



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_ December 14, 2018

Contact: Andy Nielsen  
515/281-5834

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

The City's receipts totaled \$2,369,057 for the year ended June 30, 2018, a 6.9% decrease from the prior year. The receipts included \$629,695 of property tax, \$259,385 of tax increment financing, \$122,209 of local option sales tax, \$971,133 of charges for service, \$309,166 of operating grants, contributions and restricted interest, \$19,224 of capital grants and contributions, \$2,206 of unrestricted interest on investments and \$56,039 of other general receipts.

Disbursements for the year ended June 30, 2018 totaled \$2,332,824, a 9.3% decrease from the prior year, and included \$378,064 for public safety, \$374,259 for public works and \$357,646 for debt service. Also, disbursements for business type activities totaled \$698,291.

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

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**CITY OF WAPELLO**

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

**JUNE 30, 2018**

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**City of Wapello**

**Officials**

**(Before January 2018)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Shawn Maine	Mayor	Jan 2018
Larry Wagg	Mayor Pro tem	Jan 2020
Kenny Marlette	Council Member	Jan 2018
Roger Noble	Council Member	Jan 2018
Eric Small	Council Member	Jan 2018
Brett Shafer	Council Member	Jan 2018
Gene Arnold	Council Member	Jan 2020
Richard Taylor	Council Member	Jan 2020
Mike Delzell	City Clerk	Indefinite
Cindy Brockes	Deputy Clerk	Indefinite
Adam Parsons	Attorney	Indefinite

**(After January 2018)**

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

**City of Wapello**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Wapello, Iowa, as of and for the year ended June 30, 2018, 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, 2018, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

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

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wapello's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The other information, Management's Discussion and Analysis, 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 9 through 14 and 32 through 38, 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 November 20, 2018 on our consideration of the City of Wapello's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Wapello's internal control over financial reporting and compliance.



MARY MOSIMAN, CPA  
Auditor of State

November 20, 2018

**City of Wapello**

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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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, 2018. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2018 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 10.7%, or approximately \$196,000, from fiscal year 2017 to fiscal year 2018. The decrease was primarily due to receiving approximately \$62,000 in FEMA money in the prior year that was not received in the current year. Capital grants and contributions decreased approximately \$43,000, operating grants, contributions and restricted interest decreased approximately \$45,000 and miscellaneous general revenue decreased approximately \$64,000 primarily due to insurance reimbursements received in the prior year for damaged roofs on City buildings.
- Disbursements of the City's governmental activities decreased 8.3%, or approximately \$148,000, from fiscal year 2017 to fiscal year 2018. The decrease was largely due to decreased public safety disbursements of approximately \$55,000 due to the purchase of defibrillators during the prior year and a decrease in public works disbursements of approximately \$51,000 due to fewer road projects in fiscal year 2018. Culture and recreation disbursements decreased approximately \$26,000 and debt service disbursements decreased approximately \$29,000. General government disbursements increased approximately \$12,000.
- The City's total cash basis net position increased 3.4%, or approximately \$36,000, from June 30, 2017 to June 30, 2018. Of this amount, the cash basis net position of the governmental activities increased approximately \$39,000 and the cash basis net position of the business type activities decreased approximately \$3,000.

### 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.

## **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 present 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.

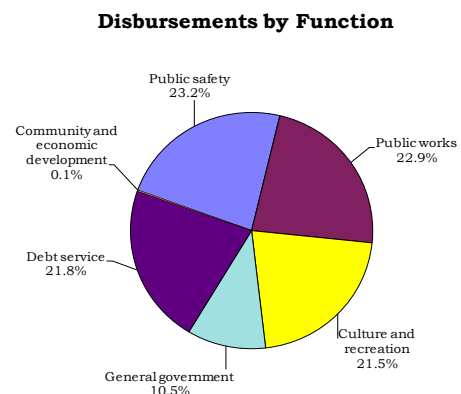
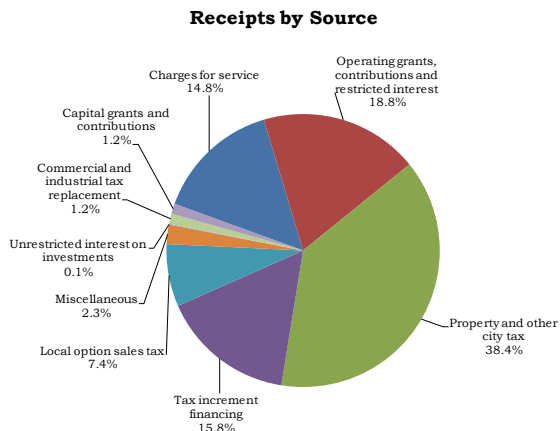
- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

