



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Rob Sand
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Des Moines, Iowa 50319-0006

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NEWS RELEASE

Contact: Ernest Ruben
515/281-5834

FOR RELEASE

March 15, 2022

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

FINANCIAL HIGHLIGHTS:

The City's receipts totaled \$3,102,760 for the year ended June 30, 2021, a 12.1% decrease from the prior year. Disbursements for the year ended June 30, 2021 totaled \$2,664,212 a 28.1% decrease from the prior year. The significant decrease in receipts and disbursements is due primarily to the City receiving grants for a sewer project and expenses related to the project during the year ended June 30, 2020.

AUDIT FINDINGS:

Sand reported nine findings related to the receipt and disbursement of taxpayer funds. They are found on pages 48 through 54 of this report. The findings address issues such as a lack of segregation of duties, a lack of utility and ambulance reconciliations, disbursements exceeding budgeted amounts, a lack of an investment policy and library financial records not recorded in the City's financial accounting system. Sand provided the City with recommendations to address each of the findings.

Eight of the 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>.

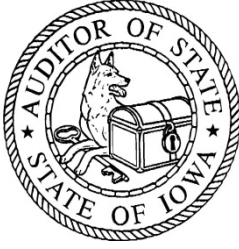
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CITY OF WAPELLO

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

JUNE 30, 2021

City of Wapello



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STATE OF IOWA

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Des Moines, Iowa 50319-0004

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

February 22, 2022

Officials of the City of Wapello
Wapello, Iowa

Dear Honorable Mayor and Members of the City Council:

I am pleased to submit to you the financial and compliance audit report for the City of Wapello, Iowa for the year ended June 30, 2021. The audit was performed pursuant to Chapter 11.6 of the Code of Iowa and in accordance with U.S. auditing standards and the standards applicable to financial audits contained in Government Auditing Standards.

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

Sincerely,

A handwritten signature in black ink that reads "Rob Sand". The signature is stylized and cursive.

Rob Sand
Auditor of State

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City of Wapello

Officials

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

City of Wapello



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Wapello, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Wapello as of June 30, 2021, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

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

Other Matters

Supplementary and Other Information

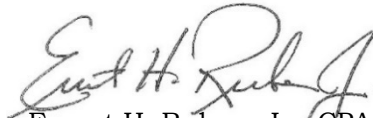
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wapello's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2020 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The Other Information, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 32 through 40 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2022 on our consideration of the City of Wapello's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Wapello's internal control over financial reporting and compliance.



Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

February 22, 2022

City of Wapello

Basic Financial Statements

City of Wapello

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2021

	Program Receipts			
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 744,258	253,593	157,157	58,739
Public works	512,912	158,998	309,352	-
Culture and recreation	273,597	44,047	26,800	-
Community and economic development	3,806	-	-	-
General government	220,734	9,609	-	-
Debt service	170,644	-	-	-
Capital projects	2,854	-	-	-
Total governmental activities	1,928,805	466,247	493,309	58,739
Business type activities:				
Water	233,862	233,376	-	-
Sewer	501,545	487,168	-	7,000
Total business type activities	735,407	720,544	-	7,000
Total Primary Government	\$ 2,664,212	1,186,791	493,309	65,739
Component Unit:				
Wapello Fire and Rescue, Inc.	\$ 15,158	-	53,507	-
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 and note proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Nonexpendable:				
Library Bequest				
Expendable:				
Parks and recreation				
Fire and rescue purposes				
Library purposes				
Local option sales tax purposes				
Streets				
Debt service				
Capital projects				
Customer deposits				
Unrestricted				
Total cash basis net position				
See notes to financial statements.				

