



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

January 20, 2016

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515/281-5834

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

The City's receipts totaled \$4,695,873 for the year ended June 30, 2015, a 49.1% increase over the prior year. The receipts included \$577,775 of property tax, \$355,216 of tax increment financing, \$116,428 of local option sales tax, \$890,594 from charges for service, \$362,411 from operating grants, contributions and restricted interest, \$500,073 from capital grants and contributions, \$1,452 of unrestricted interest on investments, \$22,630 of other general receipts and \$1,869,294 of bond/note proceeds.

Disbursements for the year ended June 30, 2015 totaled \$4,554,972, a 45.6% increase over the prior year, and included \$440,536 for debt service, \$389,191 for public safety and \$371,256 for public works. Also, disbursements for business type activities totaled \$2,926,552.

The significant increase in receipts and disbursements is primarily due to grants and bond proceeds received in the current year and disbursed for wastewater treatment plant improvements.

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/1520-0562-B00F.pdf>.

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CITY OF WAPELLO

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

JUNE 30, 2015

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City of Wapello

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Shawn Maine	Mayor	Jan 2016
Kenny Marlette	Mayor Pro tem	Jan 2018
Troy Mitchell	Council Member	Jan 2016
Brett Shafer	Council Member	Jan 2016
Andy Truitt	Council Member	(Resigned)
Richard Taylor (Appointed)	Council Member	Nov 2015
Larry Wagg	Council Member	Jan 2016
Roger Noble	Council Member	Jan 2018
Eric Small	Council Member	Jan 2018
Mike Delzell	City Clerk	Indefinite
Cindy Bockes	Deputy Clerk	Indefinite
Jay Schweitzer and Tim Wink	Attorneys	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, 2015, 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, 2015, 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 to the financial statements, 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.

Emphasis of a Matter

As discussed in Note 4 to the financial statements, the City of Wapello adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. 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, 2014 (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 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

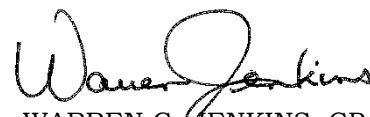
The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial 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, 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 7 through 12 and 32 through 39, 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 17, 2015 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 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 Wapello's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Wapello 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, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 28.7%, or approximately \$664,000, from fiscal year 2014 to fiscal year 2015. The decrease was primarily due to bond proceeds received in the prior year. Charges for service decreased approximately \$11,000, operating grants, contributions and restricted interest increased approximately \$70,000 and local option sales tax decreased approximately \$26,000.
- Disbursements of the City's governmental activities decreased 33.7%, or approximately \$829,000, from fiscal year 2014 to fiscal year 2015. The decrease was largely due to a decrease in capital projects disbursements of approximately \$1,103,000 due to construction of a swimming pool in the prior year. Public works disbursements increased approximately \$89,000, culture and recreation disbursements increased approximately \$74,000 and debt service disbursements increased approximately \$70,000.
- The City's total cash basis net position increased 12.2%, or approximately \$141,000, from June 30, 2014 to June 30, 2015. Of this amount, the cash basis net position of the governmental activities increased approximately \$102,000 and the cash basis net position of the business type activities increased approximately \$40,000.

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 and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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, culture and recreation, general government, debt service and capital projects. Property tax and state grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. 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, Tax Increment Financing, Local Option Sales Tax and Employee Benefits, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent 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 two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

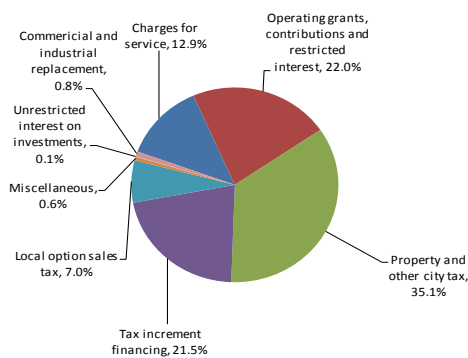
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

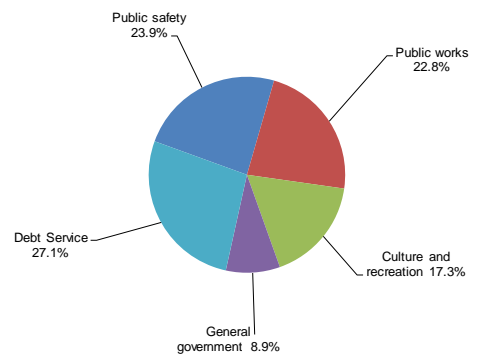
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from approximately \$729,000 to approximately \$831,000 during the year. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service	\$ 213	224
Operating grants, contributions and restricted interest	362	292
General receipts:		
Property and other city tax	578	529
Tax increment financing	355	331
Local option sales tax	116	142
Unrestricted interest on investments	2	1
Bond/note proceeds	-	775
Commercial and industrial replacement	13	-
Miscellaneous	10	19
Total receipts	1,649	2,313
Disbursements:		
Public safety	389	359
Public works	371	282
Culture and recreation	282	208
General government	145	134
Debt service	441	371
Capital projects	-	1,103
Total disbursements	1,628	2,457
Change in cash basis net position before transfers	21	(144)
Transfers, net	81	36
Change in cash basis net position	102	(108)
Cash basis net position beginning of year	729	837
Cash basis net position end of year	\$ 831	729

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 28.7%, or approximately \$664,000, from the prior year. The total cost of all programs and services decreased approximately \$829,000, or 33.7%. The receipts and disbursements decreased from the prior year due to swimming pool construction completed in the prior year.

