



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

January 27, 2015

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Auditor of State Mary Mosiman today released an audit report on the City of Wilton, Iowa.

The City's receipts totaled \$3,770,676 for the year ended June 30, 2014, a 51% decrease from the prior year. The receipts included \$1,232,462 in property tax, \$1,308,933 from charges for service, \$555,843 from operating grants, contributions and restricted interest, \$300,880 from tax increment financing, \$309,422 from local option sales tax, \$22,878 from unrestricted interest on investments and \$40,258 from other general receipts.

Disbursements for the year ended June 30, 2014 totaled \$3,871,989, a 44% decrease from the prior year, and included \$582,860 for debt service, \$467,105 for public safety and \$394,752 for general government. Also, disbursements for business type activities totaled \$1,509,350.

The significant decrease in receipts and disbursements is primarily due to the issuance of general obligation corporate purpose and refunding bonds to finance street, municipal waterworks and sanitary sewer improvements and refund outstanding balances of debt issued in prior years.

A copy of the audit report is available for review in the City Clerk's office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1420-0657-B00F.pdf>.

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CITY OF WILTON
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2014

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City of Wilton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2014)		
Ira Bowman	Mayor	Jan 2014
Robert Barrett	Mayor Pro tem	Jan 2014
Keith Stanley	Council Member	Jan 2014
Wayne Budding	Council Member	Jan 2016
Matt Fowler	Council Member	Jan 2016
Steve Owens	Council Member	Jan 2016
Christopher Ball	Administrator	Indefinite
Lori A. Brown	City Clerk/Treasurer	Indefinite
Gerald Denning	Attorney	Indefinite
(After January 2014)		
Ira Bowman	Mayor	Jan 2016
Keith Stanley	Mayor Pro tem	Jan 2018
Wayne Budding	Council Member	Jan 2016
Matt Fowler	Council Member	Jan 2016
Steve Owens	Council Member	Jan 2016
Ted Glenney	Council Member	Jan 2018
Christopher Ball	Administrator	Indefinite
Lori A. Brown	City Clerk/Treasurer	Indefinite
Gerald Denning	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, 2014, 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.

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for the City's aggregate discretely presented component units 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 \$1,977,696.

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, 2014, 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 previously present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Wilton as of June 30, 2014, 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 described 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 nine years ended June 30, 2013 (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, Management's Discussion and Analysis and the budgetary comparison information on pages 9 through 14 and 30 through 32, 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 December 8, 2014 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 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 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 8, 2014

City of Wilton

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Wilton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 50%, or approximately \$2,540,000, from fiscal year 2013 to fiscal year 2014. Bond proceeds decreased approximately \$2,708,000, operating grants, contributions and restricted interest increased approximately \$72,000 and tax increment financing increased approximately \$57,000.
- Disbursements of the City's governmental activities decreased 52%, or approximately \$2,547,000, from fiscal year 2013 to fiscal year 2014. Debt service disbursements decreased approximately \$2,561,000.
- The City's total cash basis net position decreased 3%, or approximately \$101,000, from June 30, 2013 to June 30, 2014. Of this amount, the cash basis net position of the governmental activities increased approximately \$193,000 and the cash basis net position of the business type activities decreased approximately \$294,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

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

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer and refuse collection systems. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Urban Renewal Tax Increment and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains separate Enterprise Funds to provide separate information for the Water, Sewer and Garbage Funds, considered to be major funds of the City.

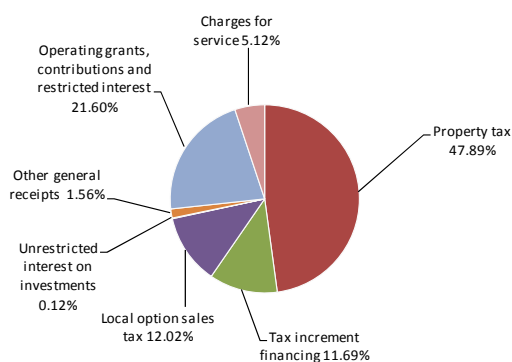
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

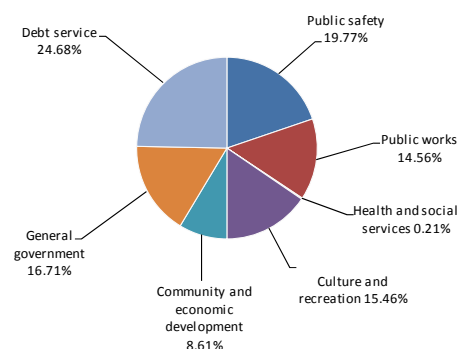
Net position may serve over time as a useful indicator of financial position. The City's cash balance of governmental activities increased from a year ago, increasing approximately \$193,000 to \$1,746,711. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service	\$ 131,457	124,184
Operating grants, contributions and restricted interest	555,843	483,743
Capital grants, contributions and restricted interest	-	212
General receipts:		
Property tax	1,232,462	1,210,862
Tax increment financing	300,880	244,140
Local option sales tax	309,422	293,406
Unrestricted interest on investments	3,186	2,597
Bond proceeds	-	2,707,737
Other general receipts	40,258	46,956
Total receipts	2,573,508	5,113,837
Disbursements:		
Public safety	467,105	478,537
Public works	344,051	342,494
Health and social services	4,952	4,834
Culture and recreation	365,381	384,010
Community and economic development	203,538	224,195
General government	394,752	332,480
Debt service	582,860	3,143,549
Total disbursements	2,362,639	4,910,099
Change in cash basis net position before transfers	210,869	203,738
Transfers, net	(18,285)	(34,643)
Change in cash basis net position	192,584	169,095
Cash basis net position beginning of year	1,554,127	1,385,032
Cash basis net position end of year	\$ 1,746,711	1,554,127