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 \$678,000 to approximately \$717,000 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,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service	\$ 243	233
Operating grants, contributions and restricted interest	309	354
Capital grants and contributions	19	62
General receipts:		
Property and other city tax	630	593
Tax increment financing	259	338
Local option sales tax	122	128
Unrestricted interest on investments	2	2
Commercial and industrial tax replacement	19	25
Miscellaneous	37	101
Total receipts	1,640	1,836
Disbursements:		
Public safety	378	433
Public works	374	425
Culture and recreation	352	378
Community and economic development	1	-
General government	172	160
Debt service	357	386
Total disbursements	1,634	1,782
Change in cash basis net position before transfers	6	54
Transfers, net	33	(44)
Change in cash basis net position	39	10
Cash basis net position beginning of year	678	668
Cash basis net position end of year	\$ 717	678



The City's total receipts for governmental activities decreased 10.7%, or approximately \$196,000, from the prior year. The total cost of all programs and services decreased approximately \$148,000, or 8.3%. The receipts and disbursements decreased from the prior year due to approximately \$62,000 FEMA money received in the prior year for firefighter gear and insurance proceeds of approximately \$101,000 for hail damage sustained to City buildings.

The City's property tax collections increased 6.2% during fiscal year 2018. While the City's tax rate decreased from the prior year, the increase in tax collections was primarily due to an increase in taxable property valuations.

The cost of all governmental activities this year was approximately \$1,634,000, compared to approximately \$1,782,000 last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16 and 17, the amount taxpayers ultimately financed for these activities was \$1,063,104 because some of the cost was paid by those who directly benefited from the programs (\$243,039) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$328,390).

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year Ended June 30,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 235	229
Sewer	493	481
Total receipts	728	710
Disbursements:		
Water	194	186
Sewer	504	605
Total disbursements	698	791
Change in cash basis net position before transfers	30	(81)
Transfers, net	(33)	44
Change in cash basis net position	(3)	(37)
Cash basis net position beginning of year	392	429
Cash basis net position end of year	\$ 389	392

Total business type activities receipts for fiscal year 2018 were approximately \$728,000 compared to approximately \$710,000 last year. Total disbursements for fiscal year 2018 decreased approximately \$93,000, or 11.8%, due to fewer capital outlay disbursements compared to the prior year. Cash basis net position decreased approximately \$3,000 from 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 \$717,189, an increase of \$39,077 over last year's total of \$678,112. 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 \$73,036, or 25.1%, from the prior year. This decrease was primarily due receipts not keeping pace with disbursements.
- The Special Revenue, Road Use Tax Fund cash balance increased \$29,018 over the prior year. Receipts totaled \$263,729 which is slightly lower than the prior year and disbursements were \$211,669, also lower than the prior year. In addition, transfers out of \$2,437 were made to the General Fund for health insurance and \$33,750 to the Debt Service Fund for payment of debt issued for street improvements.
- The Special Revenue, Tax Increment Financing Fund cash balance increased \$20,913 over the prior year. Transfers out to the Debt Service Fund totaled \$214,168 for repayment of tax increment financing obligations and transfers out to the Enterprise, Sewer Fund totaled \$23,539 to repay an interfund loan.
- The Special Revenue, Local Option Sales Tax Fund cash balance increased \$61,023. Receipts totaled \$122,209 and disbursements of \$61,186 were made to the County to fund jail bond payments.
- The Special Revenue, Employee Benefits Fund cash balance remained the same as the prior year. The City transferred \$63,723 and \$13,145 to the General Fund and the Special Revenue, Road Use Tax Fund, respectively for benefits paid in the current year.
- The Debt Service Fund cash balance increased \$2,059 over the prior year. Receipts decreased \$10,640 from the prior year and disbursements decreased \$27,921 from the prior year due to a decrease in scheduled debt payments.

## **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance increased \$6,150 to \$148,314.
- The Enterprise, Sewer Fund cash balance decreased \$8,995 to \$241,124 due to project costs funded from existing balances.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on April 5, 2018 and resulted in an increase in operating disbursements totaling \$124,554 for public safety, public works and culture and recreation for purchase of equipment and repairs to existing equipment, ambulance study, engineering fees for fire station and a new boat landing. The additional costs will be partially reimbursed by grants and the remainder from available City resources.

The City's receipts were \$64,607 more than budgeted while disbursements were \$61,086 less than the amended budget. Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the public works and culture and recreation functions.

## DEBT ADMINISTRATION

At June 30, 2018, the City had \$4,015,391 of bonds, notes and other long-term debt outstanding, compared to \$4,484,154 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2018	2017
General obligation bonds/notes	\$ 1,147,391	1,470,154
Revenue bonds	2,864,000	3,006,000
Iowa Department of Public Safety loan	4,000	8,000
Total	\$ 4,015,391	4,484,154

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 \$1,151,391 is significantly below its constitutional debt limit of approximately \$4.4 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 2019 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 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.

