

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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

NEWS RELEASE

FOR RELEASE

June 22, 2021

Contact: Marlys Gaston
515/281-5834

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$7,274,200 for the year ended June 30, 2020, a 36.5% decrease from the prior year. Disbursements for the year ended June 30, 2020 totaled \$7,197,497 a 30.1% decrease from the prior year. The significant decrease in receipts and disbursements is due primarily to interim note proceeds received from the Iowa Finance Authority and spent on improvements to the City's sanitary sewer system in the prior year.

AUDIT FINDINGS:

Sand reported twelve findings related to the receipt and disbursement of taxpayer funds. They are found on pages 54 through 61 of this report. The findings address issues such as a lack of segregation of duties, lack of an independent review of bank reconciliations, incorrect posting of receipts, the lack of a proper public purpose documentation for employee clothing allowances, and disbursements exceeding budgeted amounts at year end. Sand provided the City with recommendations to address each of the findings.

Ten of the twelve findings discussed above are repeated from the prior year. The City Council has a fiduciary responsibility to provide oversight of the City's operations and financial transactions. Oversight is typically defined as the "watchful and responsible care" a governing body exercises in its fiduciary capacity.

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

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CITY OF WILTON
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2020

City of Wilton



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Rob Sand
Auditor of State

May 17, 2021

Officials of the City of Wilton
Wilton, 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 Wilton, 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 Wilton 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 Wilton

Officials

(Before January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Barrett	Mayor	Jan 2020
Keith Stanley	Mayor Pro tem	Jan 2022
Wayne Budding	Council Member	Jan 2020
Sheryl Lenker	Council Member	Jan 2020
Ted Marolf	Council Member	Jan 2020
Steve Owens	Council Member	Jan 2022
Christopher Ball	Administrator	Indefinite
Lori A. Brown	City Clerk/Treasurer	Indefinite
Julie Degen-Sprague	Attorney	Indefinite

(After January 2020)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Barrett	Mayor	Jan 2022
Keith Stanley	Mayor Pro tem	Jan 2022
Steve Owens	Council Member	Jan 2022
Wayne Budding	Council Member	Jan 2024
Sheryl Lenker	Council Member	Jan 2024
Ted Marolf	Council Member	Jan 2024
Christopher Ball	Administrator	Indefinite
Lori A. Brown	City Clerk/Treasurer	(Resigned May 2020)
Kathryn Koele (Appointed May 2020)	City Clerk/Treasurer	Indefinite
Julie Degen-Sprague	Attorney	Indefinite

City of Wilton



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wilton, Iowa, as of and for the year ended June 30, 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 unmodified and adverse audit opinions.

Opinions

Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units

The financial statements do not include financial data for all of the City's component units which should be discretely presented because the Wilton Municipal Light and Power System reports in accordance with U.S. generally accepted accounting principles, a different financial reporting framework than the City's cash basis of accounting. Accounting principles applicable to the cash basis of accounting require the financial data for all component units be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity which include the financial data of all component units. The City has not issued such reporting entity financial statements. The amount by which this departure affects cash and cash basis net position of the aggregate discretely presented component units is \$1,966,313.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Wilton as of June 30, 2020, or the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Wilton 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

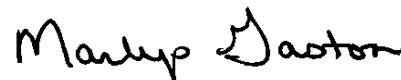
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wilton's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2018 (which are not presented herein) and expressed unmodified opinions on those financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements. We expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Wilton Municipal Light and Power System. We also previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2012 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. Because of the significance of the matter described in the “Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units” paragraph on the preceding page, it is inappropriate to, and we do not, express an opinion on the supplementary information.

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 34 through 42, 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 May 17, 2021 on our consideration of the City of Wilton’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 Wilton’s internal control over financial reporting and compliance.



Marlys K. Gaston, CPA
Deputy Auditor of State

May 17, 2021

City of Wilton

Basic Financial Statements

City of Wilton

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	\$ 636,278	21,010	173,245	-
Public works	480,051	4,387	360,165	-
Health and social services	1,056	-	-	-
Culture and recreation	445,043	53,185	39,723	-
Community and economic development	297,048	14,550	-	133,606
General government	1,076,256	37,126	-	-
Debt service	1,281,511	-	-	-
Total governmental activities	4,217,243	130,258	573,133	133,606
Business type activities:				
Water	420,289	699,996	-	-
Sewer	2,026,742	961,031	-	-
Garbage	513,223	456,524	-	-
Total business type activities	2,960,254	2,117,551	-	-
Total primary government	\$ 7,177,497	2,247,809	573,133	133,606
Component Unit:				
Wilton Library Foundation	\$ 15	-	-	-
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/loan 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:				
Streets				
Debt service				
Capital projects				
Employee benefits				
Police department				
Fire department				
Library				
Parks				
Recreation center				
Customer deposits				
Other purposes				
Unrestricted				
Total cash basis net position				
See notes to financial statements.				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			Component Unit
Governmental Activities	Business Type Activities	Total	Wilton Library Foundation
(442,023)	-	(442,023)	
(115,499)	-	(115,499)	
(1,056)	-	(1,056)	
(352,135)	-	(352,135)	
(148,892)	-	(148,892)	
(1,039,130)	-	(1,039,130)	
(1,281,511)	-	(1,281,511)	
(3,380,246)	-	(3,380,246)	
-	279,707	279,707	
-	(1,065,711)	(1,065,711)	
-	(56,699)	(56,699)	
-	(842,703)	(842,703)	
(3,380,246)	(842,703)	(4,222,949)	

(15)

1,091,073	-	1,091,073	-
409,691	-	409,691	-
577,142	-	577,142	-
343,301	-	343,301	-
61,878	-	61,878	-
39,677	26,116	65,793	809
800,000	915,094	1,715,094	-
55,680	-	55,680	-
76,917	(76,917)	-	-
3,455,359	864,293	4,319,652	809
75,113	21,590	96,703	794
4,238,244	2,399,880	6,638,124	43,161
\$ 4,313,357	2,421,470	6,734,827	43,955

\$ 606,483	-	606,483	-
369,549	36,924	406,473	-
120,584	99,478	220,062	-
106,572	-	106,572	-
10,896	-	10,896	-
720,366	-	720,366	-
57,594	-	57,594	-
42,651	-	42,651	-
599,277	-	599,277	-
-	40,910	40,910	-
28	-	28	-
1,679,357	2,244,158	3,923,515	43,955
\$ 4,313,357	2,421,470	6,734,827	43,955