Receipts by Source



Disbursements by Function



Total governmental activities receipts for the fiscal year were \$2,573,508 compared to \$5,113,837 last year, a decrease of \$2,540,329, or 50%. The cost of all governmental activities this year was \$2,362,639 compared to \$4,910,099 last year. The decrease in receipts and disbursements was primarily due to the receipt of approximately \$2,708,000 of bond proceeds and the disbursement of those proceeds to pay and refund debt in the prior fiscal year.

Changes in Cash Basis Net Position of Business Type Activities		
	Year ended June 30,	
	2014	2013
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 466,589	425,551
Sewer	415,561	373,375
Garbage	295,326	287,863
General receipts:		
Unrestricted interest on investments	19,692	23,693
Bond proceeds	-	1,407,750
Total receipts	<u>1,197,168</u>	<u>2,518,232</u>
Disbursements:		
Water	478,861	426,508
Sewer	724,317	1,280,541
Garbage	306,172	264,539
Total disbursements	<u>1,509,350</u>	<u>1,971,588</u>
Change in cash basis net position before transfers	(312,182)	546,644
Transfers, net	18,285	34,643
Change in cash basis net position	<u>(293,897)</u>	<u>581,287</u>
Cash basis net position beginning of year	2,063,982	1,482,695
Cash basis net position end of year	<u>\$ 1,770,085</u>	<u>2,063,982</u>

Total business type activities receipts for the fiscal year were \$1,197,168 compared to \$2,518,232 last year, a decrease of \$1,321,064, or 52%. Total disbursements were \$1,509,350 compared to \$1,971,588 in the prior year, a decrease of \$462,238, or 23%. The decrease in receipts was primarily due to the receipt of bond proceeds of approximately \$1,408,000 in the prior year. The decrease in disbursements was primarily due to \$870,000 of improvements to the wastewater treatment plant in the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Wilton completed the year, its governmental funds reported a combined cash balance of \$1,746,711, an increase of \$192,584 over last year's total of \$1,554,127. The following are the reasons for significant changes in the cash balances of the major funds from the prior year.

- The General Fund cash balance increased \$288,706, or 44.5%, over the prior year to \$936,975. Approximately \$196,200 of this increase was due to an interfund transfer in from the Debt Service Fund for excess funds remaining following the completion of planned street projects. The City plans to use these funds for future street improvements.
- The Special Revenue, Road Use Tax Fund cash balance increased \$69,247, or 31.4%, over the prior year to \$290,144. Although disbursements increased \$34,730, or 19.7%, primarily due to an increase in seal coating disbursements, receipts also increased \$8,037, or 3.0%, and total receipts continued to be sufficient to cover all disbursements. The City intends to use this money to continue funding street department operations and street maintenance programs.

- The Special Revenue, Urban Renewal Tax Increment Fund cash balance increased \$99,244, or 268.3%, from the prior year to \$136,237. Tax increment financing disbursements decreased \$21,199 due to a decrease in payments for projects completed in fiscal year 2014.
- The Special Revenue, Local Option Sales Tax (LOST) Fund had total receipts of \$309,552 in fiscal year 2014. According to the referendum, one-half of the LOST receipts are to be used for property tax relief and one-half of the receipts are to be used for sewer improvements. In accordance with the referendum, the City recorded transfers to the General Fund and the Enterprise, Sewer Fund and did not retain a cash balance at year end.
- The Debt Service Fund cash balance decreased \$320,594, or 73.5%, from the prior year. Receipts and other financing sources decreased \$2,700,623, primarily due to bond proceeds of \$2,707,737 received in fiscal year 2013, partially offset by an increase of \$14,378 in donations from the Wilton Community Foundation to repay debt associated with the Library and Community center. Disbursements decreased \$2,560,689, primarily due to a decrease in bond and note principal and interest payments for the debt refunding in the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The following are the reasons for significant changes in the cash balances of the major business type funds from the prior year.

- The Enterprise, Water Fund cash balance decreased \$95,344 to \$484,866. Charges for service increased \$38,178, primarily due to a water rate increase during the year. Disbursements increased \$82,871 from the prior year and included several repairs and improvements to watermains and water meters throughout the City.
- The Enterprise, Sewer Fund cash balance decreased \$190,392 to \$1,255,553. Charges for service increased \$42,186, primarily due to a rate increase during the year. General obligation bond proceeds decreased \$1,407,750 due to the bonds issued in fiscal year 2013. Disbursements for capital improvements decreased \$551,061, primarily due to wastewater treatment plant improvements being wrapped up at the beginning of fiscal year 2014.
- The Enterprise, Garbage Fund cash balance decreased \$8,161 to \$29,666, due primarily to new garbage totes being purchased in fiscal year 2014.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 12, 2014 and resulted in an increase in operating disbursements, primarily related to a cost overrun of approximately \$359,000 on the sewer screening building project.

