

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006

Telephone (515) 281-5834 Facsimile (515) 281-6518

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

March 3, 2021

Contact: Marlys Gaston
515/281-5835

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$3,531,192 for the year ended June 30, 2020, a 40.8% increase over the prior year. Disbursements for the year ended June 30, 2020 totaled \$3,707,687 a 55.3% increase over the prior year. The significant increase in receipts and disbursements is due primarily to the City receiving grants for a sewer project and expenses related to the project during the year ended June 30, 2020.

AUDIT FINDINGS:

Sand reported eight findings related to the receipt and disbursement of taxpayer funds and one finding pertaining to Wapello Fire and Rescue, Inc., a discretely presented component unit. They are found on pages 50 through 56 of this report. The findings address issues such as a lack of segregation of duties, a lack of utility and ambulance reconciliations, and disbursements exceeding budgeted amounts. Sand provided the City and the discretely presented component unit with recommendations to address each of the findings.

Eight of the findings pertaining to the City and discussed above, and the finding pertaining to the discretely presented component unit, are repeated from the prior year. The City Council and management of the discretely presented component unit have a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

A copy of the audit report is available for review on the Auditor of State's web site at <https://auditor.iowa.gov/audit-reports>.

#

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

JUNE 30, 2020

City of Wapello



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Rob Sand
Auditor of State

February 12, 2021

Officials of the City of Wapello
Wapello, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Wapello, Iowa for the year ended June 30, 2020. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of the City of Wapello throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

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City of Wapello

Officials

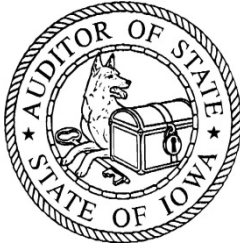
(Before January 2020)

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

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Shawn Maine	Mayor	Jan 2022
Brett Shafer	Mayor Pro tem	Jan 2022
Kenny Marlette	Council Member	Jan 2022
Charles Wagg	Council Member	Jan 2022
Gene Arnold	Council Member	Jan 2024
Richard Taylor	Council Member	Jan 2024
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Mike Delzell	City Clerk	Indefinite
Cindy Bockes	Deputy Clerk	Indefinite
Adam Parsons	Attorney	Indefinite

City of Wapello



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Wapello, Iowa, as of and for the year ended June 30, 2020, 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, 2020, 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

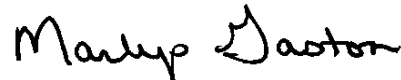
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wapello's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2019 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Other Information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 28 through 34 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 12, 2021 on our consideration of the City of Wapello's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Wapello's internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

February 12, 2021

City of Wapello

Basic Financial Statements

City of Wapello

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2020

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 949,112	201,621	119,019	142,714
Public works	654,159	145,934	265,689	-
Culture and recreation	298,174	65,912	36,017	-
Community and economic development	984	-	-	-
General government	213,599	10,035	-	-
Debt service	128,096	-	-	-
Capital projects	188,676	-	-	-
Total governmental activities	2,432,800	423,502	420,725	142,714
Business type activities:				
Water	189,607	227,431	-	-
Sewer	1,085,280	481,205	-	232,995
Total business type activities	1,274,887	708,636	-	232,995
Total Primary Government	\$ 3,707,687	1,132,138	420,725	375,709
Component Unit:				
Wapello Fire and Rescue, Inc.	\$ 11,457	-	36,340	-

General Receipts and Transfers:
Property and other city tax levied for:
General purposes
Debt service
Tax increment financing
Local option sales tax
Commercial/industrial tax replacement
Unrestricted interest on investments
Bond/note proceeds
Miscellaneous
Transfers

Total general receipts and transfers
Change in cash basis net position
Cash basis net position beginning of year
Cash basis net position end of year

Cash Basis Net Position

Restricted:
Nonexpendable:
Library Bequest
Expendable:
Parks and recreation
Fire and rescue purposes
Library purposes
Local option sales tax purposes
Streets
Debt service
Capital projects
Customer deposits
Unrestricted

Total cash basis net position

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component
Primary Government			Unit
Governmental Activities	Business Type Activities	Total	Wapello Fire and Rescue, Inc.
(485,758)	-	(485,758)	
(242,536)	-	(242,536)	
(196,245)	-	(196,245)	
(984)	-	(984)	
(203,564)	-	(203,564)	
(128,096)	-	(128,096)	
(188,676)	-	(188,676)	
(1,445,859)	-	(1,445,859)	
-	37,824	37,824	
-	(371,080)	(371,080)	
-	(333,256)	(333,256)	
(1,445,859)	(333,256)	(1,779,115)	

24,883

\$	673,271	-	673,271	-
	57,704	-	57,704	-
	3,054	-	3,054	-
	154,655	-	154,655	-
	17,636	-	17,636	-
	2,020	-	2,020	-
	282,000	391,084	673,084	-
	21,196	-	21,196	-
	48,145	(48,145)	-	-
	1,259,681	342,939	1,602,620	-
	(186,178)	9,683	(176,495)	24,883
	796,349	436,132	1,232,481	162,690
\$	610,171	445,815	1,055,986	187,573