City of Wilton

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

As of and for the year ended June 30, 2020

	Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Local Option Sales Tax
Receipts:				
Property tax	\$ 894,795	-	-	-
Tax increment financing	-	-	577,142	-
Local option sales tax	-	-	-	343,301
Other city tax	9,272	-	-	-
Licenses and permits	37,126	-	-	-
Use of money and property	35,530	-	-	197
Intergovernmental	296,818	360,165	31,710	-
Charges for service	61,233	-	-	-
Miscellaneous	66,792	-	-	-
Total receipts	1,401,566	360,165	608,852	343,498
Disbursements:				
Operating:				
Public safety	545,699	-	-	-
Public works	104,246	319,089	-	-
Health and social services	1,056	-	-	-
Culture and recreation	420,907	-	-	-
Community and economic development	105,980	-	191,068	-
General government	994,543	-	-	-
Debt service	-	-	-	-
Total disbursements	2,172,431	319,089	191,068	-
Excess (deficiency) of receipts over (under) disbursements	(770,865)	41,076	417,784	343,498
Other financing sources (uses):				
Loan and note proceeds	800,000	-	-	-
Transfers in	374,380	-	-	-
Transfers out	-	-	(393,099)	(343,470)
Total other financing sources (uses)	1,174,380	-	(393,099)	(343,470)
Change in cash balances	403,515	41,076	24,685	28
Cash balances beginning of year	2,583,434	565,407	252,084	-
Cash balances end of year	\$ 2,986,949	606,483	276,769	28
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	606,483	-	-
Debt service	-	-	276,769	-
Capital projects	-	-	-	-
Employee benefits	-	-	-	-
Police department	10,896	-	-	-
Fire department	645,199	-	-	-
Library	9,569	-	-	-
Parks	42,651	-	-	-
Recreation center	599,277	-	-	-
Other purposes	-	-	-	28
Unassigned	1,679,357	-	-	-
Total cash basis fund balances	\$ 2,986,949	\$ 606,483	276,769	28

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
409,691	-	180,392	1,484,878
-	-	-	577,142
-	-	-	343,301
3,846	-	2,768	15,886
-	-	-	37,126
2,176	588	1,186	39,677
13,640	-	7,173	709,506
-	-	-	61,233
-	-	79,898	146,690
<u>429,353</u>	<u>588</u>	<u>271,417</u>	<u>3,415,439</u>
-	-	90,579	636,278
-	-	56,716	480,051
-	-	-	1,056
-	-	24,136	445,043
-	-	-	297,048
-	-	81,713	1,076,256
<u>1,281,511</u>	<u>-</u>	<u>-</u>	<u>1,281,511</u>
<u>1,281,511</u>	<u>-</u>	<u>253,144</u>	<u>4,217,243</u>
<u>(852,158)</u>	<u>588</u>	<u>18,273</u>	<u>(801,804)</u>
-	-	-	800,000
853,106	-	-	1,227,486
-	(380,000)	(34,000)	(1,150,569)
<u>853,106</u>	<u>(380,000)</u>	<u>(34,000)</u>	<u>876,917</u>
948	(379,412)	(15,727)	75,113
<u>91,832</u>	<u>499,996</u>	<u>245,491</u>	<u>4,238,244</u>
<u>92,780</u>	<u>120,584</u>	<u>229,764</u>	<u>4,313,357</u>
-	-	-	606,483
92,780	-	-	369,549
-	120,584	-	120,584
-	-	106,572	106,572
-	-	-	10,896
-	-	75,167	720,366
-	-	48,025	57,594
-	-	-	42,651
-	-	-	599,277
-	-	-	28
-	-	-	1,679,357
<u>92,780</u>	<u>120,584</u>	<u>229,764</u>	<u>4,313,357</u>

City of Wilton

City of Wilton

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	Garbage	Total
Operating receipts:				
Charges for service	\$ 685,071	961,031	456,524	2,102,626
Miscellaneous	14,925	-	-	14,925
Total operating receipts	699,996	961,031	456,524	2,117,551
Operating disbursements:				
Business type activities	338,829	407,442	335,541	1,081,812
Excess of operating receipts over operating disbursements	361,167	553,589	120,983	1,035,739
Non-operating receipts (disbursements):				
Interest on investments	13,011	7,008	6,097	26,116
Bond proceeds	-	915,094	-	915,094
Debt service	(81,460)	(492,894)	-	(574,354)
Capital improvements	-	(1,126,406)	(177,682)	(1,304,088)
Net non-operating receipts (disbursements)	(68,449)	(697,198)	(171,585)	(937,232)
Excess (deficiency) of receipts over (under) disbursements	292,718	(143,609)	(50,602)	98,507
Transfers:				
Transfers in	-	171,735	-	171,735
Transfers out	(93,645)	(130,007)	(25,000)	(248,652)
Total transfers	(93,645)	41,728	(25,000)	(76,917)
Change in cash balances	199,073	(101,881)	(75,602)	21,590
Cash balances beginning of year	997,414	1,237,110	165,356	2,399,880
Cash balances end of year	\$ 1,196,487	1,135,229	89,754	2,421,470
Cash Basis Fund Balances				
Restricted for debt service	\$ 6,566	30,358	-	36,924
Restricted for capital projects	-	99,478	-	99,478
Restricted for customer deposits	40,910	-	-	40,910
Unrestricted	1,149,011	1,005,393	89,754	2,244,158
Total cash basis fund balances	\$ 1,196,487	1,135,229	89,754	2,421,470

See notes to financial statements.

City of Wilton

Notes to Financial Statements

June 30, 2020

(1) Summary of Significant Accounting Policies

The City of Wilton is a political subdivision of the State of Iowa located in Cedar and Muscatine Counties. It was first incorporated in 1878 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

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

These financial statements include the City of Wilton (the primary government) and its component units, except the Wilton Light and Power System. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Units

The Friends of the Wilton Public Library and the Wilton Volunteer Fire Department are entities which are legally separate from the City but are so intertwined with the City they are, in substance, the same as the City. They are reported as part of the City and blended as Special Revenue Funds of the City.

Discretely Presented Component Unit

The Wilton Library Foundation (Foundation) has been incorporated under the provisions of the Iowa Nonprofit Corporation Act to operate exclusively for charitable, scientific and educational purposes for the enhancement and improvement of the Wilton Public Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Foundation meets the definition of a component unit which should be discretely presented. Based on these criteria, the economic resources received or held by the Foundation are substantially for the direct benefit of the City of Wilton Library.

Excluded Component Unit

The Wilton Municipal Light and Power System (System) was established under Chapter 388 of the Code of Iowa to operate the City's electric utility. The System is governed by a five-member board appointed by the Mayor and approved by the City Council. In accordance with criteria set forth by the Governmental Accounting Standards Board, the System meets the definition of a component unit which should be discretely presented. Financial statements for the System were prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles but are not included in the City's financial statements since the City prepares its financial statements on the cash basis. Complete financial statements can be obtained from the Wilton Municipal Light and Power System, 220 W. 3rd Street, Wilton, Iowa 52778.