The City's receipts were \$369,339 more than budgeted. This was primarily due to the City not budgeting for donations received from the Wilton Community Foundation for the payment of the special pledge revenue loan anticipation project note and not reflecting the increased utility rates in the budgeted charges for service.

Even with the budget amendment, total disbursements were \$63,598 more than the amended budget. However, actual disbursements for the public safety, public works, health and social services, culture and recreation, community and economic development and general government functions were \$55,768, \$47,740, \$48, \$18,058, \$3,165 and \$23,189, respectively, less than budgeted.

During the year ended June 30, 2014, disbursements in the debt service and business type activities functions exceeded the amounts budgeted and disbursements in certain other functions exceeded the amounts budgeted prior to the budget amendment.

DEBT ADMINISTRATION

At June 30, 2014, the City had \$5,349,470 of bonds, notes and loans outstanding, compared to \$5,991,660 of bonds, notes and loans outstanding last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2014	2013
General obligation refunding bonds	\$ 3,725,000	4,100,000
Revenue bonds and notes	1,600,470	1,751,000
Anticipation project notes	-	92,660
Eastern Iowa Light and Power Cooperative loan	24,000	48,000
Total	\$ 5,349,470	5,991,660

During the year ended June 30, 2010, the City entered into a special pledge revenue loan agreement anticipation project note for up to \$1,300,000 to help fund the library and community center building project. At June 30, 2014, the note was fully paid.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$3,725,000 and tax increment financing rebate and economic development agreements of \$408,200, net of cash on hand of \$251,877 to service this debt, totals \$3,881,323 and is significantly below the City’s constitutional debt limit of approximately \$7,551,000.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

The City of Wilton’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget. The Wilton City Council has always tried to keep a steady tax rate. The Wilton community, Wilton Development Corporation and City Council have been very aggressive in attracting new businesses and continues to develop a new industrial park on the eastern side of the City.

Amounts available for appropriation in the operating budget for fiscal year 2015 are \$7,139,083, including the beginning balance of \$3,435,128 plus budgeted receipts of \$3,703,955. The City hopes to have an increase in receipts as we move forward to improve economic development and urban renewal funding. The City is expecting a \$289,493 increase in disbursements compared to the final fiscal year 2014 budget. The City has added no major new programs to the fiscal year 2015 budget. However, increased health care costs, the urban renewal project and increases in infrastructure construction and maintenance represent the largest disbursement concerns.

These parameters were taken into account when adopting the budget for fiscal year 2015. The fiscal year 2015 property tax levy is \$8.10000 per \$1,000 of taxable valuation, unchanged from fiscal year 2014.

CONTACTING THE CITY’S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Chris Ball, City Administrator, 104 East 4th Street, PO Box 27, Wilton, Iowa, 52778, or by phone at (563) 732-2115.

Basic Financial Statements

City of Wilton

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

	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	\$ 467,105	4,385	134,398	-
Public works	344,051	7,264	284,665	-
Health and social services	4,952	-	-	-
Culture and recreation	365,381	82,431	39,642	-
Community and economic development	203,538	588	-	-
General government	394,752	36,789	-	-
Debt service	582,860	-	97,138	-
Total governmental activities	2,362,639	131,457	555,843	-
Business type activities:				
Water	478,861	466,589	-	-
Sewer	724,317	415,561	-	-
Garbage	306,172	295,326	-	-
Total business type activities	1,509,350	1,177,476	-	-
Total primary government	\$ 3,871,989	1,308,933	555,843	-
Component Unit:				
Wilton Library Foundation	\$ 62	-	-	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
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:				
Streets				
Debt service				
Employee benefits				
Customer deposits				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net position				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Governmental Activities	Business Type Activities	Total	Wilton Library Foundation
(328,322)	-	(328,322)	
(52,122)	-	(52,122)	
(4,952)	-	(4,952)	
(243,308)	-	(243,308)	
(202,950)	-	(202,950)	
(357,963)	-	(357,963)	
(485,722)	-	(485,722)	
<u>(1,675,339)</u>	<u>-</u>	<u>(1,675,339)</u>	
-	(12,272)	(12,272)	
-	(308,756)	(308,756)	
-	(10,846)	(10,846)	
-	(331,874)	(331,874)	
<u>(1,675,339)</u>	<u>(331,874)</u>	<u>(2,007,213)</u>	
			<u>(62)</u>
895,032	-	895,032	-
337,430	-	337,430	-
300,880	-	300,880	-
309,422	-	309,422	-
3,186	19,692	22,878	773
40,258	-	40,258	-
(18,285)	18,285	-	-
<u>1,867,923</u>	<u>37,977</u>	<u>1,905,900</u>	<u>773</u>
192,584	(293,897)	(101,313)	711
1,554,127	2,063,982	3,618,109	46,725
<u>\$ 1,746,711</u>	<u>1,770,085</u>	<u>3,516,796</u>	<u>47,436</u>
\$ 486,315	-	486,315	-
251,877	33,842	285,719	-
185,056	-	185,056	-
-	29,978	29,978	-
-	1,067,308	1,067,308	-
100,171	-	100,171	-
723,292	638,957	1,362,249	47,436
<u>\$ 1,746,711</u>	<u>1,770,085</u>	<u>3,516,796</u>	<u>47,436</u>