The City is working with Louisa County to build a new bridge on County Road 99 on the East end of the City limits.

## 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, 2018

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
<b>Functions/Programs:</b>				
<b>Primary Government:</b>				
Governmental activities:				
Public safety	\$ 378,064	23,833	12,560	3,500
Public works	374,259	148,968	263,729	-
Culture and recreation	351,727	50,929	32,877	15,724
Community and economic development	765	-	-	-
General government	172,072	19,309	-	-
Debt service	357,646	-	-	-
Total governmental activities	1,634,533	243,039	309,166	19,224
Business type activities:				
Water	194,314	234,620	-	-
Sewer	503,977	493,474	-	-
Total business type activities	698,291	728,094	-	-
<b>Total Primary Government</b>	<b>\$ 2,332,824</b>	<b>971,133</b>	<b>309,166</b>	<b>19,224</b>
<b>Component Unit:</b>				
Wapello Fire and Rescue, Inc.	\$ 132,204	-	132,833	-
<b>General Receipts and Transfers:</b>				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Commercial and industrial tax 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				
<b>Cash Basis Net Position</b>				
Restricted:				
Nonexpendable:				
Library bequest				
Expendable:				
Parks and recreation				
Fire and rescue purposes				
Library purposes				
Local option sales tax purposes				
Streets				
Debt service				
Capital projects				
Customer deposits				
Unrestricted				
<b>Total cash basis net position</b>				

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.
(338,171)	-	(338,171)	
38,438	-	38,438	
(252,197)	-	(252,197)	
(765)	-	(765)	
(152,763)	-	(152,763)	
(357,646)	-	(357,646)	
(1,063,104)	-	(1,063,104)	
-	40,306	40,306	
-	(10,503)	(10,503)	
-	29,803	29,803	
(1,063,104)	29,803	(1,033,301)	
			629
\$ 564,994	-	564,994	-
64,701	-	64,701	-
259,385	-	259,385	-
122,209	-	122,209	-
2,206	-	2,206	-
19,410	-	19,410	-
36,629	-	36,629	-
32,647	(32,647)	-	-
1,102,181	(32,647)	1,069,534	-
39,077	(2,844)	36,233	629
678,112	392,283	1,070,395	178,643
\$ 717,189	389,439	1,106,628	179,272
\$ 30,000	-	30,000	-
35,395	-	35,395	-
-	-	-	179,272
37,180	-	37,180	-
226,022	-	226,022	-
187,577	-	187,577	-
47,614	17,198	64,812	-
7,864	-	7,864	-
-	74,110	74,110	-
145,537	298,130	443,667	-
\$ 717,189	389,438	1,106,627	179,272

City of Wapello

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

As of and for the year ended June 30, 2018

	Special Revenue			
	General	Road Use Tax	Tax Increment Financing	Local Option Sales Tax
Receipts:				
Property tax	\$ 490,453	-	-	-
Tax increment financing	-	-	259,385	-
Other city tax	-	-	-	122,209
Licenses and permits	22,039	-	-	-
Use of money and property	5,124	-	-	-
Intergovernmental	68,782	263,729	-	-
Charges for service	179,642	-	-	-
Miscellaneous	86,291	-	-	-
Total receipts	852,331	263,729	259,385	122,209
Disbursements:				
Operating:				
Public safety	316,878	-	-	61,186
Public works	161,690	211,669	-	-
Culture and recreation	351,727	-	-	-
Community and economic development	-	-	765	-
General government	172,072	-	-	-
Debt service	-	-	-	-
Total disbursements	1,002,367	211,669	765	61,186
Excess (deficiency) of receipts over (under) disbursements	(150,036)	52,060	258,620	61,023
Other financing sources (uses):				
Transfers in	77,000	13,145	-	-
Transfers out	-	(36,187)	(237,707)	-
Total other financing sources (uses)	77,000	(23,042)	(237,707)	-
Change in cash balances	(73,036)	29,018	20,913	61,023
Cash balances beginning of year	291,148	158,559	20,148	164,999
Cash balances end of year	\$ 218,112	187,577	41,061	226,022
<b>Cash Basis Fund Balances</b>				
Nonspendable - Library bequest	\$ -	-	-	-
Restricted for:				
Parks and recreation	35,395	-	-	-
Library purposes	37,180	-	-	-
Local option sales tax purposes	-	-	-	226,022
Streets	-	187,577	-	-
Debt service	-	-	41,061	-
Capital projects	-	-	-	-
Assigned for police equipment	22,139	-	-	-
Assigned for fire equipment	10,685	-	-	-
Unassigned	112,713	-	-	-
Total cash basis fund balances	\$ 218,112	187,577	41,061	226,022

See notes to financial statements.