The City's property tax collections increased 9.3% during fiscal year 2015. The increase was primarily due to an increase in taxable property valuations and an increase in the debt service levy to pay the principal and interest on the general obligation swimming pool debt issued in the prior year.

The cost of all governmental activities this year was approximately \$1,628,000, compared to approximately \$2,457,000 last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 14 and 15, the amount taxpayers ultimately financed for these activities was \$1,052,852 because some of the cost was paid by those who directly benefited from the programs (\$212,977) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$362,411).

Changes in Cash Basis Net Position of Business Type Activities		
(Expressed in Thousands)		
	Year Ended June 30,	
	2015	2014
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 221	209
Sewer	457	432
Capital grants and contributions	500	6
General receipts:		
Bond/note proceeds	1,869	189
Total receipts	<u>3,047</u>	<u>836</u>
Disbursements:		
Water	183	176
Sewer	2,743	496
Total disbursements	<u>2,926</u>	<u>672</u>
Change in cash basis net position before transfers	121	164
Transfers, net	(81)	(36)
Change in cash basis net position	40	128
Cash basis net position beginning of year	421	293
Cash basis net position end of year	<u>\$ 461</u>	<u>421</u>

Total business type activities receipts for fiscal year 2015 were approximately \$3,047,000 compared to approximately \$836,000 last year due to issuance of sewer revenue bonds and general obligation notes and the receipt of a Community Development Block Grant in fiscal year 2015. Total disbursements for fiscal year 2015 increased approximately \$2,254,000, or 335.4%, due to wastewater treatment plant improvements. Cash basis net position increased approximately \$40,000 over the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Wapello completed the year, its governmental funds reported a combined cash balance of \$830,553, an increase of \$101,203 over last year's total of \$729,350. The following are reasons for significant changes in cash balances, if any, of the major funds from the prior year.

- The General Fund cash balance decreased \$75,989, or 17.4%, from the prior year. This decrease was primarily due to a \$127,340 increase in operating disbursements.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$11,535 from the prior year, primarily due to an increase in public works disbursements.
- The Special Revenue, Tax Increment Financing Fund cash balance increased \$64,588 from the prior year, primarily due to an increase in tax increment financing receipts. Transfers out to the Debt Service Fund totaled \$293,241 for repayment of tax increment financing obligations.
- The Special Revenue, Local Option Sales Tax (LOST) Fund cash balance increased \$53,424. No transfers out were recorded in the current fiscal year.
- The Special Revenue, Employee Benefits Fund cash balance increased \$84,072 from the prior year. No transfers out were recorded in the current fiscal year.
- The Debt Service Fund cash balance decreased \$13,357 from the prior year. Receipts increased \$57,710 over the prior year. Disbursements increased \$69,019 over the prior year due to payments made on the general obligation swimming pool debt issued in the prior year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$2,670 to \$118,237.
- The Enterprise, Sewer Fund cash balance increased \$37,208 to \$343,017. The increase is primarily due to an increase in sewer rates.

- **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 7, 2015 and resulted in an increase of \$1,158,526 in budgeted receipts and other financing sources, primarily due to grant receipts and sewer revenue bond proceeds. Budgeted disbursements also increased \$1,105,803 for disbursing grants, repair of hail damage and storm sewer and wastewater treatment plant improvements.

The City's receipts were \$81,184 less than budgeted while disbursements were \$239,403 less than the amended budget. Disbursements in the public works and debt service functions exceeded the amounts budgeted.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$5,005,551 of bonds, notes and other long-term debt outstanding, compared to \$3,792,237 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2015	2014
General obligation bonds/notes	\$ 1,855,000	2,150,000
Revenue bonds	3,129,718	1,488,424
Sewer revenue project anticipation note	-	124,416
Iowa Department of Public Safety loan	16,000	20,000
Capital lease purchase agreement	4,833	9,397
Total	\$ 5,005,551	3,792,237

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 \$1,875,833 is significantly below its constitutional debt limit of approximately \$4.2 million. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Wapello's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget, tax rates and fees charged for various City activities. Circumstances which could significantly affect its financial health in the future are as follows:

The City is working on an Administrative Consent Order to separate storm and sanitary sewers by September 1, 2020.

The City began work on a wastewater treatment plant improvement project to meet the Iowa Department of Natural Resources compliance schedule.

The City had a master plan created for its North Park and will be implementing the master plan as funding becomes available.

The Wapello Firemen have asked the City Council to consider building a new fire station.

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, contact Mike Delzell, City Clerk, 335 North Main Street, Wapello, Iowa 52653.