City of Wilton

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

As of and for the year ended June 30, 2014

	Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax
Receipts:				
Property tax	\$ 697,075	-	-	-
Tax increment financing	-	-	300,880	-
Other city tax	22,107	-	-	309,422
Licenses and permits	37,377	-	-	-
Use of money and property	36,175	-	-	130
Intergovernmental	97,297	280,251	-	-
Charges for service	10,859	-	-	-
Miscellaneous	80,162	-	-	-
Total receipts	981,052	280,251	300,880	309,552
Disbursements:				
Operating:				
Public safety	370,062	-	-	-
Public works	83,744	211,004	-	-
Health and social services	4,952	-	-	-
Culture and recreation	353,811	-	-	-
Community and economic development	1,902	-	201,636	-
General government	341,313	-	-	-
Debt service	24,000	-	-	-
Total disbursements	1,179,784	211,004	201,636	-
Excess (deficiency) of receipts over (under) disbursements	(198,732)	69,247	99,244	309,552
Other financing sources (uses):				
Transfers in	487,438	-	-	-
Transfers out	-	-	-	(309,552)
Total other financing sources (uses)	487,438	-	-	(309,552)
Change in cash balances	288,706	69,247	99,244	-
Cash balances beginning of year	648,269	220,897	36,993	-
Cash balances end of year	\$ 936,975	290,144	136,237	-
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ 196,171	290,144	-	-
Debt service	-	-	136,237	-
Employee benefits	-	-	-	-
Police department	5,863	-	-	-
Library	11,649	-	-	-
Other purposes	-	-	-	-
Unrestricted	723,292	-	-	-
Total cash basis fund balances	\$ 936,975	290,144	136,237	-

See notes to financial statements.

Debt Service	Nonmajor	Total
332,786	174,539	1,204,400
-	-	300,880
4,644	1,311	337,484
-	-	37,377
2,706	487	39,498
-	-	377,548
-	-	10,859
94,301	90,999	265,462
434,437	267,336	2,573,508
-	97,043	467,105
-	49,303	344,051
-	-	4,952
-	11,570	365,381
-	-	203,538
-	53,439	394,752
558,860	-	582,860
558,860	211,355	2,362,639
(124,423)	55,981	210,869
-	-	487,438
(196,171)	-	(505,723)
(196,171)	-	(18,285)
(320,594)	55,981	192,584
436,234	211,734	1,554,127
115,640	267,715	1,746,711
-	-	486,315
115,640	-	251,877
-	185,056	185,056
-	-	5,863
-	-	11,649
-	82,659	82,659
-	-	723,292
115,640	267,715	1,746,711

Exhibit C

City of Wilton

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

As of and for the year ended June 30, 2014

	Enterprise			
	Water	Sewer	Garbage	Total
Operating receipts:				
Charges for service	\$ 451,789	415,561	295,326	1,162,676
Miscellaneous	14,800	-	-	14,800
Total operating receipts	466,589	415,561	295,326	1,177,476
Operating disbursements:				
Business type activities	281,876	239,737	274,917	796,530
Excess of operating receipts over operating disbursements	184,713	175,824	20,409	380,946
Non-operating receipts (disbursements):				
Interest on investments	8,419	8,588	2,685	19,692
Debt service	(74,350)	(114,184)	-	(188,534)
Capital improvements	(122,635)	(370,396)	(31,255)	(524,286)
Net non-operating receipts (disbursements)	(188,566)	(475,992)	(28,570)	(693,128)
Excess (deficiency) of receipts over (under) disbursements	(3,853)	(300,168)	(8,161)	(312,182)
Transfers:				
Transfers in	-	154,776	-	154,776
Transfers out	(91,491)	(45,000)	-	(136,491)
Total transfers	(91,491)	109,776	-	18,285
Change in cash balances	(95,344)	(190,392)	(8,161)	(293,897)
Cash balances beginning of year	580,210	1,445,945	37,827	2,063,982
Cash balances end of year	\$ 484,866	1,255,553	29,666	1,770,085
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ 2,967	30,875	-	33,842
Customer deposits	29,978	-	-	29,978
Capital projects	-	1,067,308	-	1,067,308
Unrestricted	451,921	157,370	29,666	638,957
Total cash basis fund balances	\$ 484,866	1,255,553	29,666	1,770,085

See notes to financial statements.

City of Wilton

Notes to Financial Statements

June 30, 2014

(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 1855 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 52278.

Jointly Governed Organizations

The City participates in several jointly governed organizations which 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, E911 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. Enabling legislation did not result in any restricted net position.