Net (Disbursements) Receipts and Changes in Cash Basis Net Position			
Primary Government			Component Unit
Governmental Activities	Business Type Activities	Total	Wapello Fire and Rescue, Inc.
(274,769)	-	(274,769)	
(44,562)	-	(44,562)	
(202,750)	-	(202,750)	
(3,806)	-	(3,806)	
(211,125)	-	(211,125)	
(170,644)	-	(170,644)	
(2,854)	-	(2,854)	
(910,510)	-	(910,510)	
-	(486)	(486)	
-	(7,377)	(7,377)	
-	(7,863)	(7,863)	
(910,510)	(7,863)	(918,373)	
			38,349
\$ 683,615	-	683,615	-
64,315	-	64,315	-
188,417	-	188,417	-
172,446	-	172,446	-
17,813	-	17,813	-
1,778	-	1,778	-
-	205,434	205,434	-
23,103	-	23,103	-
66,438	(66,438)	-	-
1,217,925	138,996	1,356,921	-
307,415	131,133	438,548	38,349
610,171	445,815	1,055,986	187,573
\$ 917,586	576,948	1,494,534	225,922
30,000	-	30,000	-
64,112	-	64,112	-
-	-	-	225,922
44,132	-	44,132	-
328,280	-	328,280	-
82,201	-	82,201	-
7,383	19,341	26,724	-
85,267	-	85,267	-
-	77,340	77,340	-
276,211	480,267	756,478	-
\$ 917,586	576,948	1,494,534	225,922

City of Wapello

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

As of and for the year ended June 30, 2021

	Special Revenue			
	General	Road Use Tax	Tax Increment Financing	Local Option Sales Tax
Receipts:				
Property tax	\$ 516,354	-	-	-
Local option sales tax	-	-	-	172,446
Tax increment financing	-	-	188,417	-
Other city tax	36,841	-	-	-
Licenses and permits	9,853	-	-	-
Use of money and property	5,264	-	-	-
Intergovernmental	176,794	309,352	-	-
Charges for service	422,430	-	-	-
Miscellaneous	133,187	2,710	-	-
Total receipts	1,300,723	312,062	188,417	172,446
Disbursements:				
Operating:				
Public safety	732,326	-	-	11,932
Public works	148,944	363,968	-	-
Culture and recreation	273,597	-	-	-
Community and economic development	1,701	-	2,105	-
General government	220,734	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	1,377,302	363,968	2,105	11,932
Excess (deficiency) of receipts over (under) disbursements	(76,579)	(51,906)	186,312	160,514
Other financing sources (uses):				
Transfers in	162,807	9,322	-	190,000
Transfers out	(19,479)	(37,136)	(188,676)	(105,257)
Total other financing sources (uses)	143,328	(27,814)	(188,676)	84,743
Change in cash balances	66,749	(79,720)	(2,364)	245,257
Cash balances beginning of year	317,706	161,921	5,468	83,023
Cash balances end of year	\$ 384,455	82,201	3,104	328,280
Cash Basis Fund Balances				
Nonspendable - Library bequest	\$ -	-	-	-
Restricted for:				
Parks and recreation	64,112	-	-	-
Library purposes	44,132	-	-	-
Local option sales tax purposes	-	-	-	328,280
Streets	-	82,201	-	-
Debt service	-	-	3,104	-
Capital projects	-	-	-	-
Assigned for:				
Police equipmnet	8,369	-	-	-
Police reserve	1,023	-	-	-
Fire equipment	38,463	-	-	-
Ambulance	39,299	-	-	-
Unassigned	189,057	-	-	-
Total cash basis fund balances	\$ 384,455	82,201	3,104	328,280

See notes to financial statements.

Employee Benefits	Debt Service	Nonmajor	Total
121,771	59,929	-	698,054
-	-	-	172,446
-	-	-	188,417
8,649	4,386	-	49,876
-	-	-	9,853
-	-	-	5,264
-	1,399	-	487,545
-	-	-	422,430
-	-	-	135,897
130,420	65,714	-	2,169,782
-	-	-	744,258
-	-	-	512,912
-	-	-	273,597
-	-	-	3,806
-	-	-	220,734
-	170,644	-	170,644
-	-	2,854	2,854
-	170,644	2,854	1,928,805
130,420	(104,930)	(2,854)	240,977
-	106,344	80,257	548,730
(130,420)	-	(1,324)	(482,292)
(130,420)	106,344	78,933	66,438
-	1,414	76,079	307,415
-	2,865	39,188	610,171
-	4,279	115,267	917,586
-	-	30,000	30,000
-	-	-	64,112
-	-	-	44,132
-	-	-	328,280
-	-	-	82,201
-	4,279	-	7,383
-	-	85,267	85,267
-	-	-	8,369
-	-	-	1,023
-	-	-	38,463
-	-	-	39,299
-	-	-	189,057
-	4,279	115,267	917,586