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 or appoint representatives to the following boards and commissions: Cedar and Muscatine County Assessor's Conference Boards, 911 Joint Service Board, Muscatine County Solid Waste Management Agency, Muscatine County Emergency Management Commission and Cedar County Solid Waste Commission.

Related Organization

The Wilton Community Foundation is excluded from the reporting entity because the City's accountability does not extend beyond appointing a member of the organization's Board.

B. Basis of Presentation

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

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

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 category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The Local Option Sales Tax Fund is used to account for local option sales tax collections used for sewer projects and property tax relief.

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

The Capital projects fund is utilized to account for resources used in the acquisition and construction of capital facilities and other capital assets with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

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

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

The Enterprise, Garbage Fund accounts for the operation and maintenance of the City's solid waste disposal system.

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. 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:

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

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2020, disbursements exceeded the amount budgeted in the public safety, general government, debt service and business type activities functions.

(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) Bonds and Notes Payable

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

	Beginning Balance	Increase	Decrease	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	\$ 3,565,000	-	1,140,000	2,425,000	325,000
Direct borrowings and direct placements:					
Bank loans	9,876	100,000	9,876	100,000	100,000
Urban renewal tax increment revenue bond	305,000	-	30,500	274,500	30,500
Urban renewal city hall renovation note	-	700,000	-	700,000	228,000
Governmental activities total	<u>\$ 3,879,876</u>	<u>800,000</u>	<u>1,180,376</u>	<u>3,499,500</u>	<u>683,500</u>
Business-type activities:					
Water revenue note	\$ 629,470	-	62,598	566,872	64,000
Sewer revenue bonds	5,248,861	915,094	375,555	5,788,400	253,000
Business-type activities total	<u>\$ 5,878,331</u>	<u>915,094</u>	<u>438,153</u>	<u>6,355,272</u>	<u>317,000</u>

General Obligation Bonds and Loans

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

Year Ending June 30,	General Obligation Corporate Purpose and Refunding Bonds Issued Mar 26, 2013			General Obligation and Corporate Purpose Bonds Issued Mar 28, 2017			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
2021		\$ -	-	3.00%	\$ 325,000	54,450	\$ 325,000	54,450	379,450
2022	2.00%	120,000	4,200	3.00	340,000	44,700	460,000	48,900	508,900
2023		-	-	4.00	345,000	34,500	345,000	34,500	379,500
2024	2.00	125,000	4,300	4.00	355,000	20,700	480,000	25,000	505,000
2025		-	-	2.50	85,000	6,500	85,000	6,500	91,500
2026-2030	2.20	405,000	14,598	2.50	175,000	6,625	580,000	21,223	601,223
2031-2035	2.45	150,000	4,350		-	-	150,000	4,350	154,350
Total		<u>\$ 800,000</u>	<u>27,448</u>		<u>\$ 1,625,000</u>	<u>167,475</u>	<u>\$ 2,425,000</u>	<u>194,923</u>	<u>2,619,923</u>

On March 11, 2013, the City issued \$4,100,000 of general obligation corporate purpose and refunding bonds with an interest rate range of 1.50 – 2.90% per annum. The bonds were issued for the purpose of financing street, municipal waterworks and sanitary sewer improvements, to refund the outstanding balance of the City’s General Obligation Refunding Bonds, Series 2005, and to refund the outstanding balance of the City’s General Fund Loan Agreement Anticipation Community Center Project Note dated March 1, 2010. During the fiscal year ended June 30, 2020, the City paid \$820,000 of principal and \$34,048 of interest on the bonds.

On March 28, 2017, the City issued \$2,545,000 of general obligation corporate purpose bonds with an interest rate range of 2.00 – 4.00% per annum. The bonds were issued for the purpose of financing the costs of improvements to City Hall, an industrial park project, an economic development grant, and downtown revitalization. During the fiscal year ended June 30, 2020, the City paid \$320,000 of principal and \$64,050 of interest on the bonds.

Direct Borrowings and Direct Placements

The City’s June 30, 2020 urban renewal tax increment financing revenue bonds/note and direct placement loans payable is as follows:

Year Ending June 30,	TIF Urban Renewal Tax Revenue Bonds			Bank Loan		
	Issued June 10, 2019			Issued November 29, 2019		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2021	2.89%	\$ 30,500	7,712	2.85%	\$ 100,000	2,850
2022	2.89	30,500	6,831		-	-
2023	2.89	30,500	5,950		-	-
2024	2.89	30,500	5,081		-	-
2025	2.89	30,500	4,187		-	-
2026 -2029	2.89	122,000	7,938		-	-
Total		\$ 274,500	37,699		\$ 100,000	2,850

Year Ending June 30,	Urban Renewal City Hall Renovation Note			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2021	1.87%	\$ 228,000	15,493	\$ 358,500	26,055	384,555
2022	1.87	234,000	8,826	264,500	15,657	280,157
2023	1.87	238,000	4,450	268,500	10,400	278,900
2024		-	-	30,500	5,081	35,581
		-	-	30,500	4,187	34,687
		-	-	122,000	7,938	129,938
Total		\$ 700,000	28,769	\$ 1,074,500	69,318	1,143,818

On June 10, 2019 the City issued an urban renewal tax increment revenue bond with DeWitt Bank and Trust Co. for \$305,000 to pay off the balance of the urban renewal tax increment anticipation project note that was used to finance the extension of West 4th Street. The bond bears interest at 2.89% per annum and matures on June 1, 2029. The bond is payable solely from the income and proceeds of the Special Revenue, Urban Renewal Tax Revenue Fund. During the year ended June 30, 2020, the City paid \$30,500 principal and \$8,112 of interest on the bonds.

On November 29, 2019, the City issued \$100,000 of general obligation police cars note with Community Bank and Trust to finance the purchase of police vehicles and related equipment. The note bears interest at 2.85% per annum and matures on May 1, 2021. During the year ended June 30, 2020, no principal or interest was paid on the loan.

On April 15, 2020, the City issued a general obligation urban renewal city hall renovation note for \$700,000 to finance costs for the renovation, construction, furnishing and equipping the City Hall. The note bears interest at 1.87% per annum and matures on June 1, 2023. During the year ended June 30, 2020, no principal or interest was paid on the note.