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 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, 2014, disbursements in the debt service and business type activities functions exceeded the amounts budgeted and disbursements in certain other functions exceeded the amounts budgeted prior to the budget amendment.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2014 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 insure 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. 3, as amended by Statement No. 40.

(3) Bonds and Note Payable

Annual debt service requirements to maturity for general obligation refunding bonds, sewer revenue bonds and the water revenue note are as follows:

Year Ending June 30,	General Obligation Refunding Bonds		Sewer Revenue Bonds		Water Revenue Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 405,000	65,622	104,000	12,040	53,000	34,470	562,000	112,132
2016	415,000	59,547	108,000	10,220	55,000	25,777	578,000	95,544
2017	420,000	53,323	112,000	8,330	57,000	24,061	589,000	85,714
2018	430,000	47,023	117,000	6,370	58,000	22,357	605,000	75,750
2019	435,000	40,572	121,000	4,323	60,000	20,622	616,000	65,517
2020-2024	865,000	131,237	126,000	2,205	328,000	75,106	1,319,000	208,548
2025-2029	535,000	68,453	-	-	301,470	22,914	836,470	91,367
2030-2032	220,000	12,765	-	-	-	-	220,000	12,765
Total	\$ 3,725,000	478,542	688,000	43,488	912,470	225,307	5,325,470	747,337

Sewer Revenue Bonds

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 65% of net receipts. The total principal and interest remaining to be paid on the bonds is \$731,488. For the current year, principal and interest paid and total customer net receipts were \$113,790 and \$175,824, respectively.

The resolution providing for the issuance of the sewer revenue bonds issued under an agreement between the City, the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. includes 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.

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.

Water Revenue Note

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 40% of net receipts. The total principal and interest remaining to be paid on the note is \$1,137,777. For the current year, principal and interest paid and total customer net receipts were \$74,350 and \$184,713, 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 did not make the required transfers to the water revenue note sinking account as required by the water revenue note resolution.

Eastern Iowa Light and Power Cooperative Loan

On May 10, 2010, the City entered into a loan agreement with Eastern Iowa Light and Power Cooperative for \$96,000 to assist in financing the construction of a new Library and Community Center for the City. The loan is interest free and requires four annual payments of \$24,000, beginning May 1, 2012. The City plans to repay the loan through the General Fund. At June 30, 2014, the City had paid \$72,000, leaving an outstanding loan balance of \$24,000.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$74,055, \$68,670 and \$64,803, respectively, equal to the required contributions for each year.

(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 compensated absences payable to employees, primarily relating to the General Fund, totaled approximately \$35,400 at June 30, 2014. This liability has been computed based on rates of pay in effect at June 30, 2014.

(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. There are 16 active and no retired members in the plan.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$450 for single coverage and \$1,382 for family coverage. For the year ended June 30, 2014, the City contributed \$180,201 and plan members eligible for benefits contributed \$45,050 to the plan.

(7) Industrial Development Revenue Bonds

The City has issued a total of \$7,800,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$5,050,570 is outstanding at June 30, 2014. 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 ten 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 2028. 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, 2014 was \$153,373. The total cumulative amount rebated since inception of the agreements is \$1,568,971. The estimated outstanding principal balance of the rebate agreements at June 30, 2014 is approximately \$408,200.

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, 2014, the City paid \$30,000 under the agreement. At June 30, 2014, the cumulative amount paid is \$60,000, leaving a balance of \$150,000.

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

Six of the eleven 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 five 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, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Debt Service	\$ 196,171
	Special Revenue:	
	Local Option Sales Tax	154,776
	Enterprise:	
	Water	91,491
	Sewer	45,000
		<u>487,438</u>
Enterprise:		
Sewer	Special Revenue:	
	Local Option Sales Tax	154,776
Total		<u>\$ 642,214</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 pursuant to Chapter 28E of the Code of Iowa to operate a public swimming pool. The pool was constructed by the District upon 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, 2014 is as follows:

Receipts	\$ 161,623
Disbursements	<u>145,966</u>
Receipts over disbursements	15,657
Cash and investments beginning of year	33,973
Cash and investments end of year	<u>\$ 49,630</u>

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

(12) Subsequent Events

In July 2014, the City approved a new contract for the purchase of a new fire department tanker, accessories and bunker gear totaling \$295,000. The City also entered into a construction contract for \$259,174 for the Locust Street sanitary sewer project.