	30,000	-	30,000	-
	50,873	-	50,873	-
	-	-	-	187,573
	40,832	-	40,832	-
	83,023	-	83,023	-
	161,921	-	161,921	-
	8,333	17,954	26,287	-
	9,188	-	9,188	-
	-	76,520	76,520	-
	226,001	351,341	577,342	-
\$	610,171	445,815	1,055,986	187,573

City of Wapello

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

As of and for the year ended June 30, 2020

	General	Special Revenue		
		Road Use Tax	Tax Increment Financing	Local Option Sales Tax
Receipts:				
Property tax	\$ 560,136	-	-	-
Local option sales tax	-	-	-	154,655
Tax increment financing	-	-	3,054	-
Licenses and permits	11,005	-	-	-
Use of money and property	4,939	-	-	-
Intergovernmental	255,945	265,689	-	-
Charges for service	385,621	-	-	-
Miscellaneous	100,432	-	-	-
Total receipts	1,318,078	265,689	3,054	154,655
Disbursements:				
Operating:				
Public safety	872,358	-	-	76,754
Public works	158,006	496,153	-	-
Culture and recreation	298,174	-	-	-
Community and economic development	-	-	984	-
General government	213,599	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	1,542,137	496,153	984	76,754
Excess (deficiency) of receipts over (under) disbursements	(224,059)	(230,464)	2,070	77,901
Other financing sources (uses):				
Bond Proceeds	75,000	207,000	-	-
Transfers in	159,645	9,287	-	-
Transfers out	-	(38,402)	-	(220,000)
Total other financing sources (uses)	234,645	177,885	-	(220,000)
Change in cash balances	10,586	(52,579)	2,070	(142,099)
Cash balances beginning of year	307,120	214,500	3,398	225,122
Cash balances end of year	\$ 317,706	161,921	5,468	83,023
Cash Basis Fund Balances				
Nonspendable - Library bequest	\$ -	-	-	-
Restricted for:				
Parks and recreation	50,873	-	-	-
Library purposes	40,832	-	-	-
Local option sales tax purposes	-	-	-	83,023
Streets	-	161,921	-	-
Debt service	-	-	5,468	-
Capital projects	-	-	-	-
Assigned for:				
Police equipment	26,311	-	-	-
Fire equipment	23,649	-	-	-
Ambulance	7,843	-	-	-
Unassigned	168,198	-	-	-
Total cash basis fund balances	\$ 317,706	161,921	5,468	83,023

See notes to financial statements.

Employee Benefits	Debt Service	Nonmajor	Total
113,135	57,704	-	730,975
-	-	-	154,655
-	-	-	3,054
-	-	-	11,005
-	-	-	4,939
2,775	1,387	-	525,796
-	-	-	385,621
-	-	-	100,432
115,910	59,091	-	1,916,477
-	-	-	949,112
-	-	-	654,159
-	-	-	298,174
-	-	-	984
-	-	-	213,599
-	128,096	-	128,096
-	-	188,676	188,676
-	128,096	188,676	2,432,800
115,910	(69,005)	(188,676)	(516,323)
-	-	-	282,000
-	63,525	190,000	422,457
(115,910)	-	-	(374,312)
(115,910)	63,525	190,000	330,145
-	(5,480)	1,324	(186,178)
-	8,345	37,864	796,349
-	2,865	39,188	610,171
-	-	30,000	30,000
-	-	-	50,873
-	-	-	40,832
-	-	-	83,023
-	-	-	161,921
-	2,865	-	8,333
-	-	9,188	9,188
-	-	-	26,311
-	-	-	23,649
-	-	-	7,843
-	-	-	168,198
-	2,865	39,188	610,171

City of Wapello

City of Wapello

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

As of and for the year ended June 30, 2020

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 217,894	481,205	699,099
Miscellaneous	9,537	-	9,537
Total operating receipts	227,431	481,205	708,636
Operating disbursements:			
Business type activities	189,607	213,900	403,507
Excess of operating receipts over operating disbursements	37,824	267,305	305,129
Non-operating receipts (disbursements):			
Revenue bond proceeds	-	391,084	391,084
Community development block grant	-	232,995	232,995
Debt service	-	(220,098)	(220,098)
Capital outlay	-	(651,282)	(651,282)
Net non-operating disbursements	-	(247,301)	(247,301)
Excess of receipts over disbursements	37,824	20,004	57,828
Transfers out	(30,365)	(17,780)	(48,145)
Change in cash balances	7,459	2,224	9,683
Cash balances beginning of year	148,423	287,709	436,132
Cash balances end of year	\$ 155,882	289,933	445,815
Cash Basis Fund Balances			
Restricted for debt service	\$ -	17,954	17,954
Restricted for customer deposits	76,520	-	76,520
Unrestricted	79,362	271,979	351,341
Total cash basis fund balances	\$ 155,882	289,933	445,815

See notes to financial statements.

