note Maturities
 June 30, 2019

General Obligation Bonds/Notes							
Year Ending June 30,	Corporate Purpose and Refunding		Swimming Pool		North 2nd Street		Total
	Issued November 1, 2012		Issued November 20, 2013		Issued August 10, 2015		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2020	2.00%	\$ 15,000	2.85%	\$ 49,000	3.00%	\$ 39,438	103,438
2021	2.00	15,000	2.85	50,000	3.00	40,621	105,621
2022	2.00	15,000	2.85	51,000	3.00	41,840	107,840
2023	2.00	20,000	2.85	53,000	3.00	43,095	116,095
2024		-	2.85	54,000	3.00	44,388	98,388
2025		-	2.85	56,000	3.00	45,720	101,720
2026		-	2.85	57,000		-	57,000
2027		-	2.85	59,000		-	59,000
2028		-	2.85	61,000		-	61,000
2029		-	2.85	62,000		-	62,000
Total		<u>\$ 65,000</u>		<u>\$ 552,000</u>		<u>\$ 255,102</u>	<u>872,102</u>

Revenue							
Year Ending June 30,	Sewer		Sewer		Sewer		Amount
	Issued June 2, 2005		Issued April 7, 2010		Issued July 1, 2011		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2020	3.00%	\$ 24,000	3.00%	\$ 44,000	3.00%	\$ 14,000	14,000
2021	3.00	25,000	3.00	45,000	3.00	14,000	14,000
2022	3.00	26,000	3.00	46,000	3.00	15,000	15,000
2023	3.00	27,000	3.00	48,000	3.00	15,000	15,000
2024	3.00	28,000	3.00	49,000	3.00	16,000	16,000
2025	3.00	28,000	3.00	51,000	3.00	16,000	16,000
2026	3.00	29,000	3.00	53,000	3.00	17,000	17,000
2027		-	3.00	54,000	3.00	17,000	17,000
2028		-	3.00	56,000	3.00	18,000	18,000
2029		-	3.00	58,000	3.00	19,000	19,000
2030		-	3.00	60,000	3.00	19,000	19,000
2031		-		-	3.00	20,000	20,000
2032		-		-		-	-
2033		-		-		-	-
2034		-		-		-	-
2035		-		-		-	-
2036		-		-		-	-
2037		-		-		-	-
2038		-		-		-	-
2039		-		-		-	-
2040		-		-		-	-
2041		-		-		-	-
2042		-		-		-	-
Total		<u>\$ 187,000</u>		<u>\$ 564,000</u>		<u>\$ 200,000</u>	<u>200,000</u>

See accompanying independent auditor's report.

Bonds						
Sewer			Sewer			
Issued September 27, 2013			Issued August 29, 2014			
Interest Rates		Amount	Interest Rates		Amount	
					Total	
1.75%	\$	13,000	1.75%	\$	54,000	149,000
1.75		14,000	1.75		55,000	153,000
1.75		14,000	1.75		56,000	157,000
1.75		14,000	1.75		57,000	161,000
1.75		15,000	1.75		58,000	166,000
1.75		15,000	1.75		59,000	169,000
1.75		15,000	1.75		61,000	175,000
1.75		15,000	1.75		62,000	148,000
1.75		16,000	1.75		63,000	153,000
1.75		16,000	1.75		64,000	157,000
1.75		16,000	1.75		66,000	161,000
1.75		17,000	1.75		67,000	104,000
1.75		17,000	1.75		68,000	85,000
1.75		17,000	1.75		70,000	87,000
		-	1.75		71,000	71,000
		-	1.75		73,000	73,000
		-	1.75		74,000	74,000
		-	1.75		75,000	75,000
		-	1.75		77,000	77,000
		-	1.75		78,000	78,000
		-	1.75		80,000	80,000
		-	1.75		82,000	82,000
		-	1.75		83,000	83,000
	\$	214,000		\$	1,553,000	2,718,000

City of Wapello

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

For the Last Ten Years

	2019	2018	2017	2016
Receipts:				
Property tax	\$ 669,325	629,695	593,135	600,829
Tax increment financing	126,357	259,385	338,126	334,893
Other city tax	159,209	122,209	128,269	124,435
Licenses and permits	14,341	22,039	21,688	22,048
Use of money and property	5,231	5,124	4,533	6,394
Intergovernmental	366,310	336,578	386,378	332,525
Charges for service	321,399	179,642	175,355	169,969
Miscellaneous	125,584	86,291	188,337	54,599
Total	<u>\$ 1,787,756</u>	<u>1,640,963</u>	<u>1,835,821</u>	<u>1,645,692</u>
Disbursements:				
Operating:				
Public safety	\$ 613,506	378,064	432,797	330,925
Public works	349,838	374,259	425,017	716,542
Culture and recreation	320,047	351,727	378,108	420,658
Community and economic development	2,020	765	-	-
General government	177,049	172,072	159,960	209,283
Debt service	304,838	357,646	385,567	493,399
Capital projects	-	-	-	28,418
Total	<u>\$ 1,767,298</u>	<u>1,634,533</u>	<u>1,781,449</u>	<u>2,199,225</u>

See accompanying independent auditor's report.