Revenue Bond and Notes

The summary of the City’s June 30, 2020 revenue bond and notes payable is as follows:

Year Ending June 30,	Water Revenue Note Issued Jul 7, 2008			Sewer Revenue Bond Issued Jun 29, 2018			Total		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest	Principal	Interest	Total
	2021	2.95%	\$ 64,000	16,973	1.75%	\$ 253,000	101,290	\$ 317,000	118,263
2022	2.95	66,000	15,059	1.75	259,000	96,863	325,000	111,922	436,922
2023	2.95	67,000	13,085	1.75	264,000	92,330	331,000	105,415	436,415
2024	2.95	69,000	11,111	1.75	269,000	87,710	338,000	98,821	436,821
2025	2.95	72,000	9,017	1.75	274,000	83,003	346,000	92,020	438,020
2026-2030	2.95	228,872	13,897	1.75	1,456,000	341,093	1,684,872	354,990	2,039,862
2031-2035		-	-	1.75	1,607,000	208,495	1,607,000	208,495	1,815,495
2036-2039		-	-	1.75	1,406,000	62,125	1,406,000	62,125	1,468,125
Total		\$ 566,872	79,142		\$ 5,788,000	1,072,909	\$ 6,354,872	1,152,051	7,506,923

The City has pledged future water customer receipts, net of specified operating disbursements, to repay a \$1,200,000 water revenue note issued in July 2008. Proceeds from the note provided financing for the construction of improvements and extensions to the municipal waterworks system. The note is payable solely from water customer net receipts and is payable through 2028. Annual principal and interest payments on the note are expected to require less than 23% of net receipts. During the year ended June 30, 2020, the City paid principal of \$62,598 and interest of \$18,861 on the note. The total principal and interest remaining to be paid on the note is \$646,612. For the current year, principal and interest paid and total customer net receipts were \$81,459 and \$361,167, respectively.

The resolution providing for the issuance of the water revenue note issued under an agreement between the City and Community Bank, Wilton, Iowa includes the following provisions:

- (1) Sufficient monthly transfers shall be made to a separate water revenue note sinking account for the purpose of making the note principal and interest payments when due.

- (2) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the note falling due in the same year.
- (3) The City shall establish, impose, adjust and provide for the collection of rates to be charged to customers of the Utility, including the City, to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the Utility.

Pursuant to a loan modification agreement effective September 9, 2013, the interest rate on the water revenue note was changed to an adjustable rate of between 2.95% and 3.94% per annum.

The City does not pay for water usage nor make monthly transfers into a sinking fund as required by the revenue bond resolutions.

On December 13, 1999, the City issued \$1,794,000 sewer revenue bonds for the construction of improvements and extensions to the sanitary sewer system. The bonds were issued at 1.75% per annum and matured in fiscal year 2020. During the year ended June 30, 2020, the City paid principal of \$126,000 and interest of \$2,205 on the bonds. At June 30, 2020, the bonds were paid off in their entirety.

On June 29, 2018, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of sewer revenue bonds of \$6,037,955 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 construction of certain improvements and extensions to the sewer treatment facilities. The bonds are payable solely from sewer customer net receipts and is payable through 2039. During the year ended June 30, 2020, the City paid principal of \$249,955 and interest of \$100,337.

Annual principal and interest payments on the bonds are expected to require 88% of net receipts. The total principal and interest remaining to be paid on the sewer revenue bonds are \$6,860,909. For the current year, principal and interest paid and total customer net receipts were \$478,497 and \$553,589, respectively.

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

- (1) The note will only be redeemed from the future earnings of the enterprise activity and the bond holder holds a lien on the future earnings of the funds.
- (2) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the note principal and interest payments when due.
- (3) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.
- (4) The City shall establish, impose, adjust and provide for the collection of rates to be charged to customers of the Utility, including the City, to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the Utility.

The City does not pay for sewer usage nor make monthly transfers into a sinking fund required by the revenue bond resolutions.

(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. 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 at age 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 greater 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 \$91,615.

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 \$479,727 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 0.008285%, which was a decrease of 0.000372% 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 \$122,801, \$109,232 and \$136,727 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 (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 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 pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 1,031,891	479,727	16,803

IPERS’ Fiduciary Net Position – Detailed information about the 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 payable to employees at June 30, 2020, primarily relating to the General Fund, totaled approximately \$53,000. This liability has been computed based on rates of pay in effect at June 30, 2020.

(6) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. For the year ended June 30, 2020, the City contributed \$248,060 and plan members eligible for benefits contributed \$62,015 to the plan. At June 30, 2020, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of Wilton and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	-
Active employees	<u>16</u>
Total	<u>16</u>

(7) Industrial Development Revenue Bonds

The City has issued a total of \$4,200,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa, of which \$1,909,244 is outstanding at June 30, 2020. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed and the bond principal and interest do not constitute liabilities of the City.

(8) Urban Renewal Project Rebate Agreements

The City has entered into eleven tax increment financing agreements. The City has agreed to assist in urban renewal projects by rebating incremental property tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of years determined by each agreement, beginning with the tax year in which the property tax on the completed value of the improvements is first paid. The agreements end by fiscal year 2034. The total amount that will be rebated in any fiscal year for the tax increment financing agreements is based on the assessed value of the land and buildings less the frozen property values times the property tax values for the City, Muscatine County and the Wilton Community School District, less the portion attributable to debt service for that year. The total amount rebated during the year ended June 30, 2020 was \$111,068. The estimated outstanding principal balance of the rebate agreements at June 30, 2020 is approximately \$269,600.

One of the eleven tax increment financing agreements above also provides for a \$483,740 economic development grant to the company as well as an obligation by the City to accomplish certain infrastructure improvements projected to cost \$2,300,000. Before the City makes any rebate payments to this company, the City will retain incremental property tax revenues sufficient to reimburse the City for the cost of the economic development grant and the infrastructure improvements.

In November 2010, the City and Wilton Development Corporation (the developer) entered into an agreement for the developer to carry out economic development activities within the City’s urban renewal area. The agreement was amended in October 2019 to increase the total amount of the agreement. The City will pay up to \$350,000 of incremental property tax to the developer over a period of ten years. During the year ended June 30, 2020, the City paid \$30,000 of incremental property tax to the developer. As of June 30, 2020, the City has paid \$240,000 to the developer.

In October 2019, the City and Wilton Development Corporation (the developer) entered into an agreement to establish and operate a program under which incentives would be provided to individuals who construct workforce housing units. The City will pay up to \$500,000 of incremental property tax to the developer over a period of ten years. During the year ended June 30, 2020, the City paid \$50,000 of incremental property tax to the developer.

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

Nine of the eleven agreements described above include an annual appropriation clause and only the amount payable in the succeeding year is subject to the City's constitutional debt limitation. The remaining two agreements do not include an annual appropriation clause and, accordingly, the entire outstanding principal balance of these agreements is subject to the City's constitutional debt limitation.

(9) Risk Management

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

(10) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 171,735
	Group Health Insurance	34,000
	Enterprise:	
	Water	93,645
	Sewer	50,000
	Garbage	25,000
		374,380
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	393,099
	Capital Projects:	
	Library Community	380,000
	Enterprise:	
Sewer	80,007	
		853,106
Enterprise: Sewer	Special Revenue:	
	Local Option Sales Tax	171,735
Total		\$ 1,399,221

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

(11) Joint Venture

The City is a party to an agreement with the Wilton Community School District (District) pursuant to Chapter 28E of the Code of Iowa to operate a public swimming pool. The pool was constructed by the District on land donated by the City. The agreement established a separate entity known as the Recreational Swim Program governed by a five-member Board of Trustees, of whom two are appointed by the City, two are appointed by the District and one is appointed by the other four members. Operating expenses are shared equally by the City and the District.