Basic Financial Statements

City of Wapello

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 389,191	10,581	38,234	-
Public works	371,256	139,021	286,260	-
Culture and recreation	282,366	40,741	37,917	-
General government	144,891	22,634	-	-
Debt service	440,536	-	-	-
Total governmental activities	1,628,240	212,977	362,411	-
Business type activities:				
Water	183,677	220,859	-	50
Sewer	2,742,875	456,758	-	500,023
Total business type activities	2,926,552	677,617	-	500,073
Total Primary Government	\$ 4,554,792	890,594	362,411	500,073
Component Unit:				
Wapello Fire and Rescue, Inc.	\$ 35,896	-	42,899	-
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				
Bond/note proceeds				
Commercial and industrial replacement				
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:				
Urban renewal purposes				
Parks and recreation				
Fire and rescue purposes				
Library purposes				
Local option sales tax purposes				
Employee benefits				
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.
(340,376)	-	(340,376)	
54,025	-	54,025	
(203,708)	-	(203,708)	
(122,257)	-	(122,257)	
(440,536)	-	(440,536)	
(1,052,852)	-	(1,052,852)	
-	37,232	37,232	
-	(1,786,094)	(1,786,094)	
-	(1,748,862)	(1,748,862)	
(1,052,852)	(1,748,862)	(2,801,714)	
			7,003
\$ 514,190	-	514,190	-
63,585	-	63,585	-
355,216	-	355,216	-
116,428	-	116,428	-
1,452	-	1,452	-
-	1,869,294	1,869,294	-
13,027	-	13,027	-
9,603	-	9,603	-
80,554	(80,554)	-	-
1,154,055	1,788,740	2,942,795	-
101,203	39,878	141,081	7,003
729,350	421,376	1,150,726	141,358
\$ 830,553	461,254	1,291,807	148,361
\$ 30,000	-	30,000	-
87,154	-	87,154	-
127,135	-	127,135	-
-	-	-	148,361
41,020	-	41,020	-
133,495	-	133,495	-
92,865	-	92,865	-
102,057	-	102,057	-
-	18,502	18,502	-
37,182	-	37,182	-
-	66,402	66,402	-
179,645	376,350	555,995	-
\$ 830,553	461,254	1,291,807	148,361

City of Wapello

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

As of and for the year ended June 30, 2015

	General	Special Revenue		
		Road Use Tax	Tax Increment Financing	Local Option Sales Tax
Receipts:				
Property tax	\$ 431,461	-	-	-
Tax increment financing	-	-	355,216	-
Other city tax	-	-	-	116,428
Licenses and permits	23,688	-	-	-
Use of money and property	5,751	-	-	-
Intergovernmental	130,014	215,044	3,633	-
Charges for service	164,844	-	-	-
Miscellaneous	54,105	-	-	-
Total receipts	809,863	215,044	358,849	116,428
Disbursements:				
Operating:				
Public safety	326,187	-	-	63,004
Public works	147,500	223,756	-	-
Culture and recreation	282,366	-	-	-
General government	144,891	-	-	-
Debt service	-	-	1,020	-
Total disbursements	900,944	223,756	1,020	63,004
Excess (deficiency) of receipts over (under) disbursements	(91,081)	(8,712)	357,829	53,424
Other financing sources (uses):				
Transfers in	15,092	-	-	-
Transfers out	-	(2,823)	(293,241)	-
Total other financing sources (uses)	15,092	(2,823)	(293,241)	-
Change in cash balances	(75,989)	(11,535)	64,588	53,424
Cash balances beginning of year	437,053	113,592	22,566	80,071
Cash balances end of year	\$ 361,064	102,057	87,154	133,495
Cash Basis Fund Balances				
Nonspendable - Library bequest	\$ -	-	-	-
Restricted for:				
Urban renewal purposes	-	-	87,154	-
Parks and recreation	127,135	-	-	-
Library purposes	41,020	-	-	-
Local option sales tax purposes	-	-	-	133,495
Employee benefits	-	-	-	-
Streets	-	102,057	-	-
Capital projects	-	-	-	-
Assigned for police equipment	22,522	-	-	-
Unassigned	170,387	-	-	-
Total cash basis fund balances	\$ 361,064	102,057	87,154	133,495

See notes to financial statements.

Employee Benefits	Debt Service	Nonmajor	Total
82,729	63,585	-	577,775
-	-	-	355,216
-	-	-	116,428
-	-	-	23,688
-	-	-	5,751
1,343	1,048	-	351,082
-	-	-	164,844
-	-	-	54,105
84,072	64,633	-	1,648,889
-	-	-	389,191
-	-	-	371,256
-	-	-	282,366
-	-	-	144,891
-	439,516	-	440,536
-	439,516	-	1,628,240
84,072	(374,883)	-	20,649
-	361,526	-	376,618
-	-	-	(296,064)
-	361,526	-	80,554
84,072	(13,357)	-	101,203
8,793	93	67,182	729,350
92,865	(13,264)	67,182	830,553
-	-	30,000	30,000
-	-	-	87,154
-	-	-	127,135
-	-	-	41,020
-	-	-	133,495
92,865	-	-	92,865
-	-	-	102,057
-	-	37,182	37,182
-	-	-	22,522
-	(13,264)	-	157,123
92,865	(13,264)	67,182	830,553

Exhibit C

City of Wapello

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

As of and for the year ended June 30, 2015

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 205,637	456,591	662,228
Miscellaneous	15,222	167	15,389
Total operating receipts	220,859	456,758	677,617
Operating disbursements:			
Business type activities	183,677	322,345	506,022
Excess of operating receipts over operating disbursements	37,182	134,413	171,595
Non-operating receipts (disbursements):			
Revenue bond proceeds, net of \$10,000 initiation fee	-	1,767,294	1,767,294
General obligation note proceeds	-	102,000	102,000
Community development block grant	-	500,000	500,000
Capital outlay	-	(2,102,344)	(2,102,344)
Debt service	-	(318,186)	(318,186)
Net non-operating receipts (disbursements)	-	(51,236)	(51,236)
Excess of receipts over disbursements	37,182	83,177	120,359
Capital contributions and transfers:			
Special assessments	50	23	73
Transfers out	(34,562)	(45,992)	(80,554)
Net capital contributions and transfers	(34,512)	(45,969)	(80,481)
Change in cash balances	2,670	37,208	39,878
Cash balances beginning of year	115,567	305,809	421,376
Cash balances end of year	\$ 118,237	343,017	461,254
Cash Basis Fund Balances			
Restricted for:			
Debt service	\$ -	18,502	18,502
Customer deposits	66,402	-	66,402
Unrestricted	51,835	324,515	376,350
Total cash basis fund balances	\$ 118,237	343,017	461,254

See notes to financial statements.