2015	2014	2013	2012	2011	2010
577,775	529,190	519,331	496,541	470,392	455,657
355,216	330,625	321,738	284,508	254,595	222,588
116,428	141,845	109,406	112,723	156,431	96,180
23,688	26,277	22,465	22,769	21,766	23,494
5,751	5,960	5,226	4,596	6,211	4,468
351,082	249,832	323,947	241,040	235,413	254,831
164,844	156,276	152,004	155,271	152,792	143,379
54,105	97,983	34,985	42,795	98,253	123,614
<u>1,648,889</u>	<u>1,537,988</u>	<u>1,489,102</u>	<u>1,360,243</u>	<u>1,395,853</u>	<u>1,324,211</u>
389,191	358,653	336,642	296,015	329,383	304,288
371,256	281,825	329,076	364,085	364,237	311,414
282,366	207,566	254,828	274,294	358,601	270,496
-	-	-	-	-	-
144,891	134,462	161,163	147,258	104,361	166,137
440,536	370,783	1,385,532	336,804	238,019	50,350
-	1,103,141	339,781	-	-	-
<u>1,628,240</u>	<u>2,456,430</u>	<u>2,807,022</u>	<u>1,418,456</u>	<u>1,394,601</u>	<u>1,102,685</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, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Wapello, 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 March 10, 2020. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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 (B) through (D) to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wapello'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 which 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.

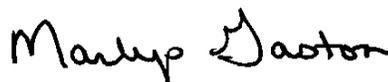
The City of Wapello's Responses to the Findings

Wapello's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. The City of Wapello'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 Wapello 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

March 10, 2020

City of Wapello

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 – For the City, one individual has control over one or more of the following areas:

- (1) Accounting system – performing all general accounting functions and having custody of assets.
- (2) Cash – preparing bank reconciliations, handling and recording cash receipt and disbursement transactions and preparing deposits.
- (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (4) Long-term debt – recording and reconciling.
- (5) Receipts – collecting, depositing, recording, posting and reconciling.
- (6) Utility receipts – entering rates, billing, collecting, depositing, posting and reconciling.
- (7) Disbursements – preparing, recording and reconciling.
- (8) Payroll – entering rates, preparing and distributing.
- (9) Financial reporting – preparing and posting journal entries.

For the Keck Memorial Library, the Hometown Pride and the Ambulance, one individual has control over one or more of the following areas:

- (1) Cash – preparing bank reconciliations, initiating cash receipt and disbursement transactions and handling and recording cash.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements – preparing, recording and reconciling.

Cause – The City, Library, Hometown Pride and the Ambulance 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 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 Wapello

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, the Keck Memorial Library, Hometown Pride and the Ambulance should review their operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Evidence of review of reconciliations should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – The City, the Keck Memorial Library, Hometown Pride and the Ambulance will review existing procedures and implement additional procedures where possible.

Conclusion – Response accepted.

(B) Reconciliation of Utility Billings, Collections and Accounts Receivable

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

Condition – Although reconciliations of utility billings, collections and accounts receivables were prepared, certain reconciliations did not have evidence of independent review.

Cause – Policies have not been established and procedures have not been implemented to ensure monthly utility reconciliations evidence independent reviews.

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

Recommendation – Procedures should be established to ensure monthly utility reconciliations are independently reviewed. The review should be documented by the signature or initials of the reviewer and the date of the review.

Response – The City will look into resolving variances on a month to month basis.

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 and helps to ensure the reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations.

City of Wapello

Schedule of Findings

Year ended June 30, 2019

Condition – The City does not have written policies or procedures for:

- Requiring password changes because software does not require the user to change logins/passwords, preventing the reuse of the same password and preventing employees from sharing passwords.
- Requiring lock out if the password is incorrectly entered three times in a row.
- Requiring timeout or logoff functions to be utilized when terminals are left unattended.

Additionally, the written disaster recovery plan does not include:

- (1) A list of computer equipment necessary for temporary operations.
- (2) An inventory of all hardware.

In addition, the disaster recovery plan has not been adequately tested by the City.

Cause – Management has not required written policies for the above computer and password controls or certain written disaster recovery plan controls, including testing of the disaster recovery plan.

Effect – Lack of written policies for the computer-based system could result in a loss of data or compromised data, resulting in unreliable financial information. The failure to have a list of computer equipment needed for operation and a list of hardware in the disaster recovery plan 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 develop written policies addressing the above items to improve the City's control over its computer system. A listing of computer equipment needed for operations and a listing of hardware should also be developed for the written disaster recovery plan and the disaster recovery plan should be tested periodically.

Response – The City will develop a policy which encompasses the above recommendation.

Conclusion – Response accepted.

(D) Wapello Fire and Rescue, Inc.

Criteria – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from performing duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another.

City of Wapello

Schedule of Findings

Year ended June 30, 2019

Condition – For Wapello Fire and Rescue, Inc., (Fire and Rescue), a discretely presented component unit, one individual has control over one or more of the following areas:

- (1) Cash – preparing bank reconciliations, initiating cash receipt and disbursement transactions and handling and recording cash.
- (2) Receipts – collecting, depositing, posting and reconciling.