City of Wapello

City of Wapello

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

As of and for the year ended June 30, 2021

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 224,210	487,168	711,378
Miscellaneous	9,166	-	9,166
Total operating receipts	<u>233,376</u>	<u>487,168</u>	<u>720,544</u>
Operating disbursements:			
Business type activities	<u>208,678</u>	<u>226,513</u>	<u>435,191</u>
Excess of operating receipts over operating disbursements	<u>24,698</u>	<u>260,655</u>	<u>285,353</u>
Non-operating receipts (disbursements):			
Revenue bond and note proceeds	192,000	13,434	205,434
Community development block grant	-	7,000	7,000
Debt service	-	(235,502)	(235,502)
Capital outlay	<u>(25,184)</u>	<u>(39,530)</u>	<u>(64,714)</u>
Net non-operating receipts (disbursements)	<u>166,816</u>	<u>(254,598)</u>	<u>(87,782)</u>
Excess of receipts over disbursements	191,514	6,057	197,571
Transfers out	<u>(27,807)</u>	<u>(38,631)</u>	<u>(66,438)</u>
Change in cash balances	163,707	(32,574)	131,133
Cash balances beginning of year	<u>155,882</u>	<u>289,933</u>	<u>445,815</u>
Cash balances end of year	<u>\$ 319,589</u>	<u>257,359</u>	<u>576,948</u>
Cash Basis Fund Balances			
Restricted for debt service	\$ -	19,341	19,341
Restricted for customer deposits	77,340	-	77,340
Unrestricted	<u>242,249</u>	<u>238,018</u>	<u>480,267</u>
Total cash basis fund balances	<u>\$ 319,589</u>	<u>257,359</u>	<u>576,948</u>

See notes to financial statements.

Notes to Financial Statements

City of Wapello

June 30, 2021

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Discretely Presented Component Unit

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

D. Property Taxes and Governmental Cash Basis Fund Balances

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

Property tax revenues recognized in the 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, 2019 assessed property valuations; is for the tax accrual period July 1, 2020 through June 30, 2021 and reflects tax asking contained in the budget certified to the City Council in March 2020.

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

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

Assigned – Amounts the City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2021, disbursements exceeded the amounts budgeted in the capital projects functions prior to the budget amendments. At June 30, 2021, disbursements exceeded the amount budgeted in the community and economic development and general government functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2021 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

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

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

(3) Long-Term Debt

A summary of changes in bonds and notes payable for the year ended June 30, 2021 is as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bond	\$ 50,000	-	15,000	35,000	15,000
General obligation notes	1,000,664	-	127,288	873,376	130,338
Governmental activities total	<u>\$ 1,050,664</u>	<u>-</u>	<u>142,288</u>	<u>908,376</u>	<u>145,338</u>
Business type activities:					
Sewer revenue bonds - direct borrowings	\$ 2,957,084	13,434	170,518	2,800,000	175,000
Water revenue note	-	192,000	-	192,000	47,039
Business activities total	<u>\$ 2,957,084</u>	<u>205,434</u>	<u>170,518</u>	<u>2,992,000</u>	<u>222,039</u>

General Obligation Bond and Notes

A summary of the City's June 30, 2021 general obligation bonds and notes payable is as follows:

Year Ending June 30,	Corporate Purpose and Refunding Issued Nov 1, 2012			Swimming Pool Issued Nov 20, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.00%	\$ 15,000	700	2.85%	\$ 51,000	12,911
2023	2.00	20,000	400	2.85	53,000	11,458
2024		-	-	2.85	54,000	9,946
2025		-	-	2.85	56,000	8,408
2026		-	-	2.85	57,000	6,812
2027-2030		-	-	2.85	182,000	10,459
Total		<u>\$ 35,000</u>	<u>1,100</u>		<u>\$ 453,000</u>	<u>59,994</u>