City of Wapello

Notes to Financial Statements

June 30, 2015

(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, culture and recreation 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 E911 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 them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on net position use 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 net position 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 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 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 resources 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 incurred, 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-restricted 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, 2015, disbursements exceeded the amounts budgeted in the public works and debt service functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2015 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. 3, as amended by Statement No. 40.

(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		Sewer Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 406,431	34,572	84,000	42,288	490,431	76,860
2017	308,980	20,646	88,000	39,917	396,980	60,563
2018	285,589	25,004	90,000	37,440	375,589	62,444
2019	237,000	20,747	93,000	34,903	330,000	55,650
2020	64,000	17,032	95,000	32,275	159,000	49,307
2021-2025	314,000	59,157	521,000	119,370	835,000	178,527
2026-2030	239,000	17,271	478,000	46,860	717,000	64,131
2031-2033	-	-	71,000	2,385	71,000	2,385
Total	\$ 1,855,000	194,429	1,520,000	355,438	3,375,000	549,867

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, 2015, the City paid principal of \$21,000 and interest of \$8,970 on the bonds. At June 30, 2015, the outstanding principal balance was \$278,000.

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, 2015, the City paid principal of \$37,000 and interest of \$22,860 on the bonds. At June 30, 2015, the outstanding principal balance was \$725,000.

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, 2015, the City paid principal of \$12,000 and interest of \$7,920 on the bonds. At June 30, 2015, the outstanding principal balance was \$252,000.

On September 27, 2013, the City entered into a loan agreement with the Iowa Finance Authority for the issuance of sewer revenue bonds of up to \$393,000 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. At June 30, 2015, the City had drawn down \$293,000 and does not expect to draw additional proceeds on this bond. During the year ended June 30, 2015, the City paid principal of \$12,000 and interest of \$4,256 on the bonds. At June 30, 2015, the outstanding principal balance was \$265,000.

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 .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 will draw down funds upon request to reimburse the City for costs as they are incurred. At June 30, 2015, the City had drawn down \$1,663,718 of the authorized amount. Included in the amount drawn down was the repayment of the outstanding sewer revenue anticipation note of \$124,416. An initiation fee of \$10,000 (.5% of the authorized borrowing for the sewer revenue bonds) was retained by the Iowa Finance Authority during the year ended June 30, 2015 from the proceeds of the sewer revenue bonds. A final repayment schedule has not yet been adopted. During the year ended June 30, 2015, the City paid principal of \$54,000 and interest of \$10,062 on the bonds. At June 30, 2015, the outstanding principal balance was \$1,609,718.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$3,938,000 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 2033. For the year ended June 30, 2015, annual principal and interest payments on the bonds required 141% of net receipts. The total principal and interest remaining to be paid on the bonds issued in June 2005, April 2010 and July 2011 is \$1,875,438. For the current year, principal and interest paid and total customer net receipts were \$190,068 and \$134,413, 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.

The City's sewer net receipts for the year ended June 30, 2015 were less than the required 110% of principal and interest due on the bonds.

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, 2015, the outstanding principal balance was \$16,000.

Capital Lease Purchase Agreement

The City entered into a capital lease purchase agreement to lease a mower with a cost of \$14,515. The following is a schedule of future minimum lease payments, including interest at 5.75% per annum, and the present value of net minimum lease payments under the agreement in effect at June 30, 2015.

Year Ending June 30,	Amount
2016	\$ 5,118
Less amount representing interest	285
Present value of net minimum lease payments	<u>\$ 4,833</u>

Payments under the capital lease purchase agreement totaled \$5,118 for the year ended June 30, 2015.

(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 7401 Register Drive P.O. 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, anytime 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. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

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

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

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 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 percent 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 percent 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 - Effective July 1, 2012, as a result of a 2010 law change, the 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 2015, pursuant to the required rate, Regular members contributed 5.95 percent of pay and the City contributed 8.93 percent for a total rate of 14.88 percent. Protection occupation members contributed 6.76 percent of pay and the City contributed 10.14 percent for a total rate of 16.90 percent.

The City's contributions to IPERS for the year ended June 30, 2015 were \$34,783.

Collective Net Pension Liability, Collective Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions – At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$121,012. The collective net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.0030513 percent, which was a decrease of 0.000702 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows and collective deferred inflows totaled \$13,037, \$7,971 and \$80,976, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2014)	3.00 percent per annum
Rates of salary increase (effective June 30, 2010)	4.00 to 17.00 percent, average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 1996)	7.50 percent, compounded annually, net of investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

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

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	23%	6.31%
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, 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-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate.