Selected unaudited information for the Wilton Community School District Swimming Pool for the year ended June 30, 2020 is as follows:

Receipts	\$ 168,384
Disbursements	<u>182,074</u>
Disbursements over receipts	(13,690)
Cash and investments beginning of year	<u>42,531</u>
Cash and investments end of year	<u>\$ 28,841</u>

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

(12) 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 receipts 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.

For the year ended June 30, 2020, \$39,837 of property tax was diverted from the City under the urban renewal and economic development agreements.

(13) Subsequent Events

In November 2020, the City issued \$1,640,000 General Obligation Refunding Bonds related to refunding the outstanding balance of the City's General Obligation Corporate Purpose and Refunding Bonds Series 2013A, the outstanding balance of the City's Water Revenue Note, dated July 7 2008, and the outstanding balance of the City's Urban Renewal Tax Increment Revenue Bond Series 2019. The bond bears interest ranging from 2.00% to 1.85% per annum and matures on June 1, 2032.

In December 2020, the City issued \$6,335,000 Sewer Revenue Improvement and Refunding Bonds, Series 2021, refunding the City's outstanding Sewer Revenue Bond, SRF Series 2018, dated June 29, 2018, and constructing certain water resource restoration project. \$100,000 under a general obligation police car note with Community Bank and Trust for the purchase of police cars and related equipment. The bond bears interest at 0.75% per annum and matures on June 1, 2039.

(14) Construction Contract

The City entered into a construction contract totaling 641,877 for City Hall renovation. As of June 30, 2020, \$265,376 has been paid on the contract. The remaining \$376,501 will be paid as work on the project progresses.

(15) 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 that of the City of Wilton, remains uncertain.

To date, the outbreak has not created a material disruption to the operations of the City of Wilton. 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 Wilton.

(16) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ended 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.

City of Wilton

Other Information

City of Wilton

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	Less Funds Not Required to be Budgeted
Receipts:			
Property tax	\$ 1,484,878	-	-
Tax increment financing	577,142	-	-
Other city tax	359,187	-	-
Licenses and permits	37,126	-	-
Use of money and property	39,677	26,116	411
Intergovernmental	709,506	-	-
Charges for service	61,233	2,102,626	-
Miscellaneous	146,690	14,925	34,332
Total receipts	3,415,439	2,143,667	34,743
Disbursements:			
Public safety	636,278	-	14,701
Public works	480,051	-	-
Health and social services	1,056	-	-
Culture and recreation	445,043	-	6,198
Community and economic development	297,048	-	-
General government	1,076,256	-	-
Debt service	1,281,511	-	-
Capital projects	-	-	-
Business type activities	-	2,960,254	-
Total disbursements	4,217,243	2,960,254	20,899
Excess (deficiency) of receipts over (under) disbursements	(801,804)	(816,587)	13,844
Other financing sources (uses), net	876,917	838,177	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	75,113	21,590	13,844
Balances beginning of year	4,238,244	2,399,880	109,348
Balances end of year	\$ 4,313,357	2,421,470	123,192

See accompanying independent auditor's report.

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
1,484,878	1,478,726	1,478,726	6,152
577,142	584,250	584,250	(7,108)
359,187	375,473	375,473	(16,286)
37,126	34,324	34,324	2,802
65,382	48,500	48,500	16,882
709,506	518,996	518,996	190,510
2,163,859	1,922,650	1,922,650	241,209
127,283	117,300	117,300	9,983
<u>5,524,363</u>	<u>5,080,219</u>	<u>5,080,219</u>	<u>444,144</u>
621,577	566,502	566,502	(55,075)
480,051	461,031	511,031	30,980
1,056	3,000	3,000	1,944
438,845	490,541	490,541	51,696
297,048	551,599	601,599	304,551
1,076,256	893,806	893,806	(182,450)
1,281,511	419,079	839,079	(442,432)
-	-	600,000	600,000
<u>2,960,254</u>	<u>2,417,115</u>	<u>2,857,115</u>	<u>(103,139)</u>
<u>7,156,598</u>	<u>5,802,673</u>	<u>7,362,673</u>	<u>206,075</u>
(1,632,235)	(722,454)	(2,282,454)	650,219
<u>1,715,094</u>	<u>500,000</u>	<u>1,200,000</u>	<u>515,094</u>
82,859	(222,454)	(1,082,454)	1,165,313
<u>6,528,776</u>	<u>6,122,793</u>	<u>6,122,793</u>	<u>405,983</u>
<u>6,611,635</u>	<u>5,900,339</u>	<u>5,040,339</u>	<u>1,571,296</u>

City of Wilton

City of Wilton

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 blended and discretely presented component units. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,560,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the public safety, general government, debt service and business type activities functions.

City of Wilton

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	0.008285%	0.008657%	0.008638%	0.009030%
City's proportionate share of the net pension liability	\$ 480	548	575	568
City's covered payroll	\$ 927	911	875	865
City's proportionate share of the net pension liability as a percentage of its covered payroll	51.78%	59.12%	65.71%	65.66%
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.

2016	2015
0.008214%	0.007675%
406	304
831	799
48.86%	38.05%
85.19%	87.61%

City of Wilton

Schedule of City Contributions

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

Other Information

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 92	89	83	81
Contributions in relation to the statutorily required contribution	<u>(92)</u>	<u>(89)</u>	<u>(83)</u>	<u>(81)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 957	927	911	875
Contributions as a percentage of covered payroll	9.61%	9.60%	9.11%	9.26%

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
79	77	74	69	65	55
(79)	(77)	(74)	(69)	(65)	(55)
-	-	-	-	-	-
865	831	799	752	752	701
9.13%	9.27%	9.26%	9.18%	8.64%	7.84%

City of Wilton

Notes to Other Information – Pension Liability

for the 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 Wilton

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

As of and for the year ended June 30, 2020

		Special
	Group Health Insurance	Friends of the Wilton Public Library
Receipts:		
Property tax	\$ 180,392	-
Other city tax	2,768	-
Use of money and property	775	350
Intergovernmental	7,173	-
Miscellaneous	45,566	3,580
Total receipts	236,674	3,930
Disbursements:		
Operating:		
Public safety	75,878	-
Public works	56,716	-
Culture and recreation	17,938	6,198
General government	81,713	-
Total disbursements	232,245	6,198
Excess (deficiency) of receipts over (under) disbursements	4,429	(2,268)
Other financing uses:		
Transfers out	(34,000)	-
Change in cash balances	(29,571)	(2,268)
Cash balances beginning of year	136,143	50,293
Cash balances end of year	\$ 106,572	48,025
Cash Basis Fund Balances		
Restricted for:		
Employee benefits	\$ 106,572	-
Fire department	-	-
Library	-	48,025
Total	\$ 106,572	48,025

See accompanying independent auditor's report.