Employee Benefits	Debt Service	Nonmajor	Total
74,541	64,701	-	629,695
-	-	-	259,385
-	-	-	122,209
-	-	-	22,039
-	-	-	5,124
2,327	1,740	-	336,578
-	-	-	179,642
-	-	-	86,291
<u>76,868</u>	<u>66,441</u>	<u>-</u>	<u>1,640,963</u>
-	-	-	378,064
-	-	900	374,259
-	-	-	351,727
-	-	-	765
-	-	-	172,072
-	357,646	-	357,646
-	357,646	900	1,634,533
<u>76,868</u>	<u>(291,205)</u>	<u>(900)</u>	<u>6,430</u>
-	293,264	-	383,409
<u>(76,868)</u>	<u>-</u>	<u>-</u>	<u>(350,762)</u>
<u>(76,868)</u>	<u>293,264</u>	<u>-</u>	<u>32,647</u>
-	2,059	(900)	39,077
-	4,494	38,764	678,112
-	6,553	37,864	717,189
-	-	30,000	30,000
-	-	-	35,395
-	-	-	37,180
-	-	-	226,022
-	-	-	187,577
-	6,553	-	47,614
-	-	7,864	7,864
-	-	-	22,139
-	-	-	10,685
-	-	-	112,713
<u>-</u>	<u>6,553</u>	<u>37,864</u>	<u>717,189</u>

City of Wapello

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

As of and for the year ended June 30, 2018

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 225,376	493,474	718,850
Miscellaneous	9,243	-	9,243
Total operating receipts	234,619	493,474	728,093
Operating disbursements:			
Business type activities	161,719	259,343	421,062
Excess of operating receipts over operating disbursements	72,900	234,131	307,031
Non-operating disbursements:			
Capital outlay	(32,595)	(31,541)	(64,136)
Debt service	-	(213,093)	(213,093)
Non-operating disbursements	(32,595)	(244,634)	(277,229)
Excess (deficiency) of receipts over (under) disbursements	40,305	(10,503)	29,802
Transfers:			
Transfers in	-	23,539	23,539
Transfers out	(34,155)	(22,031)	(56,186)
Net transfers	(34,155)	1,508	(32,647)
Change in cash balances	6,150	(8,995)	(2,845)
Cash balances beginning of year	142,164	250,119	392,283
Cash balances end of year	\$ 148,314	241,124	389,438
<b>Cash Basis Fund Balances</b>			
Restricted for:			
Debt service	\$ -	17,198	17,198
Customer deposits	74,110	-	74,110
Unrestricted	74,204	223,926	298,130
Total cash basis fund balances	\$ 148,314	241,124	389,438

See notes to financial statements.

City of Wapello

Notes to Financial Statements

June 30, 2018

**(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 911 Service Board and Louisa County Emergency Management Agency. The City also participates in the Louisa Regional Solid Waste Agency, a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

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

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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



The Local Option Sales Tax Fund is used to account for local option sales and services tax receipts and related disbursements.

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

The Debt Service Fund is utilized to account for property tax and other receipts 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, 2018, disbursements exceeded the amounts budgeted in the public works and culture and recreation functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**(3) Long-Term Debt**

Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds and Notes		Sewer Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 275,289	29,548	146,000	60,370	421,289	89,918
2020	103,438	24,685	149,000	57,115	252,438	81,800
2021	105,621	21,806	153,000	53,783	258,621	75,589
2022	107,840	18,862	157,000	50,367	264,840	69,229
2023	116,095	15,853	161,000	46,858	277,095	62,711
2024-2028	377,108	37,933	811,000	179,255	1,188,108	217,188
2029-2033	62,000	1,767	594,000	91,730	656,000	93,497
2034-2038	-	-	370,000	47,933	370,000	47,933
2038-2042	-	-	323,000	14,280	323,000	14,280
Total	\$ 1,147,391	150,454	2,864,000	601,691	4,011,391	752,145

### 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, 2018, the City paid principal of \$23,000 and interest of \$4,095 on the bonds. At June 30, 2018, the outstanding principal balance was \$211,000.

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, 2018, the City paid principal of \$41,000 and interest of \$19,410 on the bonds. At June 30, 2018, the outstanding principal balance was \$606,000.

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, 2018, the City paid principal of \$13,000 and interest of \$6,810 on the bonds. At June 30, 2018, the outstanding principal balance was \$214,000.

On September 27, 2013, the City entered into a loan agreement with the Iowa Finance Authority for the issuance of up to \$393,000 of sewer revenue bonds with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the municipal wastewater treatment system. The City has completed the project drawing down a total of \$293,000 of the bonds. During the year ended June 30, 2018, the City paid principal of \$13,000 and interest of \$4,200 on the bonds. At June 30, 2018, the outstanding principal balance was \$227,000.