Year Ending June 30,	North 2nd Street Improvements Issued Aug 10, 2015			Street Sweeper Issued May 21, 2020		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	3.00%	\$ 41,840	5,251	2.60%	\$ 18,870	4,904
2023	3.00	43,095	3,996	2.60	19,361	4,413
2024	3.00	44,388	2,703	2.60	19,864	3,910
2025	3.00	45,720	1,372	2.60	20,381	3,393
2026	3.00	-	-	2.60	20,910	2,863
2027-2030		-	-	2.60	89,222	5,874
Total		<u>\$ 175,043</u>	<u>13,322</u>		<u>\$ 188,608</u>	<u>25,357</u>

Year Ending June 30,	Ambulance Issued June 4, 2020			Total		
	Interest Rates	Principal	Interest	Principal	Interest	Total
2022	1.50%	\$ 18,628	851	\$ 145,338	24,617	169,955
2023	1.50	18,908	571	154,364	20,838	175,202
2024	1.50	19,190	289	137,442	16,848	154,290
2025	1.50	-	-	122,101	13,173	135,274
2026	1.50	-	-	77,910	9,675	87,585
2027-2030	1.50	-	-	271,222	16,333	287,555
Total		<u>\$ 56,726</u>	<u>1,711</u>	<u>\$ 908,377</u>	<u>101,484</u>	<u>1,009,861</u>

On November 1, 2012, the City issued \$2,000,000 of general obligation bonds with interest rates ranging from 1.00% to 2.00% per annum. The bonds were issued to refund the City's outstanding general obligation corporate purpose notes dated September 17, 1998, October 29, 2008, October 28, 2009 and December 3, 2009, to provide financing for the acquisition of water meters, warning sirens, and to finance the construction of improvements to the City's streets, water utility, and sanitary sewer utility system; and to pay costs associated with issuance of the Bonds. During the year ended June 30, 2021, the City paid \$15,000 of principal and \$1,000 of interest on the bonds.

On November 20, 2013, the City issued \$775,000 of general obligation notes with an interest rate of 2.85% per annum. The notes were issued for the purpose of paying the costs of replacing the municipal swimming pool and providing for the equipping and furnishing thereof. During the year ended June 30, 2021, the City paid \$50,000 of principal and \$14,300 of interest on the notes.

On August 10, 2015, the City issued \$403,000 of general obligation notes with an interest rate of 3.00% per annum. The notes were issued for the purpose of paying the cost of replacing 2nd Street and its sidewalk. During the year ended June 30, 2021, the City paid \$40,621 of principal and \$6,470 of interest on the notes.

On May 21, 2020, the City issued \$207,000 of general obligation notes with an interest rate of 2.60% per annum. The notes were issued to purchase a Street Sweeper. During the year ended June 30, 2021, the City paid \$18,392 of principal and \$5,382 of interest on the notes.

On June 4, 2020, the City issued \$75,000 of general obligation notes with an interest rate of 1.5% per annum. The notes were issued to purchase a modular ambulance. During the year ended June 30, 2021, the City paid \$18,274 of principal and \$1,205 of interest on the notes.

Revenue Bonds and Note

Sewer Revenue Bonds – Direct Borrowings

A summary of the City's June 30, 2021 sewer revenue bonds payable is as follows:

Year Ending June 30,	Sewer Issued June 2, 2005			Sewer Issued April 7, 2010		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	3.00%	\$ 26,000	2,415	1.75%	\$ 46,000	8,313
2023	3.00	27,000	1,960	1.75	48,000	7,507
2024	3.00	28,000	1,487	1.75	49,000	6,668
2025	3.00	28,000	1,598	1.75	51,000	5,810
2026	3.00	29,000	507	1.75	53,000	4,917
2027-2031		-	-	1.75	228,000	10,150
2032-2036		-	-		-	-
2037-2041		-	-		-	-
2042		-	-		-	-
Total		\$ 138,000	7,967		\$ 475,000	43,365