Revenue	
Wilton Volunteer Fire Department	Total
-	180,392
-	2,768
61	1,186
-	7,173
30,752	79,898
30,813	271,417
14,701	90,579
-	56,716
-	24,136
-	81,713
14,701	253,144
16,112	18,273
-	(34,000)
16,112	(15,727)
59,055	245,491
75,167	229,764
-	106,572
75,167	75,167
-	48,025
75,167	229,764

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

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate purpose and refunding	Mar 26, 2013	1.50-2.90%	\$ 4,100,000
Corporate purpose	Mar 28, 2017	2.00-4.00	2,545,000
Total			
Direct borrowings and direct placements:			
Bank loan	Oct 27, 2015	2.25%	\$ 31,641
Urban renewal tax increment revenue bond	Jun 10, 2019	2.89	305,000
Bank loan	Nov 29, 2019	2.85	100,000
Urban renewal city hall renovation note	April 15, 2020	1.87	700,000
Total			
Revenue bonds/notes:			
Water revenue note	Jul 7, 2008	2.95-3.94%	\$ 1,200,000
Sewer revenue bond	Dec 13, 1999	1.75	1,794,000
Sewer revenue bond	Jun 29, 2018	1.75 *	6,037,955
Total			

* The agreements also require the City to annually pay a .25% service fee on the outstanding principal balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
1,620,000	-	820,000	800,000	34,048
1,945,000	-	320,000	1,625,000	64,050
\$ 3,565,000	-	1,140,000	2,425,000	98,098
9,876	-	9,876	-	115
305,000	-	30,500	274,500	8,112
-	100,000	-	100,000	-
-	700,000	-	700,000	-
\$ 314,876	800,000	40,376	1,074,500	8,227
629,470	-	62,598	566,872	18,861
126,000	-	126,000	-	2,205
5,122,861	915,094	249,955	5,788,000	100,337
\$ 5,878,331	915,094	438,553	6,354,872	121,403

City of Wilton
 Bond and Note Maturities
 June 30, 2020

General Obligation Bonds					
Year Ending June 30,	Corporate Purpose and Refunding Bonds		General Obligation Corporate Purpose		Total
	Issued Mar 26, 2013		Issued Mar 28, 2017		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2021	2.00%	\$ -	3.00%	\$ 325,000	325,000
2022	2.00	120,000	3.00	340,000	460,000
2023	2.00	-	4.00	345,000	345,000
2024	2.00	125,000	4.00	355,000	480,000
2025	2.20	-	2.50	85,000	85,000
2026	2.20	130,000	2.50	85,000	215,000
2027	2.45	-	2.50	90,000	90,000
2028	2.45	135,000		-	135,000
2029	2.70	-		-	-
2030	2.70	140,000		-	140,000
2031	2.90	-		-	-
2032	2.90	150,000		-	150,000
Total		<u>\$ 800,000</u>		<u>\$ 1,625,000</u>	<u>2,425,000</u>

Revenue Bonds and Notes					
Year Ending June 30,	Water Revenue Note		Sewer Revenue Bond		Total
	Issued Jul 7, 2008		Issued Jun 29, 2018		
	Interest		Interest		
	Rates	Amount	Rates	Amount	
2021	* 2.95%	\$ 64,000	1.75%	\$ 253,000	317,000
2022	2.95	66,000	1.75	259,000	325,000
2023	2.95	67,000	1.75	264,000	331,000
2024	2.95	69,000	1.75	269,000	338,000
2025	2.95	72,000	1.75	274,000	346,000
2026	2.95	74,000	1.75	280,000	354,000
2027	2.95	76,000	1.75	285,000	361,000
2028	2.95	78,872	1.75	291,000	369,872
2029		-	1.75	297,000	297,000
2030		-	1.75	303,000	303,000
2031		-	1.75	309,000	309,000
2032		-	1.75	315,000	315,000
2033		-	1.75	321,000	321,000
2034		-	1.75	328,000	328,000
2035		-	1.75	334,000	334,000
2036		-	1.75	341,000	341,000
2037		-	1.75	348,000	348,000
2038		-	1.75	355,000	355,000
2039		-	1.75	362,000	362,000
Total		<u>\$ 566,872</u>		<u>\$ 5,788,000</u>	<u>6,354,872</u>

* Interest rate in effect from September 9, 2013 through June 1, 2023. The interest rate will be adjusted on June 1, 2023 using the Wall Street Journal Prime Lending Rate minus 30 basis points limited to a maximum of 3.94%.

See accompanying independent auditor's report.

Direct Borrowings and Direct Placements						
Urban Renewal Tax Increment Revenue Bond		Bank Loan		Urban Renewal City Hall Renovation Note		
Issued Jun 10, 2019		Issued November 29, 2019		Issued April 15, 2020		
Interest		Interest		Interest		
Rates	Amount	Rates	Amount	Rates	Amount	Total
2.89%	\$ 30,500	2.85%	\$ 100,000	1.87%	\$ 228,000	358,500
2.89	30,500		-	1.87	234,000	264,500
2.89	30,500		-	1.87	238,000	268,500
2.89	30,500		-		-	30,500
2.89	30,500		-		-	30,500
2.89	30,500		-		-	30,500
2.89	30,500		-		-	30,500
2.89	30,500		-		-	30,500
2.89	30,500		-		-	30,500
	-		-		-	-
	-		-		-	-
	-		-		-	-
	<u>\$ 274,500</u>		<u>\$ 100,000</u>		<u>\$ 700,000</u>	<u>1,074,500</u>

City of Wilton

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

For the Last Ten Years

	2020	2019	2018	2017
Receipts:				
Property tax	\$ 1,484,878	1,422,363	1,439,705	1,349,277
Tax increment financing	577,142	568,661	570,578	216,681
Local option sales tax	343,301	384,878	369,993	338,039
Other city tax	15,886	20	8,389	18,685
Licenses and permits	37,126	35,717	33,604	35,768
Use of money and property	39,677	40,343	32,676	40,496
Intergovernmental	709,506	812,733	630,812	783,031
Charges for service	61,233	42,341	45,848	16,858
Special assessments	-	5,630	-	-
Miscellaneous	146,690	237,463	339,888	184,654
Total	\$ 3,415,439	3,550,149	3,471,493	2,983,489
Disbursements:				
Operating:				
Public safety	\$ 636,278	525,378	564,801	736,715
Public works	480,051	746,385	362,890	371,904
Health and social services	1,056	2,112	3,168	2,112
Culture and recreation	445,043	390,287	394,807	442,971
Community and economic development	297,048	589,397	723,938	237,292
General government	1,076,256	457,585	580,988	393,450
Debt service	1,281,511	1,173,892	864,551	2,622,873
Capital projects	-	-	12,451	308,964
Total	\$ 4,217,243	3,885,036	3,507,594	5,116,281

See accompanying independent auditor's report.