On August 29, 2014, the City entered into a loan agreement with the Iowa Finance Authority for the issuance of sewer revenue bonds of up to \$2,000,000 with interest at 2.00% per annum. The agreement also requires the City to annually pay a 0.25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the municipal wastewater treatment system. The City has completed the project drawing down a total of \$1,818,610 of the bonds. During the year ended June 30, 2018, the City paid principal of \$52,000 and interest of \$29,015 on the bonds. At June 30, 2018, the outstanding principal balance was \$1,606,000.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$3,756,610 of sewer revenue bonds issued in June 2005, April 2010, July 2011, September 2013 and August 2014. The bonds are payable solely from sewer customer net receipts and are payable through 2042. For the year ended June 30, 2018, annual principal and interest payments on the bonds required 91% of net receipts. The total principal and interest remaining to be paid on the bonds is \$3,465,691.

For the current year, principal and interest paid and total customer net receipts were \$213,093 and \$234,131, 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, 2018 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, 2018, the outstanding principal balance was \$4,000.

#### **(4) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

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

Protection occupation members may retire at normal retirement age, which is generally age 55. 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 years of service but not more than 30 years of service.
- The member's highest three-year average salary.

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

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

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

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

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protection occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2018 totaled \$35,992.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the City reported a liability of \$234,539 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the City's proportion was 0.003521%, which was a decrease of 0.000209% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$45,386, \$129,037 and \$75,256, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

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 investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 466,918	234,539	39,380

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](http://www.ipers.org).

**(5) 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, 2018, primarily relating to the General Fund and the Enterprise, Water Fund, was approximately \$28,100. This liability has been computed based on rates of pay in effect at June 30, 2018.

**(6) Risk Management**

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

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 2,437
	Employee Benefits	63,723
	Enterprise:	
	Water	4,812
	Sewer	<u>6,028</u>
		<u>77,000</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	214,168
	Road Use Tax	33,750
	Enterprise:	
	Water	29,343
	Sewer	<u>16,003</u>
		<u>293,264</u>
Road Use Tax	Special Revenue:	
	Employee Benefits	<u>13,145</u>
Enterprise:		
Sewer	Special Revenue:	
	Tax Increment Financing	<u>23,539</u>
Total		<u>\$ 406,948</u>

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

**(8) Rebate Agreements**

The City has entered into four tax increment financing rebate agreements to assist in urban renewal projects by rebating incremental property tax paid by the developer with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developers will be rebated for a period of five years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. During the year ended June 30, 2018, the City rebated \$765 of incremental property tax to the participating developers.

**(9) Interfund Loan**

In a prior year the City approved a loan from the Enterprise, Sewer Fund for costs associated with the City's urban renewal projects. During the year ended June 30, 2018, a final repayment of \$23,539 was made to the Enterprise, Sewer Fund.



**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, 2018

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 629,695	-	629,695
Tax increment financing	259,385	-	259,385
Other city tax	122,209	-	122,209
Licenses and permits	22,039	-	22,039
Use of money and property	5,124	-	5,124
Intergovernmental	336,578	-	336,578
Charges for service	179,642	718,850	898,492
Miscellaneous	86,291	9,243	95,534
Total receipts	1,640,963	728,093	2,369,056
Disbursements:			
Public safety	378,064	-	378,064
Public works	374,259	-	374,259
Culture and recreation	351,727	-	351,727
Community and economic development	765	-	765
General government	172,072	-	172,072
Debt service	357,646	-	357,646
Business type activities	-	698,291	698,291
Total disbursements	1,634,533	698,291	2,332,824
Excess (deficiency) of receipts over (under) disbursements	6,430	29,802	36,232
Other financing sources, net	32,647	(32,647)	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	39,077	(2,845)	36,232
Balances beginning of year	678,112	392,283	1,070,395
Balances end of year	\$ 717,189	389,438	1,106,627

See accompanying independent auditor's report.

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Budgeted Amounts		Final to
Original	Final	Total
		Variance
612,038	612,038	17,657
263,050	263,050	(3,665)
134,391	134,391	(12,182)
21,225	21,225	814
31,550	31,550	(26,426)
297,743	313,367	23,211
892,090	892,090	6,402
22,330	36,738	58,796
<u>2,274,417</u>	<u>2,304,449</u>	<u>64,607</u>
358,092	395,735	17,671
344,845	351,945	(22,314)
283,411	333,222	(18,505)
6,244	6,244	5,479
172,364	172,364	292
357,690	357,690	44
746,710	776,710	78,419
<u>2,269,356</u>	<u>2,393,910</u>	<u>61,086</u>
5,061	(89,461)	125,693
-	-	-
5,061	(89,461)	125,693
-	750,842	319,553
<u>5,061</u>	<u>661,381</u>	<u>445,246</u>

City of Wapello

Notes to Other Information – Budgetary Reporting

June 30, 2018

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 \$124,554. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2018, disbursements exceeded the amounts budgeted in the public works and culture and recreation functions.