Notes to Financial Statements

City of Wapello

June 30, 2020

(1) Summary of Significant Accounting Policies

The City of Wapello is a political subdivision of the State of Iowa located in Louisa County. It was first incorporated in 1856 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

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

Discretely Presented Component Unit

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

The following accounting policies are followed in preparing the financial statements:

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the City Council in March 2019.

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, 2020, disbursements exceeded the amounts budgeted in the public works and capital projects functions prior to the budget amendments approved. At June 30, 2020, disbursements exceeded the amount budgeted in the public safety function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2020 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

A summary of changes in bonds and notes payable for the year ended June 30, 2020 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General Obligation Bond	\$ 65,000	-	15,000	50,000	15,000
General Obligation Notes	807,102	282,000	88,438	1,000,664	127,287
Governmental activities total	<u>\$ 872,102</u>	<u>282,000</u>	<u>103,438</u>	<u>1,050,664</u>	<u>142,287</u>
Business type activities:					
Sewer Revenue Bonds	<u>\$ 2,718,000</u>	<u>391,084</u>	<u>152,000</u>	<u>2,957,084</u>	<u>170,519 *</u>

*- The Sewer Revenue Bond issued August 23, 2019 used an 'estimated' amortization schedule as of June 30, 2020. \$17,519 was shown as the FY21 principal payment.

General Obligation Bond and Notes

A summary of the City's June 30, 2020 general obligation bonds and notes payable is as follows:

Year Ending June 30,	Corporate Purpose and Refunding Issued Nov 1, 2012			Swimming Pool Issued Nov 20, 2013			North 2nd Street Improvements Issued Aug 10, 2015		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	2.00%	\$ 15,000	1,000	2.85%	\$ 50,000	14,336	3.00%	\$ 40,621	6,470
2022	2.00	15,000	700	2.85	51,000	12,910	3.00	41,840	5,251
2023	2.00	20,000	400	2.85	53,000	11,458	3.00	43,095	3,996
2024	-	-	-	2.85	54,000	9,946	3.00	44,388	2,703
2025	-	-	-	2.85	56,000	8,408	3.00	45,720	1,372
2026-2030	-	-	-	2.85	239,000	17,270	-	-	-
Total		<u>\$ 50,000</u>	<u>2,100</u>		<u>\$ 503,000</u>	<u>74,328</u>		<u>\$ 215,664</u>	<u>19,792</u>

Year Ending June 30,	Street Sweeper Issued May 21, 2020			Ambulance Issued June 4, 2020			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	2.60%	\$ 18,392	5,382	1.50%	\$ 18,274	1,205	\$ 142,287	28,393	170,680
2022	2.60	18,870	4,904	1.50	18,628	851	145,338	24,616	169,954
2023	2.60	19,361	4,413	1.50	18,908	571	154,364	20,838	175,202
2024	2.60	19,864	3,910	1.50	19,190	289	137,442	16,848	154,290
2025	2.60	20,381	3,393	1.50	-	-	122,101	13,173	135,274
2026-2030	2.60	110,132	8,738	1.50	-	-	349,132	26,008	375,140
Total		<u>\$ 207,000</u>	<u>30,740</u>		<u>\$ 75,000</u>	<u>2,916</u>	<u>\$ 1,050,664</u>	<u>129,876</u>	<u>1,180,540</u>

On November 1, 2012, the City issued \$2,000,000 of general obligation bonds with interest rates ranging from 1.00% to 2.00% per annum. The bonds were issued to refund the City's outstanding general obligation corporate purpose notes dated September 17, 1998, October 29, 2008, October 28, 2009 and December 3, 2009, to provide financing for the acquisition of water meters, warning sirens, and to finance the construction of improvements to the City's streets, water utility, and sanitary sewer utility system; and to pay costs associated with issuance of the Bonds. During the year ended June 30, 2020, the City paid \$15,000 of principal and \$1,300 of interest on the bonds.

On November 20, 2013, the City issued \$775,000 of general obligation notes with an interest rate of 2.85% per annum. The notes were issued for the purpose of paying the costs of replacing the municipal swimming pool and providing for the equipping and furnishing thereof. During the year ended June 30, 2020, the City paid \$49,000 of principal and \$15,571 of interest on the notes.

On August 10, 2015, the City issued \$403,000 of general obligation notes with an interest rate of 3.00% per annum. The notes were issued for the purpose of paying the cost of replacing 2nd Street and its sidewalk. During the year ended June 30, 2020, the City paid \$39,438 of principal and \$7,787 of interest on the notes.

On May 21, 2020, the City issued \$207,000 of general obligation notes with an interest rate of 2.60% per annum. The notes were issued to purchase a Street Sweeper. During the year ended June 30, 2020 there were no payments made towards principal or interest.

On June 4, 2020, the City issued \$75,000 of general obligation notes with an interest rate of 1.5% per annum. The notes were issued to purchase a modular ambulance. During the year ended June 30, 2020 there were no payments made towards principal or interest.