(13) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

Other Information

City of Wilton
 Budgetary Comparison Schedule
 of Receipts, Disbursements and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted	Total
Receipts:				
Property tax	\$ 1,204,400	-	-	1,204,400
Tax increment financing	300,880	-	-	300,880
Other city tax	337,484	-	-	337,484
Licenses and permits	37,377	-	-	37,377
Use of money and property	39,498	19,692	111	59,079
Intergovernmental	377,548	-	-	377,548
Charges for service	10,859	1,162,676	-	1,173,535
Miscellaneous	265,462	14,800	57,348	222,914
Total receipts	<u>2,573,508</u>	<u>1,197,168</u>	<u>57,459</u>	<u>3,713,217</u>
Disbursements:				
Public safety	467,105	-	28,597	438,508
Public works	344,051	-	-	344,051
Health and social services	4,952	-	-	4,952
Culture and recreation	365,381	-	1,895	363,486
Community and economic development	203,538	-	-	203,538
General government	394,752	-	-	394,752
Debt service	582,860	-	-	582,860
Business type activities	-	1,509,350	-	1,509,350
Total disbursements	<u>2,362,639</u>	<u>1,509,350</u>	<u>30,492</u>	<u>3,841,497</u>
Excess (deficiency) of receipts over (under) disbursements	210,869	(312,182)	26,967	(128,280)
Other financing sources (uses), net	(18,285)	18,285	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	192,584	(293,897)	26,967	(128,280)
Balances beginning of year	1,554,127	2,063,982	54,701	3,563,408
Balances end of year	<u>\$ 1,746,711</u>	<u>1,770,085</u>	<u>81,668</u>	<u>3,435,128</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to Total Variance
Original	Final	
1,202,590	1,202,590	1,810
330,000	330,000	(29,120)
180,938	180,938	156,546
3,000	5,000	32,377
77,800	80,800	(21,721)
511,000	511,000	(133,452)
970,300	970,300	203,235
63,250	63,250	159,664
<u>3,338,878</u>	<u>3,343,878</u>	<u>369,339</u>
454,276	494,276	55,768
351,791	391,791	47,740
4,700	5,000	48
381,544	381,544	18,058
206,703	206,703	3,165
342,941	417,941	23,189
392,704	392,704	(190,156)
1,128,940	1,487,940	(21,410)
<u>3,263,599</u>	<u>3,777,899</u>	<u>(63,598)</u>
75,279	(434,021)	305,741
-	-	-
75,279	(434,021)	305,741
3,439,951	3,439,951	123,457
<u>3,515,230</u>	<u>3,005,930</u>	<u>429,198</u>

City of Wilton

Notes to Other Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented as Other Information 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 \$514,300. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements in the debt service and business type activities functions exceeded the amounts budgeted and disbursements in certain functions exceeded the amounts budgeted prior to the budget amendment.

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, 2014

	Special Revenue		
	Group Health Insurance	Road Equipment Reserve	Friends of the Wilton Public Library
Receipts:			
Property tax	\$ 174,539	-	-
Other city tax	1,311	-	-
Use of money and property	375	-	87
Miscellaneous	33,651	-	9,820
Total receipts	209,876	-	9,907
Disbursements:			
Operating:			
Public safety	68,446	-	-
Public works	49,303	-	-
Culture and recreation	9,675	-	1,895
General government	53,439	-	-
Total disbursements	180,863	-	1,895
Excess of receipts over disbursements	29,013	-	8,012
Cash balances beginning of year	156,043	167	26,182
Cash balances end of year	\$ 185,056	167	34,194
Cash Basis Fund Balances			
Restricted for:			
Employee benefits	\$ 185,056	-	-
Other purposes	-	167	34,194
Total	\$ 185,056	167	34,194

See accompanying independent auditor's report.

Wilton		
Volunteer		
Fire Department	Capital Projects	Total
-	-	174,539
-	-	1,311
24	1	487
47,528	-	90,999
47,552	1	267,336
28,597	-	97,043
-	-	49,303
-	-	11,570
-	-	53,439
28,597	-	211,355
18,955	1	55,981
28,519	823	211,734
47,474	824	267,715
-	-	185,056
47,474	824	82,659
47,474	824	267,715

City of Wilton
Schedule of Indebtedness
Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation corporate purpose and refunding bonds	March 26, 2013	1.50-2.90%	\$ 4,100,000
Sewer revenue bonds	Dec 13, 1999	1.75%	\$ 1,794,000
Water revenue note	Jul 7, 2008	2.95-3.94%	\$ 1,200,000
Special pledge revenue loan anticipation project note	March 1, 2010	2.25%	\$ 648,095
Eastern Iowa Light and Power Cooperative loan	May 10, 2010	0%	\$ 96,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
4,100,000	-	375,000	3,725,000	89,060
788,000	-	100,000	688,000	13,790
963,000	-	50,530	912,470	23,820
92,660	-	92,660	-	1,640
48,000	-	24,000	24,000	-

City of Wilton

City of Wilton
Bond and Note Maturities
June 30, 2014

Year Ending June 30,	General Obligation Corporate Purpose and Refunding Bonds		Sewer Revenue Bonds		Water Revenue Note	
	Issued Mar 26, 2013		Issued Dec 13, 1999		Issued Jul 7, 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2015	1.50%	\$ 405,000	1.75%	\$ 104,000	* 2.95%	\$ 53,000
2016	1.50	415,000	1.75	108,000	2.95	55,000
2017	1.50	420,000	1.75	112,000	2.95	57,000
2018	1.50	430,000	1.75	117,000	2.95	58,000
2019	1.50	435,000	1.75	121,000	2.95	60,000
2020	1.50	440,000	1.75	126,000	2.95	62,000
2021	2.00	105,000		-	2.95	64,000
2022	2.00	105,000		-	2.95	66,000
2023	2.00	105,000		-	2.95	67,000
2024	2.00	110,000		-	2.95	69,000
2025	2.20	115,000		-	2.95	72,000
2026	2.20	115,000		-	2.95	74,000
2027	2.45	115,000		-	2.95	76,000
2028	2.45	120,000		-	2.95	79,470
2029	2.70	70,000		-		-
2030	2.70	70,000		-		-
2031	2.90	75,000		-		-
2032	2.90	75,000		-		-
Total		<u>\$ 3,725,000</u>		<u>\$ 688,000</u>		<u>\$ 912,470</u>

* Interest rate in effect from September 9, 2013 through June 1, 2018. The interest rate will be adjusted on June 1, 2018 and 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.