	<u>1% Decrease (6.5%)</u>	<u>Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
City's proportionate share of the net pension liability	\$ 299,036	\$ 121,012	\$ (29,187)

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

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 2,823
	Enterprise:	
	Water	6,311
	Sewer	5,958
		<u>15,092</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	293,241
	Enterprise:	
	Water	28,251
	Sewer	40,034
		<u>361,526</u>
Total		<u>\$ 376,618</u>

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

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation 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, 2015, primarily relating to the General Fund and the Enterprise, Water Fund, was approximately \$20,000. This liability has been computed based on rates of pay in effect at June 30, 2015.

(7) 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.

(8) Rebate Agreement

The City has entered into 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. The total amount to be rebated in any fiscal year under the tax increment financing rebate agreements will not exceed 100% for the first year, 80% for the second year, 60% for the third year, 40% for the fourth year and 20% for the fifth year. Under the first agreement, the City has rebated years one through five for a cumulative total of \$8,379, including \$286 rebated during the year ended June 30, 2015. Under the second agreement, the City rebated \$734 during the year ended June 30, 2015.

(9) Interfund Loans

The detail of interfund loans at June 30, 2015 is as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Special Revenue:	Enterprise:	
Tax Increment Financing	Sewer	\$ 193,539

The loan represents amounts paid from the Enterprise, Sewer Fund for costs associated with the City's urban renewal projects. These loans will be repaid through transfers from the Special Revenue, Tax Increment Financing Fund as receipts of the fund become available. During the year ended June 30, 2015, no repayments were made to the Enterprise, Sewer Fund.

(10) Deficit Balance

The Debt Service Fund had a deficit balance of \$13,264 at June 30, 2015. The City is investigating ways to eliminate the deficit.

(11) Construction Commitments

The City has entered into three contracts totaling \$2,853,294 for swimming pool, storm sewer and wastewater treatment plant improvements. As of June 30, 2015, costs of \$2,666,477 have been paid on the contracts. The balance of \$186,817 remaining on the contracts at June 30, 2015 will be paid as work on the projects progress.

(12) Subsequent Event

On August 6, 2015, the City approved a road use tax revenue loan of \$403,000 for downtown improvements.

City of Wapello

Other Information

City of Wapello
 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, 2015

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 577,775	-	577,775
Tax increment financing	355,216	-	355,216
Other city tax	116,428	-	116,428
Licenses and permits	23,688	-	23,688
Use of money and property	5,751	-	5,751
Intergovernmental	351,082	500,000	851,082
Charges for service	164,844	662,228	827,072
Special assessments	-	73	73
Miscellaneous	54,105	15,389	69,494
Total receipts	1,648,889	1,177,690	2,826,579
Disbursements:			
Public safety	389,191	-	389,191
Public works	371,256	-	371,256
Culture and recreation	282,366	-	282,366
Community and economic development	-	-	-
General government	144,891	-	144,891
Debt service	440,536	-	440,536
Capital projects	-	-	-
Business type activities	-	2,926,552	2,926,552
Total disbursements	1,628,240	2,926,552	4,554,792
Excess (deficiency) of receipts over (under) disbursements	20,649	(1,748,862)	(1,728,213)
Other financing sources, net	80,554	1,788,740	1,869,294
Excess of receipts and other financing sources over disbursements and other financing uses	101,203	39,878	141,081
Balances beginning of year	729,350	421,376	1,150,726
Balances end of year	\$ 830,553	461,254	1,291,807

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
579,509	579,509	(1,734)
333,775	333,775	21,441
125,967	135,967	(19,539)
21,375	21,375	2,313
3,400	3,400	2,351
738,261	859,532	(8,450)
838,000	838,000	(10,928)
-	-	73
29,950	136,205	(66,711)
<u>2,670,237</u>	<u>2,907,763</u>	<u>(81,184)</u>
302,848	406,890	17,699
345,915	345,915	(25,341)
255,167	374,525	92,159
3,300	3,300	3,300
156,441	258,952	114,061
439,321	439,321	(1,215)
-	34,578	34,578
<u>2,185,400</u>	<u>2,930,714</u>	<u>4,162</u>
<u>3,688,392</u>	<u>4,794,195</u>	<u>239,403</u>
(1,018,155)	(1,886,432)	158,219
<u>1,075,000</u>	<u>1,996,000</u>	<u>(126,706)</u>
56,845	109,568	31,513
455,171	1,006,348	144,378
<u>512,016</u>	<u>1,115,916</u>	<u>175,891</u>

City of Wapello

Notes to Other Information – Budgetary Reporting

June 30, 2015

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, one budget amendment increased budgeted disbursements by \$1,105,803. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amounts budgeted in the public works and debt service functions.

City of Wapello

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

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Other Information

	<u>2015</u>
City's proportion of the net pension liability	0.0030513%
City's proportionate share of the net pension liability	\$ 121
City's covered-employee payroll	\$ 373
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	32.44%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

City of Wapello

Schedule of City Contributions

Iowa Public Employees' Retirement System
Last 10 Fiscal Years
(In Thousands)

Other Information

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 35	30	32	28
Contributions in relation to the statutorily required contribution	<u>(35)</u>	<u>(30)</u>	<u>(32)</u>	<u>(28)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	\$ 373	336	341	332
Contributions as a percentage of covered-employee payroll	9.38%	8.93%	9.38%	8.43%

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

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
27	26	20	20	18	17
<u>(27)</u>	<u>(26)</u>	<u>(20)</u>	<u>(20)</u>	<u>(18)</u>	<u>(17)</u>
-	-	-	-	-	-
*	*	*	*	*	*