Sewer Revenue Bonds

A summary of the City's June 30, 2020 revenue bonds payable is as follows:

Year Ending June 30,	Sewer Issued June 2, 2005			Sewer Issued April 7, 2010			Sewer Issued July 1, 2011		
	Interest			Interest			Interest		
	Rates	Principal	Interest	Rates	Principal	Interest	Rates	Principal	Interest
2021	3.00%	\$ 25,000	2,853	3.00%	\$ 45,000	15,600	3.00%	\$ 14,000	5,580
2022	3.00	26,000	2,415	3.00	46,000	14,250	3.00	15,000	5,160
2023	3.00	27,000	1,960	3.00	48,000	12,870	3.00	15,000	4,710
2024	3.00	28,000	1,487	3.00	49,000	11,430	3.00	16,000	4,260
2025	3.00	28,000	1,598	3.00	51,000	9,960	3.00	16,000	3,780
2026-2030	3.00	29,000	507	3.00	281,000	25,830	3.00	90,000	11,280
2031-2035	-	-	-	-	-	-	3.00	20,000	600
2036-2040	-	-	-	-	-	-	-	-	-
2041-2042	-	-	-	-	-	-	-	-	-
Total		\$ 163,000	10,820		\$ 520,000	89,940		\$ 186,000	35,370

Year Ending June 30,	Sewer Issued September 27, 2013			Sewer Issued August 29, 2014			Total		
	Interest			Interest					
	Rates	Principal	Interest	Rates	Principal	Interest	Principal	Interest	Total
2021	1.75%	\$ 14,000	3,518	2.00%	\$ 55,000	26,233	\$ 153,000	53,784	206,784
2022	1.75	14,000	3,272	2.00	56,000	25,270	157,000	50,367	207,367
2023	1.75	14,000	3,028	2.00	57,000	24,290	161,000	46,858	207,858
2024	1.75	15,000	2,782	2.00	58,000	23,293	166,000	43,252	209,252
2025	1.75	15,000	2,520	2.00	59,000	22,277	169,000	40,135	209,135
2026-2030	1.75	78,000	8,610	2.00	316,000	95,375	794,000	141,602	935,602
2031-2035	1.75	51,000	1,785	2.00	349,000	66,622	420,000	69,007	489,007
2036-2040	-	-	-	2.00	384,000	34,860	384,000	34,860	418,860
2041-2042	-	-	-	2.00	165,000	4,340	165,000	4,340	169,340
Total		\$ 201,000	25,515		\$ 1,499,000	322,560	\$ 2,569,000	484,205	3,053,205

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, 2020, the City paid principal of \$24,000 and interest of \$3,273 on the bonds. At June 30, 2020, the outstanding principal balance was \$163,000.

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, 2020, the City paid principal of \$44,000 and interest of \$16,920 on the bonds. At June 30, 2020, the outstanding principal balance was \$520,000.

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, 2020, the City paid principal of \$14,000 and interest of \$6,000 on the bonds. At June 30, 2020, the outstanding principal balance was \$186,000.

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, 2020, the City paid principal of \$13,000 and interest of \$3,745 on the bonds. At June 30, 2020, the outstanding principal balance was \$201,000.

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, 2020, the City paid principal of \$54,000 and interest of \$27,178 on the bonds. At June 30, 2020, the outstanding principal balance was \$1,499,000.

On August 23, 2019, the City entered into a loan agreement with Iowa Finance Authority for the issuance of sewer revenue bonds of up to \$441,000 with interest at 1.75% 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. As of June 30, 2020, the City has not completed the project and has drawn down a total of \$391,084 of the bonds. An initiation fee of \$2,200 was (0.5% of the authorized borrowing for the sewer revenue bonds) charged by IFA. The initiation fee was withheld from the first proceeds of the sewer revenue bonds drawn by the City. In addition, the City engaged a registered Municipal Advisor (MA). The MA creates the pro-forma that is submitted with the SRF loan application. The SRF program will reimburse the applicant up to \$4,000 for eligible work done by the MA. In December 2019, the City submitted relevant invoices for MA expenses and received a \$2,200 MA fee reimbursement which

was ran through proceeds issued during the year. A final repayment schedule has not yet been adopted. During the year ended June 30, 2020, the City paid principal of \$3,000 and interest of \$3,672 on the bonds. At June 30, 2020, the outstanding principal balance was \$388,084.

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 2033. For the year ended June 30, 2020, annual principal and interest payments on the bonds required 77% of net receipts. The total principal and interest remaining to be paid on the bonds is \$3,053,205. For the current year, principal and interest paid and total customer net receipts were \$206,116 and \$267,305, 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.

(4) Pension Plan

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29% of covered payroll and the City contributed 9.44% of covered payroll, for a total rate of 15.73%. Protection occupation members contributed 6.61% of covered payroll and the City contributed 9.91% of covered payroll, for a total rate of 16.52%.