2016	2015	2014	2013	2012	2011
1,255,268	1,254,833	1,204,400	1,192,643	1,148,723	1,084,877
223,798	199,471	300,880	244,140	236,455	325,502
321,402	321,481	309,422	293,406	306,486	287,541
18,463	17,739	28,062	18,219	9,148	8,818
37,207	37,832	37,377	37,609	38,905	34,180
40,481	36,593	39,498	39,343	39,865	32,048
516,807	427,425	377,548	358,369	363,569	376,791
31,546	11,326	10,859	9,148	11,147	32,540
-	-	-	212	10,175	11,211
799,728	924,098	265,462	198,011	428,221	391,139
3,244,700	3,230,798	2,573,508	2,391,100	2,592,694	2,584,647
594,741	773,201	467,105	478,537	481,639	462,448
581,009	433,813	344,051	342,494	336,956	396,078
2,112	2,112	4,952	4,834	4,570	4,372
381,104	421,612	365,381	384,010	384,566	330,445
169,868	163,159	203,538	224,195	246,222	242,391
388,601	370,292	394,752	332,480	345,013	323,960
497,832	495,557	582,860	3,143,549	689,927	579,656
1,444,957	526,860	-	-	1,000	754,248
4,060,224	3,186,606	2,362,639	4,910,099	2,489,893	3,093,598



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

Rob Sand
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0006

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, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Wilton, Iowa, as of and for the year ended June 30, 2020, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 17, 2021. Our report expressed unmodified opinions on the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles. Our report expressed an adverse opinion on the financial statements of the aggregate discretely presented component units due to the omission of the Wilton Municipal Light and Power System.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that 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 City of Wilton's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings as items (A) through (C) to be material weaknesses.

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

Compliance and Other Matters

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

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

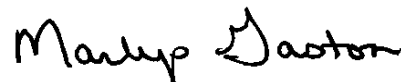
The City of Wilton's Responses to the Findings

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

Purpose of this Report

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

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



Marlys K. Gaston, CPA
Deputy Auditor of State

May 17, 2021

City of Wilton

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 and each component unit's financial statements.

Condition – Generally, one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

- (1) Cash – preparing bank reconciliations, signing checks and recording cash.
- (2) Receipts – preparing bank reconciliations and recording receipts.

For the Friends of the Wilton Public Library and the Wilton Library Foundation, one individual has control over each of the following areas:

- (1) Cash – preparing bank reconciliations, signing checks and recording cash.
- (2) Receipts – opening mail, collecting and depositing.
- (3) Disbursements – check writing, signing and approving. Only one signature is required on the checks.

For the Wilton Volunteer Fire Department, one individual has control over each of the following areas:

- (1) Cash – preparing bank reconciliations, handling and recording cash.
- (2) Receipts – opening mail, collecting and depositing.

Cause – The City and its component units 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 and its component unit'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 Wilton

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 and its component units should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials to provide additional controls through reviews of transactions, financial reports and reconciliations. These reviews should be performed by independent persons and should be evidenced by the signature or initials of the reviewer and the date of the review.

Response – We will have the departments and component units have independent persons review the transactions, financial reports and reconciliations.

Conclusion – Response accepted.

(B) Bank Reconciliations

Criteria – An effective internal control system provides for internal controls related to ensuring proper accounting for all funds by maintaining appropriate accounting records and reconciling bank and book balances. Supervisory review of bank reconciliations can help ensure the accuracy of recorded amounts.

Condition – Monthly bank statements are reconciled to the City’s monthly financial report. However, the monthly bank reconciliations are not reviewed by an independent person.

Cause – Procedures have not been designed and implemented to ensure the monthly bank reconciliations are reviewed by an independent person and to ensure the independent review is documented.

Effect – The lack of an independent review of bank reconciliations can result in unrecorded transactions, undetected errors and the opportunity for misappropriation.

Recommendation – An independent person should review the bank reconciliations and document their review by signing or initialing and dating the monthly reconciliations.

Response – The City Administrator will review and sign off on the bank reconciliations at the end of each month.

Conclusion – Response accepted.

(C) Financial Reporting

Criteria – A deficiency in internal control over financial reporting 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 of the financial statements on a timely basis. Properly designed policies and procedures and implementation of the policies and procedures are an integral part of ensuring the reliability and accuracy of the City’s financial statements.

City of Wilton

Schedule of Findings

Year ended June 30, 2020

Condition – During the audit, we identified material amounts of receipts which were not posted correctly. Adjustments were subsequently made by the City to properly report the amounts in the City’s financial statements.

Cause – City policies do not require review and procedures have not been established to ensure independent review of receipts to ensure the City’s financial statements are accurate and reliable.

Effect – Lack of policies and procedures resulted in the City’s employees not detecting the errors in the normal course of performing their assigned functions. As a result, material adjustments to the City’s financial statements were necessary.

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

Response – The City Administrator and City Clerk are new to their positions. New procedures have been implemented to address the issue.

Conclusion – Response accepted.

(D) 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.

Condition – Although the City has a disaster recovery plan, the plan does not include identification of critical applications.

Cause – Management has not required the disaster recovery plan to include identification of critical applications.

Effect – The failure to have a formal disaster recovery plan which includes identification of critical applications 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 review and modify the current disaster recovery plan to include a listing of the critical applications of the City.

Response – The City has updated the disaster recovery plan to include a listing of the critical applications of the City.

Conclusion – Response accepted.

(E) Timesheets

Criteria – An effective internal control system provides for internal controls related to the preparation and approval of timesheets for all City employees. Supervisory review of timesheets can help ensure the accuracy of recorded hours worked and taken as leave.

City of Wilton

Schedule of Findings

Year ended June 30, 2020

Condition – Timesheets are not prepared for one employee.

Cause – Policies have not been established and procedures have not been implemented to require timesheets be prepared by all employees or to require all timesheets to be reviewed and approved by supervisory personnel.

Effect – The lack of documented timesheet and supervisory review process increases the probability staff errors in recording of hours or leave will go undetected.

Recommendation – Timesheets should be prepared by all employees. Timesheets should be submitted to an appropriate supervisor for approval prior to the preparation of payroll. The supervisor approval should be documented by the signature of the reviewer and that date of the review.

Response – The City Administrator will prepare a timesheet and it will be approved by the Mayor.

Conclusion – Response accepted.

(F) Friends of the Wilton Library

Criteria – Internal controls over safeguarding assets constitute a process, affected by an entity's governing body, management and other personnel, designed to provide reasonable assurance regarding prevention or timely detection of unauthorized transactions. Such processes include establishing policies addressing proper supporting documentation.