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City of Wapello

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

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

Other Information

	2018	2017	2016	2015
City's proportion of the net pension liability	0.003521%	0.003730%	0.003479%	0.003051%
City's proportionate share of the net pension liability	\$ 235	235	172	121
City's covered payroll	\$ 402	380	373	336
City's proportionate share of the net pension liability as a percentage of its covered payroll	58.46%	61.84%	46.11%	36.01%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

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City of Wapello

Schedule of City Contributions

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

Other Information

	2018	2017	2016	2015
Statutorily required contribution	\$ 36	37	35	35
Contributions in relation to the statutorily required contribution	(36)	(37)	(35)	(35)
Contribution deficiency (excess)	\$ -	-	-	-
City's covered payroll	\$ 391	402	380	373
Contributions as a percentage of covered payroll	9.21%	9.20%	9.21%	9.38%

\* - 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.

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2014	2013	2012	2011	2010	2009
30	32	28	27	26	20
(30)	(32)	(28)	(27)	(26)	(20)
-	-	-	-	-	-
336	341	332	*	*	*
8.93%	9.38%	8.43%	*	*	*

City of Wapello

Notes to Other Information – Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

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

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

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

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

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

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



## **Supplementary Information**

**City of 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, 2018

	<u>Permanent</u>		Total
	Capital Projects	Library Bequest	
Receipts:			
None	\$ -	-	-
Disbursements:			
Capital projects	900	-	900
Change in cash balances	(900)	-	(900)
Cash balances beginning of year	8,764	30,000	38,764
Cash balances end of year	<u>\$ 7,864</u>	<u>30,000</u>	<u>37,864</u>
<b>Cash Basis Fund Balances</b>			
Nonspendable - library bequest	\$ -	30,000	30,000
Restricted for capital projects	7,864	-	7,864
Total cash basis fund balances	<u>\$ 7,864</u>	<u>30,000</u>	<u>37,864</u>

See accompanying independent auditor's report.

City of Wapello  
Schedule of Indebtedness  
Year ended June 30, 2018

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
Weaver Boulevard Storm Sewer	Jun 19, 2015	2.85	102,000
North 2nd Street Improvements	Aug 10, 2015	3.00	403,000
Total			
Revenue bonds:			
Sewer	Jun 2, 2005 *	3.00%	\$ 447,000
Sewer	Apr 7, 2010 *	3.00	900,000
Sewer	Jul 1, 2011 *	3.00	298,000
Sewer	Sep 27, 2013 *	1.75	293,000
Sewer	Aug 29, 2014 *	2.00	1,818,610
Total			
Iowa Department of Public Safety loan:			
Fire truck	Feb 25, 2009	0.00%	\$ 40,000

\* The City is required to annually pay a .25% servicing fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
460,000	-	205,000	255,000	5,930
645,000	-	46,000	599,000	18,382
34,589	-	34,589	-	654
330,565	-	37,174	293,391	9,917
<u>\$ 1,470,154</u>	-	<u>322,763</u>	<u>1,147,391</u>	<u>34,883</u>
234,000	-	23,000	211,000	4,095
647,000	-	41,000	606,000	19,410
227,000	-	13,000	214,000	6,810
240,000	-	13,000	227,000	4,200
1,658,000	-	52,000	1,606,000	29,015
<u>\$ 3,006,000</u>	-	<u>142,000</u>	<u>2,864,000</u>	<u>63,530</u>
8,000	-	4,000	4,000	-

City of Wapello  
Bond and Note Maturities  
June 30, 2018

General Obligation Bonds/Notes							
Year Ending June 30,	Corporate Purpose and Refunding		Swimming Pool		North 2nd Street		Total
	Issued November 1, 2012		Issued November 20, 2013		Issued August 10, 2015		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2019	1.25%	\$ 190,000	2.85%	\$ 47,000	3.00%	\$ 38,289	275,289
2020	2.00	15,000	2.85	49,000	3.00	39,438	103,438
2021	2.00	15,000	2.85	50,000	3.00	40,621	105,621
2022	2.00	15,000	2.85	51,000	3.00	41,840	107,840
2023	2.00	20,000	2.85	53,000	3.00	43,095	116,095
2024		-	2.85	54,000	3.00	44,388	98,388
2025		-	2.85	56,000	3.00	45,720	101,720
2026		-	2.85	57,000		-	57,000
2027		-	2.85	59,000		-	59,000
2028		-	2.85	61,000		-	61,000
2029		-	2.85	62,000		-	62,000
Total		<u>\$ 255,000</u>		<u>\$ 599,000</u>		<u>\$ 293,391</u>	<u>1,147,391</u>