City of Wilton

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

For the Last Ten Years

	2014	2013	2012	2011
Receipts:				
Property tax	\$ 1,204,400	1,192,643	1,148,723	1,084,877
Tax increment financing	300,880	244,140	236,455	325,502
Other city tax	337,484	311,625	315,634	296,359
Licenses and permits	37,377	37,609	38,905	34,180
Use of money and property	39,498	39,343	39,865	32,048
Intergovernmental	377,548	358,369	363,569	376,791
Charges for service	10,859	9,148	11,147	32,540
Special assessments	-	212	10,175	11,211
Miscellaneous	265,462	198,011	428,221	391,139
Total	\$ 2,573,508	2,391,100	2,592,694	2,584,647
Disbursements:				
Operating:				
Public safety	\$ 467,105	478,537	481,639	462,448
Public works	344,051	342,494	336,956	396,078
Health and social services	4,952	4,834	4,570	4,372
Culture and recreation	365,381	384,010	384,566	330,445
Community and economic development	203,538	224,195	246,222	242,391
General government	394,752	332,480	345,013	323,960
Debt service	582,860	3,143,549	689,927	579,656
Capital projects	-	-	1,000	754,248
Total	\$ 2,362,639	4,910,099	2,489,893	3,093,598

See accompanying independent auditor's report.

2010	2009	2008	2007	2006	2005
1,045,346	1,003,589	927,919	1,014,582	982,361	976,515
-	17,921	123,703	147,003	141,591	122,677
179,452	187,122	167,839	190,298	177,478	165,013
33,374	29,705	27,575	5,053	5,328	5,646
31,036	37,645	144,468	147,939	101,118	22,601
796,921	324,066	340,477	302,460	311,113	358,111
14,118	22,264	14,806	24,311	14,576	24,041
12,122	15,361	18,039	24,775	28,580	50,173
1,620,402	72,447	99,139	72,752	109,211	93,895
3,732,771	1,710,120	1,863,965	1,929,173	1,871,356	1,818,672
437,224	720,529	623,642	365,920	416,653	488,160
408,378	385,730	359,788	375,312	527,600	321,655
4,062	4,463	5,313	2,796	3,852	4,738
233,911	256,883	185,894	237,842	198,047	194,888
250,821	183,223	4,462	1,050	945	610
347,337	328,212	350,148	306,953	386,405	317,840
355,650	359,467	641,057	654,458	612,543	519,410
2,661,986	-	-	-	-	-
4,699,369	2,238,507	2,170,304	1,944,331	2,146,045	1,847,301

City of Wilton



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Mary Mosiman, CPA
Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with 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, 2014, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 8, 2014. 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 the 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 the City of Wilton's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 were not 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 the 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 deficiency described in the accompanying Schedule of Findings as item (C) to be a significant deficiency.

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, 2014 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.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 8, 2014

City of Wilton

Schedule of Findings

Year ended June 30, 2014

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. One person had control over each of the following areas for the City:
- (1) Cash – preparing bank reconciliations, signing checks and recording cash. There is no evidence of independent review of the bank reconciliations.
 - (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.
 - (3) Journal entries – There is no evidence of independent review of journal entries.

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. There is no evidence of independent review of the bank reconciliations.
- (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 – handling and recording cash. There is no evidence of independent review of the bank reconciliations.
- (2) Receipts – opening mail, collecting and depositing.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, the Library, the Foundation and the Fire Department should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. A monthly reconciliation of the book and bank balances should be prepared, reviewed and retained. The review should be documented by the signature or initials of the reviewer and the date of review.

Response – The City will make the appropriate recommendations to the Library, the Foundation and the Fire Department to increase oversight of their finances.

When journal entries are made, someone else from the City Hall staff will review these entries and sign off on them.

Conclusion – Response acknowledged. The City should also review its control procedures for cash and receipts as described above.

City of Wilton

Schedule of Findings

Year ended June 30, 2014

(B) Financial Reporting – During the audit, we identified material amounts of receipts and disbursements recorded in incorrect funds in the City’s financial records. These misclassifications included:

- (1) Township contribution receipts of \$70,727 were classified as “miscellaneous” rather than “intergovernmental” receipts.
- (2) Township contribution receipts of \$5,324 were classified as “use of money and property” rather than “intergovernmental” receipts.
- (3) Donations of \$94,301 from the Wilton Community Foundation for the Library Community Center Project were not recorded in the City’s financial records.
- (4) A debt payment of \$24,000 on the Eastern Iowa Light and Power loan was paid out of the Special Revenue, Urban Renewal Tax Increment Fund instead of the General Fund as required by the resolution.
- (5) Transfers between individual subfund sewer accounts of \$100,400 and \$24,034 were incorrectly classified as “debt service” expenditures rather than transfers.