Condition – During the year ended June 30, 2020, the Friends of the Wilton Library wrote a check made out to cash for \$250 for "Cash for Bingo Night." Although the auditor traced a deposit of \$3,580 to the following month's bank statement, the deposit documentation did not separately identify the "Cash for Bingo Night" cash.

Cause – Lack of supporting documentation is the result of a lack of policies and procedures requiring proper support for all disbursements.

Effect – Lack of written policies and procedures to properly support all disbursements could result in unauthorized transactions and the opportunity for misappropriation.

Recommendation – The Friends of the Wilton Library should adopt a written policy regulating the types of supporting documentation required to substantiate all disbursements. Start up cash for events should be re-deposited. The deposit slip should clearly identify the start-up cash versus event receipts.

Response – The Friends of the Wilton Library will be instructed to separately deposit the cash start-up funds and the winnings of any fund raiser activity.

Conclusion – Response accepted.

City of Wilton

Schedule of Findings

Year ended June 30, 2020

(G) Journal Entries

Criteria – An effective internal control system provides for internal controls related to preparation of journal entries. Supporting documentation for all journal entries supports the accuracy of the entries and an independent review helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – There was no evidence of independent review for two of four journal entries tested.

Cause – Procedures designed to clearly document the review and approval of journal entries were not followed.

Effect – Lack of independent approval of transactions could adversely affect the City’s ability to prevent or detect and correct misstatements, error or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – To strengthen controls, journal entries should be supported, and the support should be provided to an independent person for review and approval.

Response – Journal entries will be reviewed, approved and signed by an independent person.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Wilton

Schedule of Findings

Year ended June 30, 2020

Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2020 exceeded the amount budgeted in the public safety, general government, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – 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 do a better job of keeping track of the budget numbers.

Conclusion – Response accepted.

- (2) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. Certain disbursements were noted which we believe may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented.

All City employees are provided an annual clothing allowance, regardless of whether a specific type of clothing is required to perform their duties. The amount allowed is \$100 for office employees and \$300 for employees classified as City public works employees. During the year ended June 30, 2020, \$2,540 was reimbursed to City employees for clothing purchases. These reimbursements were not processed through payroll and, accordingly, the proper tax withholdings were not applied to the reimbursements.

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

Recommendation – The City should determine and document the public purpose served by paying a clothing allowance to City employees. If this practice is continued, the City should establish written policies and procedures, including the requirement for proper documentation and inclusion of these clothing allowances in taxable income.

Response – The clothing allowance criteria will be discussed with the City Council for their input.

Conclusion – Response acknowledged. The City should determine and document the public purpose served by paying a clothing allowance to City employees and should process the payments through payroll.

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

City of Wilton

Schedule of Findings

Year ended June 30, 2020

- (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
Wayne Budding, Council Member, owner of Sunset View Pet Hospital	Annually appropriated TIF rebate payment	\$ 4,971

The above transaction does not appear to represent a conflict of interest in accordance with Chapter 362.5(3)(g) of the Code of Iowa since the TIF project was approved prior to Mr. Budding’s appointment to the City Council and Mr. Budding did not participate in the vote to appropriate the TIF rebate payment.

- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) City Council Minutes – No transactions were found that we believe should have been approved in the City Council Minutes but were not.
- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bonds and Note – The City does not pay for water or sewer usage as required by the sewer revenue bond and water revenue note resolutions.

Recommendation – The City should pay for water and sewer usage as required by the revenue bond and note resolutions.

Response – We have been reviewing the issue with the City paying for water and sewer. The current facility does not have meters and meters will be installed when the water lines are updated. City Council will decide how to proceed once the meters are installed.

Conclusion – Response accepted.

- (9) Tax Increment Financing (TIF) Indebtedness Certification – Chapters 403.19(10)(b) and 403.22 of the Code of Iowa provide moneys in the Special Revenue, Urban Renewal Tax Increment (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund or to provide allowable low to moderate income (LMI) assistance.

During the year ended June 30, 2020, the City paid \$90,092 of revitalization costs, from the TIF Fund. These costs do not represent TIF obligations and, accordingly, are not an allowable use of tax increment financing receipts. In accordance with Chapter 403.19(10)(b) of the Code of Iowa, the City may not borrow from the TIF Fund. This was properly adjusted for reporting purposes.

City of Wilton

Schedule of Findings

Year ended June 30, 2020

Recommendation – The City has moved these costs to the General Fund. If the disbursements are for a qualified TIF project, the City may approve an advance (interfund loan) from the General Fund to the TIF Fund and certify the advance to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the General Fund to repay the advance.

Response – Corrective action was taken to move costs to the General Fund and the project is currently closed.

Conclusion – Response accepted.

- (10) City Provided Vehicle – The City provides an employee a City vehicle for commuting to and from the employee’s residence. Internal Revenue Service (IRS) Publication 15-B “Employer’s Tax Guide to Fringe Benefits”, states personal use of an employer provided vehicle is a non-cash taxable fringe benefit. Publication 5137, Fringe Benefit Guide states, vehicles are considered listed property and therefore, in order to support an exclusion or deduction, separate records for business and personal mileage are required. The publication also states if records documenting business and personal mileage separately are not provided by the employee, the value of all use of the automobile represents wages to the employee.

The City does not maintain documentation of the business and personal mileage of the employee, therefore, the value of all use of the vehicle for commuting are wages to the employee. The City is not reporting this fringe benefit as employee wages.

Recommendation – The City should comply with the IRS regulations.

Response – The City will pass a resolution that includes guidelines for the use of this vehicle.

Conclusion – Response acknowledged. The City should comply with the IRS regulations and maintain documentation of the business and personal mileage of the employee, thereby taxing only the personal use of the vehicle, or include the entire fringe benefit as employee wages.

- (11) Fund Transfers – In accordance with Chapter 545-2.1 of the Administrative Code of Iowa, a fund transfer resolution must be completed for all transfers between funds and must include a clear statement of the reason or purpose of the transfer, the name of the fund from which the transfer is originating, the name of the fund into which the transfer is to be received, and the dollar amount to be transferred. During the year ended June 30, 2020, the City did not adopt a resolution, including the required elements, for transfers between the General, Special Revenue, Urban Renewal Tax Increment, Special Revenue, Group Health Insurance, Debt Service, Water, Sewer and Garbage funds.

Recommendation – The City should comply with the Administrative Code of Iowa and complete a fund transfer resolution for all transfers between funds.

Response – The City has been made aware of this situation and the City will be doing the required resolutions for transfers. The City Clerk emailed a resolution that for the current fiscal year as an example.

Conclusion – Response accepted

City of Wilton

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Deputy
Gwen D. Fangman, CPA, Manager
Sidot K. Shipley, Senior Auditor
Joseph G. Timmons, Assistant Auditor
Matthew R. Baumhover, Assistant Auditor