City of Wapello

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current 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 percent per year measured from the member's first unreduced retirement age to a 6 percent reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

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

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL 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.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25 percent to 4.00 percent.
- Lowered the inflation assumption from 3.50 percent to 3.25 percent.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

City of Wapello

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, 2015

	Capital Projects	Permanent Library Bequest	Total
Receipts:			
None	\$ -	-	-
Disbursements:			
None	-	-	-
Change in cash balances	-	-	-
Cash balances beginning of year	37,182	30,000	67,182
Cash balances end of year	\$ 37,182	30,000	67,182
Cash Basis Fund Balances			
Nonspendable - library bequest	\$ -	30,000	30,000
Restricted for capital projects	37,182	-	37,182
Total cash basis fund balances	\$ 37,182	30,000	67,182

See accompanying independent auditor's report.

City of Wapello
Schedule of Indebtedness
Year ended June 30, 2015

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
Storm Sewer	June 19, 2015	2.85	102,000
Total			
Revenue bonds:			
Sewer	Jun 2, 2005	* 3.00%	\$ 447,000
Sewer	Apr 7, 2010	* 3.00	900,000
Sewer	Jul 1, 2011	* 3.00	298,000
Sewer	Sep 27, 2013	* 1.75	293,000
Sewer	Aug 29, 2014	* 2.00	2,000,000
Total			
Sewer revenue anticipation note	Apr 20, 2012	0.00%	\$ 125,000
Iowa Department of Public Safety loan:			
Fire truck	Feb 25, 2009	0.00%	\$ 40,000
Capital lease purchase agreement:			
Mower	Jul 8, 2013	5.75%	\$ 14,515

* 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
1,375,000	-	355,000	1,020,000	15,310
775,000	-	42,000	733,000	22,088
-	102,000	-	102,000	-
<u>\$ 2,150,000</u>	<u>102,000</u>	<u>397,000</u>	<u>1,855,000</u>	<u>37,398</u>
299,000	-	21,000	278,000	8,970
762,000	-	37,000	725,000	22,860
264,000	-	12,000	252,000	7,920
163,424	113,576	12,000	265,000	4,256
-	1,663,718	54,000	1,609,718	10,062
<u>\$ 1,488,424</u>	<u>1,777,294</u>	<u>136,000</u>	<u>3,129,718</u>	<u>54,068</u>
<u>124,416</u>	<u>-</u>	<u>124,416</u>	<u>-</u>	<u>-</u>
<u>20,000</u>	<u>-</u>	<u>4,000</u>	<u>16,000</u>	<u>-</u>
<u>9,397</u>	<u>-</u>	<u>4,564</u>	<u>4,833</u>	<u>554</u>

Schedule 3

City of Wapello
Bond and Note Maturities
June 30, 2015

Year Ending June 30,	General Obligation Bonds/Notes							Total
	Corporate Purpose and Refunding		Swimming Pool		Storm Sewer			
	Issued November 1, 2012		Issued November 20, 2013		Issued June 19, 2015			
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount			
2016	1.00%	\$ 330,000	2.85%	\$ 43,000	2.00%	\$ 33,431	406,431	
2017	1.10	230,000	2.85	45,000	2.00	33,980	308,980	
2018	1.10	205,000	2.85	46,000	2.00	34,589	285,589	
2019	1.25	190,000	2.85	47,000	-	-	237,000	
2020	2.00	15,000	2.85	49,000	-	-	64,000	
2021	2.00	15,000	2.85	50,000	-	-	65,000	
2022	2.00	15,000	2.85	51,000	-	-	66,000	
2023	2.00	20,000	2.85	53,000	-	-	73,000	
2024	-	-	2.85	54,000	-	-	54,000	
2025	-	-	2.85	56,000	-	-	56,000	
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		\$ 1,020,000		\$ 733,000		\$ 102,000	1,855,000	

Year Ending June 30,	Revenue Bonds									
	Sewer		Sewer		Sewer		Sewer			
	Issued June 2, 2005		Issued April 7, 2010		Issued July 1, 2011		Issued September 27, 2013			
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total		
2016	3.00%	\$ 22,000	3.00%	\$ 38,000	3.00%	\$ 12,000	1.75%	\$ 12,000	84,000	
2017	3.00	22,000	3.00	40,000	3.00	13,000	1.75	13,000	88,000	
2018	3.00	23,000	3.00	41,000	3.00	13,000	1.75	13,000	90,000	
2019	3.00	24,000	3.00	42,000	3.00	14,000	1.75	13,000	93,000	
2020	3.00	24,000	3.00	44,000	3.00	14,000	1.75	13,000	95,000	
2021	3.00	25,000	3.00	45,000	3.00	14,000	1.75	14,000	98,000	
2022	3.00	26,000	3.00	46,000	3.00	15,000	1.75	14,000	101,000	
2023	3.00	27,000	3.00	48,000	3.00	15,000	1.75	14,000	104,000	
2024	3.00	28,000	3.00	49,000	3.00	16,000	1.75	15,000	108,000	
2025	3.00	28,000	3.00	51,000	3.00	16,000	1.75	15,000	110,000	
2026	3.00	29,000	3.00	53,000	3.00	17,000	1.75	15,000	114,000	
2027	-	-	3.00	54,000	3.00	17,000	1.75	15,000	86,000	
2028	-	-	3.00	56,000	3.00	18,000	1.75	16,000	90,000	
2029	-	-	3.00	58,000	3.00	19,000	1.75	16,000	93,000	
2030	-	-	3.00	60,000	3.00	19,000	1.75	16,000	95,000	
2031	-	-	-	-	3.00	20,000	1.75	17,000	37,000	
2032	-	-	-	-	-	-	1.75	17,000	17,000	
2033	-	-	-	-	-	-	1.75	17,000	17,000	
Total		\$ 278,000		\$ 725,000		\$ 252,000		\$ 265,000	1,520,000	

See accompanying independent auditor's report.