The City's contributions to IPERS for the year ended June 30, 2020 totaled \$62,567.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2020, the City reported a liability of \$186,687 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019 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, 2019, the City's proportion was 0.003224%, which was a decrease of 0.000384% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$68,632, \$62,919 and \$78,991, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2019 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	3.25 to 16.25% average, including inflation.
(effective June 30, 2017)	Rates vary by membership group.
Long-term investment rate of return	7.00% compounded annually, net of investment
(effective June 30, 2017)	expense, including inflation.
Wage growth	3.25% per annum, based on 2.60% inflation
(effective June 30, 2017)	and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an economic assumption study dated March 24, 2017 and a demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	5.60%
International equity	15.0	6.08
Global smart beta equity	3.0	5.82
Core plus fixed income	27.0	1.71
Public credit	3.5	3.32
Public real assets	7.0	2.81
Cash	1.0	(0.21)
Private equity	11.0	10.13
Private real assets	7.5	4.76
Private credit	3.0	3.01
Total	<u>100.0%</u>	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability (asset)	\$ 510,171	186,687	(84,424)

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

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid.

The City’s approximate liability for earned vacation hours payable to employees at June 30, 2020, primarily relating to the General Fund and the Enterprise, Water Fund, was approximately \$37,000. This liability has been computed based on rates of pay in effect at June 30, 2020.

(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 Loan

During the year ended June 30, 2020, the City loaned \$190,000 from the Special Revenue, Local Option Sales Tax Fund (LOST Fund) to the Capital Projects fund to provide funding for an urban renewal project. The loan will be repaid from tax increment financing receipts transferred from the Special Revenue, Tax Increment Financing Fund to the LOST Fund, as receipts become available.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Road Use Tax	\$ 4,556
	Local Option Sales Tax	30,000
	Employee Benefits	106,623
	Enterprise:	
	Water	8,836
	Sewer	9,630
		<u>159,645</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Employee Benefits	9,287
Capital Project:	Special Revenue:	
	Local Option Sales Tax	190,000
Debt Service	Special Revenue:	
	Road Use Tax	33,846
	Enterprise:	
	Water	21,529
	Sewer	8,150
		<u>63,525</u>
Total		<u>\$ 422,457</u>

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

(9) Rebate Agreements

The City has entered into five tax increment financing rebate agreements to assist in urban renewal projects by rebating incremental property tax paid by the developer with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developers will be rebated for a period of five years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. During the year ended June 30, 2020, the City rebated \$984 of incremental property tax to the participating developers.

(10) Tax Abatements

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

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, the City abated \$369 of property tax under the urban renewal and economic development projects.

(11) COVID-19

In March 2020, the COVID-19 outbreak was declared a global pandemic. The disruption to businesses across a range of industries in the United States continues to evolve. The full impact to local, regional and national economies, including the City of Wapello, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Wapello. However, the extent of the financial impact of COVID-19 will depend on future developments, including the spread of the virus, duration and timing of the economic recovery. Due to these uncertainties, management cannot reasonably estimate the potential impact to the City of Wapello's operations and finances.

(12) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities.

Other Information

City of Wapello

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2020

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 730,975	-	730,975
Tax increment financing	3,054	-	3,054
Other city tax	154,655	-	154,655
Licenses and permits	11,005	-	11,005
Use of money and property	4,939	-	4,939
Intergovernmental	525,796	-	525,796
Charges for service	385,621	699,099	1,084,720
Miscellaneous	100,432	9,537	109,969
Total receipts	1,916,477	708,636	2,625,113
Disbursements:			
Public safety	949,112	-	949,112
Public works	654,159	-	654,159
Culture and recreation	298,174	-	298,174
Community and economic development	984	-	984
General government	213,599	-	213,599
Debt service	128,096	-	128,096
Capital Project	188,676	-	188,676
Business type activities	-	1,274,887	1,274,887
Total disbursements	2,432,800	1,274,887	3,707,687
Excess (deficiency) of receipts over (under) disbursements	(516,323)	(566,251)	(1,082,574)
Other financing sources, net	330,145	575,934	906,079
Change in balances	(186,178)	9,683	(176,495)
Balances beginning of year	796,349	436,132	1,232,481
Balances end of year	\$ 610,171	445,815	1,055,986

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
732,562	732,562	(1,587)
1,844	1,844	1,210
138,524	138,524	16,131
26,625	26,625	(15,620)
36,600	36,600	(31,661)
344,340	762,333	(236,537)
1,097,973	1,097,973	(13,253)
32,494	36,494	73,475
2,410,962	2,832,955	(207,842)
641,627	796,743	(152,369)
360,663	697,853	43,694
322,309	335,503	37,329
3,044	3,044	2,060
199,220	240,720	27,121
128,123	128,123	27
-	190,000	1,324
755,976	1,436,976	162,089
2,410,962	3,828,962	121,275
-	(996,007)	(86,567)
-	648,000	258,079
-	(348,007)	171,512
915,374	1,022,895	209,586
915,374	674,888	381,098

City of Wapello

City of Wapello

Notes to Other Information – Budgetary Reporting

June 30, 2020

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, three budget amendments increased budgeted disbursements by \$1,418,000. The budget amendments are reflected in the public works and final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amount budgeted in the public works and capital projects functions prior to the budget amendments. At June 30, 2020, disbursements in the public safety function exceed the amount budgeted.