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

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

Recommendation – The Fire and Rescue should review its operating procedures to obtain the maximum internal control possible under the circumstances.

Response – The Fire and Rescue will review its existing operating procedures and implement additional procedures where possible.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Wapello

Schedule of Findings

Year ended June 30, 2019

Part IV: Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2019 exceeded the amount budgeted in the general government function. 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 amend the budget before disbursements exceed the budget.

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 since the public benefits to be derived have not been clearly documented. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Wapello High School	Post Prom donation	\$ 250
Wapello Community Club	Donation	50

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

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

Response – The City will discuss questionable disbursements.

Conclusion – Response acknowledged. The City should establish written policies and procedures, including the requirement for proper public purpose documentation.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Wapello

Schedule of Findings

Year ended June 30, 2019

- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Shawn Maine, Mayor, owner of Midwest Rod and Restoration and Midwest Collision and Repair	Vehicle repairs and supplies	\$ 15,446
Brett Shafer, City Council Member, Owner of Shafer Construction	Remodeling projects	10,302
Larry Wagg, City Council Member, Owner of Brown's Repair	Sharpen blades, parts and supplies	83

The transactions with the City Council Member Wagg do not appear to represent a conflict of interest in accordance with Chapter 362.5(3)(k) of the Code of Iowa since the cumulative total transactions during the fiscal year were less than \$2,500.

The transactions with Mayor Maine for Midwest Rod and Restoration and Midwest Collision and Repair and the City Council Member Shafer for Shafer Construction may represent conflicts of interest since the total transactions exceeded \$2,500 during the fiscal year and the transactions were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City will consult legal counsel to determine if a conflict of interest exists.

Conclusion – Response accepted. In addition, the City should retain the City Attorney's response to this matter and make that response available during next year's audit.

- (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 – Except as noted below, there were no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

The interest rate on a time certificate of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee, as required by Chapter 12C.6(3) of the Code of Iowa.

Recommendation – The City should seek reimbursement for the insufficient interest collected on the certificate of deposit. Public fund time certificates of deposit, when renewed, shall be renewed at a rate of interest which conforms with current rates for public funds on the date of renewal.

City of Wapello

Schedule of Findings

Year ended June 30, 2019

Response – The City will look into this matter.

Conclusion – Response accepted.

- (8) Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.
- (9) Separately Maintained Records - Chapter 384.20 of the Code of Iowa states, in part, “A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose, by any city officer, employee, or other person, and which shows the receipt, use, or disposition of all city property.”

The Keck Memorial Library and Hometown Pride maintain separate bank accounts for activity separate from the City Clerk’s accounting records. The transactions and the resulting balances were not included in the City’s accounting records and were not included in the City’s annual budget, monthly financial reports or Annual Financial Reports.

In addition, the transactions and resulting balances of these accounts were not reported to the City Council and disbursements from the accounts were not reviewed and approved by the City Council. Also, a summary of each account’s receipts, total disbursements and the listing of claims allowed each month were not published in accordance with Chapter 372.13(6) of the Code of Iowa.

Recommendation – In accordance with Chapter 384.20 of the Code of Iowa, and to strengthen internal controls and increase operating efficiencies, the financial transactions of the Keck Memorial Library and Hometown Pride separate accounts should be integrated with the City’s accounting records in the City Clerk’s office. The financial activity should be included in the City Clerk’s accounting records, monthly financial reports and the Annual Financial Reports. The activity in these accounts should be subject to City County review and approval and should be included in the City’s budget process. Also, a summary of each account’s receipts, total disbursement and a listing of claims allowed each month should be published, as required.

Response – The City will look into adding these accounts to the City computerized accounting system.

Conclusion – Response accepted.

- (10) Unclaimed Property – Chapter 556.11 of the Code of Iowa requires the City to report and remit obligations, including checks outstanding for more than two years, to the Office of Treasurer of State annually. The City did not remit these obligations as required.

Recommendation – The City should review outstanding checks and other items over two years old which should be remitted to the Office of Treasurer of State as required. This is a repeat comment.

City of Wapello

Schedule of Findings

Year ended June 30, 2019

Response – The City will review the outstanding checks and remit items over two years to the State Treasurer.

Conclusion – Response accepted.

- (11) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.
- (12) Senior Discount – Chapter 388.6 of the Code of Iowa states, “A city utility or combined utility system may not provide use or service at a discriminatory rate, except to the City or its agencies, as provided in Chapter 384.91.” Senior discounts were provided on garbage and recycling rates by the City Council.

Recommendation – The City is required to establish and apply consistent billing rates to certain types of customers, such as residential or commercial. The City Council should implement procedures which ensure nondiscriminatory garbage and recycling rates are used for all customers.

Response – The City will look into this matter.

Conclusion – Response acknowledged. The City should implement procedures to ensure nondiscriminatory garbage and recycling rates are charged to all customers.

City of Wapello

Staff

This audit was performed by:

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Matthew A. Miller, Staff Auditor
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