City of Wapello

City of Wapello

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

For the Last Ten Years

	2015	2014	2013	2012
Receipts:				
Property and other city tax	\$ 577,775	529,190	519,331	496,541
Tax increment financing	355,216	330,625	321,738	284,508
Local option sales tax	116,428	141,845	109,406	112,723
Licenses and permits	23,688	26,277	22,465	22,769
Use of money and property	5,751	5,960	5,226	4,596
Intergovernmental	351,082	249,832	323,947	241,040
Charges for service	164,844	156,276	152,004	155,271
Miscellaneous	54,105	97,983	34,985	42,795
Total	\$ 1,648,889	1,537,988	1,489,102	1,360,243
Disbursements:				
Operating:				
Public safety	\$ 389,191	358,653	336,642	296,015
Public works	371,256	281,825	329,076	364,085
Culture and recreation	282,366	207,566	254,828	274,294
General government	144,891	134,462	161,163	147,258
Debt service	440,536	370,783	1,385,532	336,804
Capital projects	-	1,103,141	339,781	-
Total	\$ 1,628,240	2,456,430	2,807,022	1,418,456

See accompanying independent auditor's report.

2011	2010	2009	2008	2007	2006
470,392	455,657	430,545	427,218	399,536	383,917
254,595	222,588	214,121	193,892	46,601	103,795
156,431	96,180	95,377	83,314	-	-
21,766	23,494	27,991	20,999	21,486	19,373
6,211	4,468	13,720	19,544	28,290	10,014
235,413	254,831	405,834	208,746	198,387	324,316
152,792	143,379	134,384	140,549	135,330	134,159
98,253	123,614	83,750	91,940	122,621	106,014
1,395,853	1,324,211	1,405,722	1,186,202	952,251	1,081,588
329,383	304,288	515,199	281,161	163,328	330,627
364,237	311,414	375,854	359,504	276,829	301,510
358,601	270,496	284,172	234,978	313,630	194,706
104,361	166,137	118,079	139,740	117,799	133,330
238,019	50,350	33,567	33,189	16,595	201,861
-	-	-	-	-	-
1,394,601	1,102,685	1,326,871	1,048,572	888,181	1,162,034

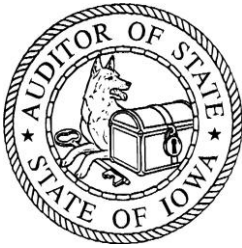
Schedule 5

City of Wapello
Schedule of Expenditures of Federal Awards
June 30, 2015

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
Department of Homeland Security: Assistance of Firefighters Grant	97.044	EMW-2013-FO-03781	\$ 71,216
U.S. Department of Justice: Public Safety Partnership and Community Policing Grants	16.710	2013-DJ-BX-0114	<u>12,458</u>
Total direct			<u>83,674</u>
Indirect:			
U.S. Department of Agriculture Forest Service: Iowa Department of Natural Resources: Cooperative Forestry Assistance	10.664		3,500
U.S. Department of Housing and Urban Development: Iowa Economic Development Authority: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	13-WS-020	479,336
U.S. Department of Transportation: National Highway Traffic Safety Administration: Iowa Department of Public Safety: State and Community Highway Safety	20.660	PAP 15-402-MOOP	<u>1,407</u>
Total indirect			<u>484,243</u>
Total			<u>\$ 567,917</u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Wapello and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



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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, 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, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 17, 2015. 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 were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, 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 Wapello'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 and Questioned Costs as items II-A-15 and II-B-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items II-C-15 through II-E-15 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 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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 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


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

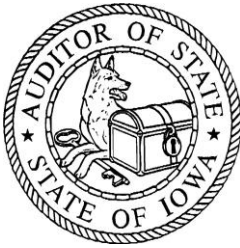

MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 17, 2015

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over compliance
Required by OMB Circular A-133**

City of Wapello



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Report on Compliance for the Major Federal Program

We have audited the City of Wapello, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Wapello's major federal program for the year ended June 30, 2015. The City of Wapello's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Wapello's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Wapello's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Wapello's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Wapello complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance


The management of the City of Wapello is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Wapello's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal

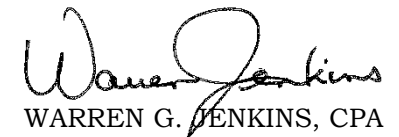
program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Wapello's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 17, 2015

City of Wapello

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

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

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Wapello did not qualify as a low-risk auditee.

City of Wapello

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 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. 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, initiating cash receipt and disbursement transactions and handling and recording cash.
- (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (4) Long-term debt – recording and reconciling.
- (5) Receipts – collecting, depositing, journalizing, posting and reconciling.
- (6) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (7) Disbursements – preparing, recording and reconciling.
- (8) Payroll – preparing and distributing.
- (9) Financial reporting – preparing and posting journal entries.