Revenue							
Year Ending June 30,	Sewer		Sewer		Sewer		
	Issued June 2, 2005		Issued April 7, 2010		Issued July 1, 2011		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2019	3.00%	\$ 24,000	3.00%	\$ 42,000	3.00%	\$ 14,000	
2020	3.00	24,000	3.00	44,000	3.00	14,000	
2021	3.00	25,000	3.00	45,000	3.00	14,000	
2022	3.00	26,000	3.00	46,000	3.00	15,000	
2023	3.00	27,000	3.00	48,000	3.00	15,000	
2024	3.00	28,000	3.00	49,000	3.00	16,000	
2025	3.00	28,000	3.00	51,000	3.00	16,000	
2026	3.00	29,000	3.00	53,000	3.00	17,000	
2027		-	3.00	54,000	3.00	17,000	
2028		-	3.00	56,000	3.00	18,000	
2029		-	3.00	58,000	3.00	19,000	
2030		-	3.00	60,000	3.00	19,000	
2031		-		-	3.00	20,000	
2032		-		-		-	
2033		-		-		-	
2034		-		-		-	
2035		-		-		-	
2036		-		-		-	
2037		-		-		-	
2038		-		-		-	
2039		-		-		-	
2040		-		-		-	
2041		-		-		-	
2042		-		-		-	
Total		<u>\$ 211,000</u>		<u>\$ 606,000</u>		<u>\$ 214,000</u>	

See accompanying independent auditor's report.

Bonds					
Sewer			Sewer		
Issued September 27, 2013			Issued August 29, 2014		
Interest			Interest		
Rates	Amount		Rates	Amount	Total
1.75%	\$ 13,000		1.75%	\$ 53,000	146,000
1.75	13,000		1.75	54,000	149,000
1.75	14,000		1.75	55,000	153,000
1.75	14,000		1.75	56,000	157,000
1.75	14,000		1.75	57,000	161,000
1.75	15,000		1.75	58,000	166,000
1.75	15,000		1.75	59,000	169,000
1.75	15,000		1.75	61,000	175,000
1.75	15,000		1.75	62,000	148,000
1.75	16,000		1.75	63,000	153,000
1.75	16,000		1.75	64,000	157,000
1.75	16,000		1.75	66,000	161,000
1.75	17,000		1.75	67,000	104,000
1.75	17,000		1.75	68,000	85,000
1.75	17,000		1.75	70,000	87,000
	-		1.75	71,000	71,000
	-		1.75	73,000	73,000
	-		1.75	74,000	74,000
	-		1.75	75,000	75,000
	-		1.75	77,000	77,000
	-		1.75	78,000	78,000
	-		1.75	80,000	80,000
	-		1.75	82,000	82,000
	-		1.75	83,000	83,000
	<u>\$ 227,000</u>			<u>\$ 1,606,000</u>	<u>2,864,000</u>

City of Wapello

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

For the Last Ten Years

	2018	2017	2016	2015
<b>Receipts:</b>				
Property and other city tax	\$ 629,695	593,135	600,829	577,775
Tax increment financing	259,385	338,126	334,893	355,216
Local option sales tax	122,209	128,269	124,435	116,428
Licenses and permits	22,039	21,688	22,048	23,688
Use of money and property	5,124	4,533	6,394	5,751
Intergovernmental	336,578	386,378	332,525	351,082
Charges for service	179,642	175,355	169,969	164,844
Miscellaneous	86,291	188,337	54,599	54,105
<b>Total</b>	<b>\$ 1,640,963</b>	<b>1,835,821</b>	<b>1,645,692</b>	<b>1,648,889</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	\$ 378,064	432,797	330,925	389,191
Public works	374,259	425,017	716,542	371,256
Culture and recreation	351,727	378,108	420,658	282,366
Community and economic development	765	-	-	-
General government	172,072	159,960	209,283	144,891
Debt service	357,646	385,567	493,399	440,536
Capital projects	-	-	28,418	-
<b>Total</b>	<b>\$ 1,634,533</b>	<b>1,781,449</b>	<b>2,199,225</b>	<b>1,628,240</b>

See accompanying independent auditor's report.