City of Wapello

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

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

Other Information

	2020	2019	2018	2017
City's proportion of the net pension liability	0.003224%	0.003608%	0.003521%	0.003730%
City's proportionate share of the net pension liability	\$ 187	228	235	235
City's covered payroll	\$ 538	391	402	380
City's proportionate share of the net pension liability as a percentage of its covered payroll	34.76%	58.31%	58.46%	61.84%
IPERS' net position as a percentage of the total pension liability	85.45%	83.62%	82.21%	81.82%

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

See accompanying independent auditor's report.

City of Wapello
Schedule of City Contributions
Iowa Public Employees' Retirement System
For the Last Ten Years
(In Thousands)

Other Information

	2020	2019	2018	2017
Statutorily required contribution	\$ 63	53	36	37
Contributions in relation to the statutorily required contribution	<u>(63)</u>	<u>(53)</u>	<u>(36)</u>	<u>(37)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 647	538	391	402
Contributions as a percentage of covered payroll	9.74%	9.85%	9.21%	9.20%

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

See accompanying independent auditor's report.

City of Wapello

Notes to Other Information – Pension Liability

Year ended June 30, 2020

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

The 2018 valuation implemented the following refinements as a result of a demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

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

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

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

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

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, 2020

	<u>Permanent</u>		
	Capital Projects	Library Bequest	Total
Receipts:			
None	\$ -	-	-
Disbursements:			
Capital projects	188,676	-	188,676
Deficiency of disbursements over receipts	(188,676)	-	(188,676)
Other financing sources (uses):			
Transfers In	190,000	-	190,000
Change in cash balances	1,324	-	1,324
Cash balances beginning of year	7,864	30,000	37,864
Cash balances end of year	\$ 9,188	30,000	39,188
Cash Basis Fund Balances			
Nonspendable - library bequest	\$ -	30,000	30,000
Restricted for capital projects	9,188	-	9,188
Total cash basis fund balances	\$ 9,188	30,000	39,188

See accompanying independent auditor's report.

City of Wapello
Schedule of Indebtedness
Year ended June 30, 2020

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds/notes:			
Corporate purpose and refunding	Nov 1, 2012	1.00-2.00%	\$ 2,000,000
Swimming pool	Nov 20, 2013	2.85	775,000
North 2nd Street improvements	Aug 10, 2015	3.00	403,000
Street sweeper	May 21, 2020	2.60	207,000
Ambulance	Jun 4, 2020	1.50	75,000
Total			
Revenue bonds:			
Sewer	Jun 2, 2005 *	3.00%	\$ 447,000
Sewer	Apr 7, 2010 *	3.00	900,000
Sewer	July 1, 2011 *	3.00	298,000
Sewer	Sep 27, 2013 *	1.75	293,000
Sewer	Aug 29, 2014 *	2.00	1,818,610
Sewer	Aug 23, 2019 *	1.75	391,084
Total			

* 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
65,000	-	15,000	50,000	1,300
552,000	-	49,000	503,000	15,571
255,102	-	39,438	215,664	7,787
-	207,000	-	207,000	-
-	75,000	-	75,000	-
<u>\$ 872,102</u>	<u>282,000</u>	<u>103,438</u>	<u>1,050,664</u>	<u>24,658</u>
187,000	-	24,000	163,000	3,273
564,000	-	44,000	520,000	16,920
200,000	-	14,000	186,000	6,000
214,000	-	13,000	201,000	3,745
1,553,000	-	54,000	1,499,000	27,178
-	391,084	3,000	388,084	3,672
<u>\$ 2,718,000</u>	<u>391,084</u>	<u>152,000</u>	<u>2,957,084</u>	<u>60,788</u>

City of Wapello
Bond and Note Maturities
June 30, 2020

Year Ending June 30,	General Obligation					
	Corporate Purpose and Refunding		Swimming Pool		North 2nd Street	
	Issued November 1, 2012		Issued November 20, 2013		Issued August 10, 2015	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2021	2.00%	\$ 15,000	2.85%	\$ 50,000	3.00%	\$ 40,621
2022	2.00	15,000	2.85	51,000	3.00	41,840
2023	2.00	20,000	2.85	53,000	3.00	43,095
2024		-	2.85	54,000	3.00	44,388
2025		-	2.85	56,000	3.00	45,720
2026		-	2.85	57,000		-
2027		-	2.85	59,000		-
2028		-	2.85	61,000		-
2029		-	2.85	62,000		-
2030		-		-		-
Total		<u>\$ 50,000</u>		<u>\$ 503,000</u>		<u>\$ 215,664</u>

Year Ending June 30,	Revenue					
	Sewer		Sewer		Sewer	
	Issued June 2, 2005		Issued April 7, 2010		Issued July 1, 2011	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
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>\$ 163,000</u>		<u>\$ 520,000</u>		<u>\$ 186,000</u>

See accompanying independent auditor's report.