For the Keck Memorial Library, 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.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Keck Memorial Library 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 and Keck Memorial Library will review the existing procedures and implement additional procedures where possible.

Conclusion – Response accepted.

City of Wapello

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

II-B-15 Utility Reconciliations – Although a reconciliation of utility billings, collections and delinquent accounts is performed each billing cycle, there is no independent review of the reconciliation and variances identified by the reconciliations are not resolved.

Recommendation – Procedures should be established to ensure identified utility reconciliation variances are investigated and resolved timely. In addition, an independent person should review the reconciliations. Evidence of review of the reconciliations should be documented by the signature or initials of the independent reviewer and the date of the review.

Response – The City will investigate variances at the time of the reconciliation. We will identify an individual to review the reconciliations.

Conclusion – Response accepted.

II-C-15 Computer Systems – The City does not have written policies or procedures for:

- Requiring password changes because software does not require the user to change log-ins/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.

Recommendation – The City should develop written policies addressing the above items to improve the City's control over its computer systems.

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

Conclusion – Response accepted.

II-D-15 Wapello Fire and Rescue, Inc. – 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. For Wapello Fire and Rescue, Inc., (Fire and Rescue) 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.

Fire and Rescue does not maintain an investment register showing certificate of deposit activity.

City of Wapello

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Recommendation – Fire and Rescue should review its operating procedures to obtain the maximum internal control possible under the circumstances and should maintain an investment register documenting the investment activity of each investment.

Response – Fire & Rescue will review the existing operating procedures and implement additional procedures where possible.

Conclusion – Response accepted.

II-E-15 Debit Card – A debit card is maintained by the Keck Memorial Library which is used to make small purchases. While credit cards are allowable, debit cards are not because amounts are deducted from the bank account prior to approval. The custody of the card is maintained by the individual who reviews the bank statements.

Recommendation – To strengthen internal controls and provide for prior approval of disbursements, the Library should eliminate the debit card.

Response – The Library will discontinue the use of the debit card and switch to a credit card to make certain purchases.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Wapello

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

City of Wapello

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget – Expenditures during the year ended June 30, 2015 exceeded the amounts budgeted in the public works and debt service functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City will amend future budgets before disbursements exceed budget.

Conclusion – Response accepted.

IV-B-15 Questionable Expenditures – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-15 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 Restoration	Parks and recreation games Urban renewal development agreement	\$ 826 286
Troy Mitchell, City Council Member, owner of Mitchell Arms Ammo	Ammo for police	73
Larry Wagg, City Council Member, owner of Brown's Repair	Lawnmower repair and supplies	343
Todd Shutt, Parks and Recreation Board Member	Power washing and painting	1,075

The transactions with Mayor Maine, City Council Members Wagg and Mitchell and Parks and Recreation Board Member Shutt do not represent conflicts of interest in accordance with Chapter 362.5(10) of the Code of Iowa since the cumulative total transactions during the fiscal year were less than \$1,500.

City of Wapello

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

According to the City Attorney, a conflict of interest does not exist related to the urban renewal development agreement with Mayor Maine since Mr. Maine abstained from voting on the issue of entering into the agreement.

- IV-E-15 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.
- IV-F-15 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- IV-G-15 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.
- IV-H-15 Revenue Bonds and Notes – Section 6 of the sewer revenue bond agreement requires sewer rates be established which are sufficient “to leave a balance of net revenues equal to at least 110% of the principal of and interest on all of the Bonds, the Outstanding Bonds and any other Parity Obligations due in such fiscal year, as the same become due.” During the year ended June 30, 2015, the City was not in compliance with the net receipt requirement of the sewer revenue bond resolution.

Recommendation – The City should ensure rates are established at a level which produce net receipts of 110% of the annual principal and interest payments on the bonds.

Response – The City will look at adjusting the sewer rate and budget to meet the 110% rule.

Conclusion – Response accepted.

- IV-I-15 Financial Condition – At June 30, 2015, the Debt Service Fund had a deficit balance of \$13,264.

Recommendation – The City should investigate alternatives to eliminate this deficit to return this fund to a sound financial position.

Response – The City will investigate ways to eliminate this deficit.

Conclusion – Response accepted.

- IV-J-15 Separately Maintained Records – The Keck Memorial Library maintains separate accounting records for its operations. Although monthly financial reports are prepared and provided to the City, the activity is not included in the City’s computer system or in the City’s accounting records or financial reports.

Recommendation – 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.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s computer system and accounting records and be reported to the City Council on a monthly basis.

City of Wapello

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Response – The City will look into adding all accounts to the City’s computerized accounting system.

Conclusion – Response accepted.

- IV-K-15 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.

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

Conclusion – Response accepted.

- IV-L-15 Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1.

The amounts reported as the Special Revenue Fund cash balance at June 30, 2014 and TIF revenue were understated by \$1,526.

Recommendation – The City should ensure the amounts reported agree with the City’s records.

Response – The City will review to make sure the numbers on the report are correct.

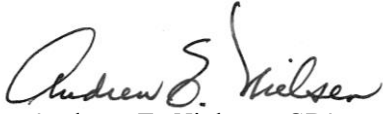
Conclusion – Response accepted.

City of Wapello

Staff

This audit was performed by:

Donna F. Kruger, CPA, Manager
Joshua W. Ostrander, Senior Auditor
Erin J. Sietstra, Staff Auditor
Luke M. Bormann, Auditor Intern



Andrew E. Nielsen, CPA
Deputy Auditor of State