Year Ending June 30,	Sewer			Sewer		
	Issued July 1, 2011			Issued September 27, 2013		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	3.00%	\$ 15,000	5,160	1.75%	\$ 14,000	3,272
2023	3.00	15,000	4,710	1.75	14,000	3,028
2024	3.00	16,000	4,260	1.75	15,000	2,782
2025	3.00	16,000	3,780	1.75	15,000	2,520
2026	3.00	17,000	3,300	1.75	15,000	2,258
2027-2031	3.00	93,000	8,580	1.75	80,000	7,245
2032-2036		-	-	1.75	34,000	893
2037-2041		-	-		-	-
2042		-	-		-	-
Total		\$ 172,000	29,790		\$ 187,000	21,998

Year Ending June 30,	Sewer			Sewer		
	Issued August 29, 2014			Issued August 23, 2019		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2022	2.00%	\$ 56,000	25,270	1.75%	\$ 18,000	6,720
2023	2.00	57,000	24,290	1.75	19,000	6,405
2024	2.00	58,000	23,293	1.75	19,000	8,072
2025	2.00	59,000	22,277	1.75	19,000	5,740
2026	2.00	61,000	21,245	1.75	20,000	5,407
2027-2031	2.00	322,000	89,845	1.75	103,000	21,735
2032-2036	2.00	356,000	60,515	1.75	113,000	12,373
2037-2041	2.00	392,000	28,140	1.75	73,000	2,573
2042	2.00	83,000	1,453		-	-
Total		\$ 1,444,000	296,328		\$ 384,000	69,025

Year Ending June 30,	Total		
	Principal	Interest	Total
2022	\$ 175,000	51,150	226,150
2023	180,000	47,900	227,900
2024	185,000	46,562	231,562
2025	188,000	41,725	229,725
2026	195,000	37,634	232,634
2027-2031	826,000	137,555	963,555
2032-2036	503,000	73,781	576,781
2037-2041	465,000	30,713	495,713
2042	83,000	1,453	84,453
Total	\$ 2,800,000	468,473	3,268,473

On June 2, 2005, the City entered into a state revolving loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of \$447,000 of sewer revenue bonds with interest at 3.00% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa. During the year ended June 30, 2021, the City paid principal of \$25,000 and interest of \$2,853 on the bonds. At June 30, 2021, the outstanding principal balance was \$138,000.

On April 7, 2010, the City entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of \$900,000 of sewer revenue bonds with interest at 3.00% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. Effective December 1, 2020, the City received an interest rate adjustment from 3.00% per annum to 1.75% per annum. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the municipal wastewater treatment system. During the year ended June 30, 2021, the City paid principal of \$45,000 and interest of \$12,350 on the bonds. At June 30, 2021, the outstanding principal balance was \$475,000.

On July 1, 2011, the City entered into a loan agreement with the Iowa Finance Authority for the issuance of \$298,000 of sewer revenue bonds with interest at 3.00% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the municipal wastewater treatment system. During the year ended June 30, 2021, the City paid principal of \$14,000 and interest of \$5,580 on the bonds. At June 30, 2021, the outstanding principal balance was \$172,000.

On September 27, 2013, the City entered into a loan agreement with the Iowa Finance Authority for the issuance of up to \$393,000 of sewer revenue bonds with interest at 1.75% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the municipal wastewater treatment system. The City has completed the project drawing down a total of \$293,000 of the bonds. During the year ended June 30, 2021, the City paid principal of \$14,000 and interest of \$3,518 on the bonds. At June 30, 2021, the outstanding principal balance was \$187,000.

On August 29, 2014, the City entered into a loan agreement with the Iowa Finance Authority for the issuance of sewer revenue bonds of up to \$2,000,000 with interest at 2.00% per annum. The agreement also requires the City to annually pay a 0.25% servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the municipal wastewater treatment system. The City has completed the project drawing down a total of \$1,818,610 of the bonds. During the year ended June 30, 2021, the City paid principal of \$55,000 and interest of \$26,233 on the bonds. At June 30, 2021, the outstanding principal balance was \$1,444,000.