2014	2013	2012	2011	2010	2009
529,190	519,331	496,541	470,392	455,657	430,545
330,625	321,738	284,508	254,595	222,588	214,121
141,845	109,406	112,723	156,431	96,180	95,377
26,277	22,465	22,769	21,766	23,494	27,991
5,960	5,226	4,596	6,211	4,468	13,720
249,832	323,947	241,040	235,413	254,831	405,834
156,276	152,004	155,271	152,792	143,379	134,384
97,983	34,985	42,795	98,253	123,614	83,750
<b>1,537,988</b>	<b>1,489,102</b>	<b>1,360,243</b>	<b>1,395,853</b>	<b>1,324,211</b>	<b>1,405,722</b>
358,653	336,642	296,015	329,383	304,288	515,199
281,825	329,076	364,085	364,237	311,414	375,854
207,566	254,828	274,294	358,601	270,496	284,172
-	-	-	-	-	-
134,462	161,163	147,258	104,361	166,137	118,079
370,783	1,385,532	336,804	238,019	50,350	33,567
1,103,141	339,781	-	-	-	-
<b>2,456,430</b>	<b>2,807,022</b>	<b>1,418,456</b>	<b>1,394,601</b>	<b>1,102,685</b>	<b>1,326,871</b>

**City of Wapello**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Wapello, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 20, 2018. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Wapello's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Wapello's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Wapello's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Wapello's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying Schedule of Findings as item (A) to be a material weakness.

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

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2018 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. 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

November 20, 2018

City of Wapello

Schedule of Findings

Year ended June 30, 2018

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

(A) Segregation of Duties

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

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

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

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

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

Cause – The City, Library and Hometown Pride have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

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

City of Wapello

Schedule of Findings

Year ended June 30, 2018

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, Keck Memorial Library and Hometown Pride 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. This is a repeat comment.

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

Conclusion – Response accepted.

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

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

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

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

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

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

Response – The City will look into getting the variance resolved on the utility reconciliation.

Conclusion – Response accepted.

(C) Computer System

Criteria – Properly designed policies and procedures pertaining to control activities over the City's computer system and implementation of the policies and procedures help provide reasonable assurance financial information is safeguarded and reliable and help support the achievement of the objectives of reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

City of Wapello

Schedule of Findings

Year ended June 30, 2018

Condition – 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.

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

Effect – Lack of written policies for the computer based system could result in a loss of data or compromised data, resulting in unreliable financial information. The failure to have a list of computer equipment needed for operation and a list of hardware in the disaster recovery plan could result in the City's inability to function in the event of a disaster or continue City business without interruption.

Recommendation – The City should develop written policies addressing the above items to improve the City's control over its computer system. A listing of computer equipment needed for operations and a listing of hardware should also be developed for the written disaster recovery plan and the disaster recovery plan should be tested periodically.

Response – The City will develop a policy which encompasses the above recommendations. This is a repeat comment.

Conclusion – Response accepted.

(D) Wapello Fire and Rescue, Inc.

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

City of Wapello

Schedule of Findings

Year ended June 30, 2018

Condition – 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.

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

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

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

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.



City of Wapello

Schedule of Findings

Year ended June 30, 2018

**Other Findings Related to Required Statutory Reporting:**

- (1) Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amounts budgeted in the public works and culture and recreation 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 the budget.

Conclusion – Response accepted.

- (2) Questionable Disbursement – 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.

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Shawn Maine, Mayor, owner of Midwest Rod and Restoration and Midwest Collision and Repair	Vehicle repair and supplies	\$ 4,229
Larry Wagg, City Council Member, owner of Brown's Repair	Lawnmower repair and supplies	273

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

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

Recommendation – The City should consult legal counsel to determine the disposition of this matter. This is a repeat comment.

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

Conclusion – Response accepted.

City of Wapello

Schedule of Findings

Year ended June 30, 2018

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds and 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, 2018, 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 into adjusting the sewer rates and budget to meet the 110% requirement.

Conclusion – Response accepted.

- (9) Separately Maintained Records – The Keck Memorial Library and Hometown Pride maintain separate accounting records for their 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. This is a repeat comment.

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

Conclusion – Response accepted.

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

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

City of Wapello

Schedule of Findings

Year ended June 30, 2018

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

Conclusion – Response accepted.

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

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

Response – The City Council will look into this matter.

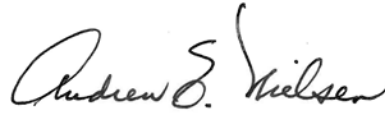
Conclusion – Response acknowledged. The City should comply with the law unless and until it is amended.

City of Wapello

Staff

This audit was performed by:

Ernest H. Ruben, Jr., CPA, Manager  
Jesse J. Probasco, CPA, Senior Auditor  
Luke M. Bormann, CPA, Staff Auditor  
Ian N. Judson, Staff Auditor  
Matthew A. Miller, Staff Auditor  
Alyson Logel, Auditor Intern

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial 'A' and 'N'.

Andrew E. Nielsen, CPA  
Deputy Auditor of State