Bonds/Notes

Street Sweeper		Ambulance		
Issued May 21, 2020		Issued June 4, 2020		
Interest Rates	Amount	Interest Rates	Amount	Total
2.60%	\$ 18,392	1.50%	\$ 18,274	\$ 142,287
2.60	18,870	1.50	18,628	145,338
2.60	19,361	1.50	18,908	154,364
2.60	19,864	1.50	19,190	137,442
2.60	20,381		-	122,101
2.60	20,911		-	77,911
2.60	21,454		-	80,454
2.60	22,012		-	83,012
2.60	22,584		-	84,584
2.60	23,171		-	23,171
	\$ 207,000		\$ 75,000	\$ 1,050,664

Bonds

Sewer			Sewer			
Issued September 27, 2013			Issued August 29, 2014			
Interest Rates		Amount	Interest Rates		Amount	Total
1.75%	\$	14,000	2.00%	\$	55,000	\$ 153,000
1.75		14,000	2.00		56,000	157,000
1.75		14,000	2.00		57,000	161,000
1.75		15,000	2.00		58,000	166,000
1.75		15,000	2.00		59,000	169,000
1.75		15,000	2.00		61,000	175,000
1.75		15,000	2.00		62,000	148,000
1.75		16,000	2.00		63,000	153,000
1.75		16,000	2.00		64,000	157,000
1.75		16,000	2.00		66,000	161,000
1.75		17,000	2.00		67,000	104,000
1.75		17,000	2.00		68,000	85,000
1.75		17,000	2.00		70,000	87,000
		-	2.00		71,000	71,000
		-	2.00		73,000	73,000
		-	2.00		74,000	74,000
		-	2.00		75,000	75,000
		-	2.00		77,000	77,000
		-	2.00		78,000	78,000
		-	2.00		80,000	80,000
		-	2.00		82,000	82,000
		-	2.00		83,000	83,000
	\$	201,000		\$	1,499,000	\$ 2,569,000

City of Wapello

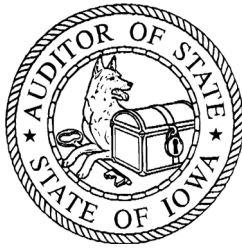
Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Ten Years

	2020	2019	2018	2017
Receipts:				
Property tax	\$ 730,975	669,325	629,695	593,135
Local option sales tax	154,655	159,209	122,209	128,269
Tax increment financing	3,054	126,357	259,385	338,126
Licenses and permits	11,005	14,341	22,039	21,688
Use of money and property	4,939	5,231	5,124	4,533
Intergovernmental	525,796	366,310	336,578	386,378
Charges for service	385,621	321,399	179,642	175,355
Miscellaneous	100,432	125,584	86,291	188,337
Total	<u>\$ 1,916,477</u>	<u>1,787,756</u>	<u>1,640,963</u>	<u>1,835,821</u>
Disbursements:				
Operating:				
Public safety	\$ 949,112	613,506	378,064	432,797
Public works	654,159	349,838	374,259	425,017
Culture and recreation	298,174	320,047	351,727	378,108
Community and economic development	984	2,020	765	-
General government	213,599	177,049	172,072	159,960
Debt service	128,096	304,838	357,646	385,567
Capital projects	188,676	-	-	-
Total	<u>\$ 2,432,800</u>	<u>1,767,298</u>	<u>1,634,533</u>	<u>1,781,449</u>

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
600,829	577,775	529,190	519,331	496,541	470,392
124,435	116,428	141,845	109,406	112,723	156,431
334,893	355,216	330,625	321,738	284,508	254,595
22,048	23,688	26,277	22,465	22,769	21,766
6,394	5,751	5,960	5,226	4,596	6,211
332,525	351,082	249,832	323,947	241,040	235,413
169,969	164,844	156,276	152,004	155,271	152,792
54,599	54,105	97,983	34,985	42,795	98,253
1,645,692	1,648,889	1,537,988	1,489,102	1,360,243	1,395,853
330,925	389,191	358,653	336,642	296,015	329,383
716,542	371,256	281,825	329,076	364,085	364,237
420,658	282,366	207,566	254,828	274,294	358,601
-	-	-	-	-	-
209,283	144,891	134,462	161,163	147,258	104,361
493,399	440,536	370,783	1,385,532	336,804	238,019
28,418	-	1,103,141	339,781	-	-
2,199,225	1,628,240	2,456,430	2,807,022	1,418,456	1,394,601



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 281-6518

**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, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 12, 2021. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2020 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

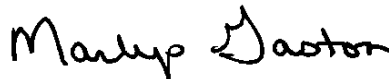
The City of Wapello's Responses to the Findings

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

Purpose of this Report

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

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Wapello during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Marlys K. Gaston, CPA
Deputy Auditor of State

February 12, 2021

City of Wapello

Schedule of Findings

Year ended June 30, 2020

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 – 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 accounts, maintained by the City Library and the Hometown Pride Group, and reported to the City Clerk monthly, 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, 2020

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, the 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.

Response – The City, the 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 and ambulance service billings, collections and accounts receivable listings to ensure proper recording of utility and ambulance 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, there was no evidence of an independent review. Reconciliations for ambulance service billings, collections and accounts receivable are not prepared.