Adjustments were subsequently made by the City to properly report the amounts in the City’s financial statements.

Recommendation – The City should implement procedures to ensure receipts and expenditures are properly recorded and classified in the City’s financial statements.

Response – Corrections have been made at the Auditor’s request. Future budgets will be mindful of which fund should be used. The donations for the Community Center will now be deposited to a restricted fund.

Conclusion – Response accepted.

(C) Computer Systems – During our review of internal control, existing control activities in the City’s computer systems were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. The City does not have written policies for storing back-up tapes at an appropriate off-site location. In addition, although the City has a disaster recovery plan, the plan does not include identification of critical applications.

Recommendation – The City should develop written policies addressing the storage of back-up tapes at an appropriate off-site location. Additionally, the City should review and modify the current disaster recovery plan to include a listing of the critical applications of the City.

Response – The City is reviewing and updating its computer policies. We will likely be storing back-up information in an offsite location.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Wilton

Schedule of Findings

Year ended June 30, 2014

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Chapter 384.16 of the Code of Iowa states, in part, “Notice of the public hearing on the budget must be published not less than ten nor more than twenty days before the hearing.” The notice of public hearing was published only 7 days prior to the hearing. Also, disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the debt service and business type activities functions. In addition, disbursements exceeded the amounts budgeted prior to the budget amendment in the general government 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 – Notice of the public hearing on the budget should have been published not less than ten nor more than twenty days before the hearing as required by Chapter 384.16 of the Code of Iowa. The budget should have been amended in sufficient amounts as required by Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The initial problem of publication was due to a miscommunication between the City and the newspaper company and has since been corrected. The City will continue to try to improve the process for budget amendments.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted.

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, 2014, \$1,982 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 City will draw up the proper documentation for what items this allowance can be spent on.

City of Wilton

Schedule of Findings

Year ended June 30, 2014

Conclusion – Response acknowledged. Per IRS regulations, in order for these allowances to be nontaxable, the work clothes and related reimbursements must meet the accountable plan rules and 1) be specifically required as a condition of employment, 2) not be adaptable to general usage as ordinary clothing and 3) not be worn for general usage. The City should also determine whether the clothing allowances meet the above criteria and adjust taxable income accordingly if they do not.

- (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	\$7,511

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 Note – The City did not make sufficient transfers from the Enterprise, Water Fund to the water revenue note sinking account for the revenue note payments as required by the revenue note resolution.

Recommendation – The City should make sufficient transfers from the Enterprise, Water Fund to the water revenue note sinking account sufficient to pay the revenue note payments as required.

Response – The revenue note was paid directly from the Enterprise Fund instead of making the transfer. The City will make the appropriate transfers in the future.

Conclusion – Response accepted.

City of Wilton

Schedule of Findings

Year ended June 30, 2014

- (9) Tax Increment Financing (TIF) Indebtedness Certification - Chapter 403.19 of the Code of Iowa provides a municipality shall certify indebtedness to the County Auditor. Such certification makes it a duty of the County Auditor to provide for the division of property tax to repay the certified indebtedness and, as such, the County Auditor shall provide incremental property tax in subsequent fiscal years without further certification until the amount of certified indebtedness is paid to the City. Indebtedness incurred is to be certified to the County Auditor and then the divided property tax is to be used to pay the principal of and interest on the certified indebtedness.

The City has ten rebate agreements, of which five contain an annual appropriation clause. For the remaining five rebate agreements which do not contain an annual appropriation clause, the City only certifies to the County Auditor the portion of TIF indebtedness to be collected in the subsequent fiscal year. Chapter 403.19(6) of the Code of Iowa requires total TIF obligations to be certified.

Recommendation – The City should certify the total TIF obligation as required.

Response – It is the City Administrator’s position that it is easier and clearer to budget, if all rebate agreements are certified annually. On the Annual TIF report filed with the state, these rebates will be classified appropriately and will continue to be in the future.

Conclusion – Response accepted.

- (10) Urban Renewal Annual Report – The Urban Renewal Annual Report was approved and certified to the Iowa Department of Management on or before December 1. However, the amount reported by the City as TIF debt outstanding was understated by approximately \$500,000, primarily as a result of the City not including the total TIF debt outstanding for rebate agreements with annual appropriation clauses.

Recommendation – The City should ensure the total TIF debt outstanding is properly reported on the Levy Authority Summary.

Response – This mistake had been brought to my attention before the Auditor’s comment. The report will be corrected this year moving forward.

Conclusion – Response accepted.

City of Wilton
Staff

This audit was performed by:

Suzanne R. Dahlstrom, CPA, Manager
Gwen D. Fangman, CPA, Senior Auditor II
Kaylynn D. Short, Staff Auditor
Zack D. Kubik, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State