Cause – Policies have not been established and procedures have not been implemented to ensure utility reconciliations are independently reviewed. Policies have not been established and procedures have not been implemented to require ambulance billings, collections and receivables be reconciled monthly.

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

Recommendation – Procedures should be established to ensure the accuracy of utility reconciliations by requiring an independent review. Procedures should be established to ensure that reconciliations of ambulance billings, collections and receivables are prepared monthly. The reconciliations should be reviewed by an independent person and the review should be documented by the signature or initials of the reviewer and the date of the review.

Response – The City is actively working on a procedure for the Ambulance and Utility reconciliations.

Conclusion – Response accepted.

City of Wapello

Schedule of Findings

Year ended June 30, 2020

(C) Computer System

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

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

- Requiring password changes because software does not require the user to change logins/passwords, preventing the reuse of the same password and preventing employees from sharing passwords.
- Requiring lock out if the password is incorrectly entered three times in a row.

Additionally, the written disaster recovery plan does not include:

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

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

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

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

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

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

Conclusion – Response acknowledged. The disaster recovery plan should be tested periodically by the City.

City of Wapello

Schedule of Findings

Year ended June 30, 2020

(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.

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

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

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

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

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Wapello

Schedule of Findings

Year ended June 30, 2020

Part IV: Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – During the year ended June 30, 2020, disbursements exceeded the amount budgeted in the public works and capital projects functions prior to the budget amendment(s). Disbursements at June 30, 2020 exceeded the amount budgeted in the public safety function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City will amend the budget before disbursements exceed the budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. During the year ended June 30, 2020, the City donated \$250 to the Wapello High School for Post Prom. This disbursement may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented.

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

In addition, during the year ended June 30, 2020, the City donated \$50 to the Wapello Community Club. The Constitution of the State of Iowa prohibits governmental bodies from making a gift to private non-profit corporations. Article III, Section 31 of the Constitution of the State of Iowa states “... no public money or property shall be appropriated for local or private purposes, unless such appropriation, compensation or claim be allowed by two-thirds of the members elected to each branch of the General Assembly.”

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

We are not aware of any statutory authority for the City to provide public funds to a private non-profit corporation. The City should seek reimbursement of the \$50 paid to the Wapello Community Club.

Response – The City will discuss questionable disbursements.

Conclusion – Response acknowledged. The City should establish written policies and procedures, including the requirement for proper public purpose documentation. The City should also seek reimbursement of the \$50 unallowable donation and cease making future donations to private non-profit organizations.

City of Wapello

Schedule of Findings

Year ended June 30, 2020

- (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:

Name, Title and Business Connection	Transaction Description	Amount
Shawn Maine, Mayor, owner of Midwest Rod and Restoration, Midwest Collision and Repair, and Midwest Classic Storage	Vehicle repairs and supplies and property tax rebate	\$ 3,684
Larry Wagg, City Council Member, Owner of Brown's Repair	Weed eater repair and supplies	91

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since the individual cumulative amounts were less than \$6,000 during the year.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (7) Deposits and Investments – Except as noted below, there were no instances of noncompliance with the deposits and investment provisions of Chapters 12B and 12C of the Code of Iowa.

The interest rate on one time certificate of deposit did not meet the minimum rate of interest set by the State Rate Setting Committee. Public fund time certificates of deposit, when renewed, shall be renewed at a rate of interest which conforms with current rates for public funds on the date of renewal.

The City has not adopted a written investment policy as required by Chapter 12B.10b of the Code of Iowa.

Recommendation – The City should seek reimbursement for the insufficient interest collected on the certificate of deposit. The City should be aware of the current allowable rates to ensure at least the minimum allowable rate is received for all investments. In addition, the City should adopt a written investment policy as required by Chapter 12B.10b of the Code of Iowa.

Response – The City will look into this matter.

Conclusion – Response acknowledged. The City should seek reimbursement of the additional interest due on this certificate of deposit and; the City should adopt a written investment policy as required by Chapter 12B.10b of the Code of Iowa.

City of Wapello

Schedule of Findings

Year ended June 30, 2020

- (8) Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.
- (9) 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 and remit them to the Office of Treasurer of State, as required.

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

Conclusion – Response accepted.

- (10) 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.
- (11) Senior Discount – Chapter 388.6 of the Code of Iowa states, “A city utility or combined utility system may not provide use or service at a discriminatory rate, except to the City or its agencies, as provided in Chapter 384.91.” Senior discounts were provided on garbage and recycling rates by the City Council.

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

Response – This was brought to the City Council’s attention and they will continue to allow a senior discount on utilities.

Conclusion – Response acknowledged. This practice is in violation of Iowa statute. The City should immediately cease providing Senior discounts on garbage and recycling services.

City of Wapello

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Ryan J. Pithan, CPA, Manager
April R. Davenport, Staff Auditor
Cody Pifer, Staff Auditor
Tristan J. Swiggum, Assistant Auditor
Ridge G. Nennig, Assistant Auditor