On August 23, 2019, the City entered into a loan agreement with Iowa Finance Authority for the issuance of sewer revenue bonds of up to \$441,000 with interest at 1.75% per annum. The agreement also requires the City to annually pay a 0.25 % servicing fee on the outstanding principal balance. The bonds were issued pursuant to the provisions of Chapters 384.24A and 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the municipal wastewater treatment system. The City has completed the project drawing down a total of \$404,518 of the bonds. An initiation fee of \$2,200 (0.5% of the authorized borrowing for the sewer revenue bonds) was charged by IFA. The initiation fee was withheld from the first proceeds of the sewer revenue bonds drawn by the City. In addition, the City engaged a registered Municipal Advisor (MA). The MA creates the pro-forma that is submitted with the SRF loan application. The SRF program will reimburse the applicant up to \$4,000 for eligible work done by the MA. In

December 2019, the City submitted relevant invoices for MA expenses and received a \$2,200 MA fee reimbursement which was ran through proceeds issued during fiscal year 2020. During the year ended June 30, 2021, the City paid principal of \$17,518 and interest of \$6,983 on the bonds. At June 30, 2021, the outstanding principal balance was \$384,000.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$4,161,128 of sewer revenue bonds issued in June 2005, April 2010, July 2011, September 2013, August 2014 and August 2019. The bonds are payable solely from sewer customer net receipts and are payable through 2042. For the year ended June 30, 2021, annual principal and interest payments on the bonds required 87% of net receipts. The total principal and interest remaining to be paid on the bonds is \$3,268,473. For the current year, principal and interest paid and total customer net receipts were \$228,035 and \$260,655, respectively.

Water Revenue Note

A summary of the City's June 30, 2021 water revenue note payable is as follows:

Year	Water			
	Issued June 1, 2021			
Ending June 30,	Interest Rates	Principal	Interest	Total
2022	1.35%	\$ 47,039	2,592	49,631
2023	1.35	47,675	1,957	49,632
2024	1.35	48,315	1,317	49,632
2025	1.35	48,971	661	49,632
Total		\$ 192,000	6,527	198,527

On June 1, 2021, the City issued \$192,000 of water revenue notes to provide financing for the water tower painting project. The notes bear interest at 1.35%, per annum, and mature in 2025. During the year ended June 30, 2021, no payments were made for principal or interest. At June 30, 2021, the outstanding principal balance was \$192,000.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$192,000 of water revenue notes issued in June 2021. The notes are payable solely from water customer net receipts. The total principal and interest remaining to be paid on the notes is \$198,527. For the current year, principal and interest paid and total customer net receipts were \$0 and \$24,698, respectively.

The resolutions providing for the issuance of the water and sewer revenue bonds/note include the following provisions:

- (a) The bonds/note will only be redeemed from the future earnings of the enterprise activity and the bond/note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- (c) User rates shall be established at a level which produce and maintain net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the same year.

(4) Pension Plan

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

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

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

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

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

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

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

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

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

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

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

In fiscal year 2021, 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 6.41% of covered payroll and the City contributed 9.61% of covered payroll, for a total rate of 16.02%.

The City’s contributions to IPERS for the year ended June 30, 2021 totaled \$67,673.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2021, the City reported a liability of \$316,425 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020 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, 2020, the City’s proportion was 0.004504%, which was an increase of 0.001280% over its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the City’s pension expense, deferred outflows of resources and deferred inflows of resources totaled \$85,298, \$116,202 and \$57,264, respectively.

There were no non-employer contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2020 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, 2020 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 2020 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

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

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equity	22.0%	4.43%
International equity	17.5	5.15
Global smart beta equity	6.0	4.87
Core plus fixed income	28.0	(0.29)
Public credit	4.0	2.29
Cash	1.0	(0.78)
Private equity	11.0	6.54
Private real assets	7.5	4.48
Private credit	3.0	3.11
Total	<u>100.0%</u>	

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

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

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 705,553	316,425	(9,623)

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

(5) Compensated Absences

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

The City's approximate liability for earned vacation hours payable to employees at June 30, 2021, primarily relating to the General Fund and the Enterprise, Water Fund, was approximately \$46,000. This liability has been computed based on rates of pay in effect at June 30, 2021.

(6) Risk Management

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

(7) Interfund Loan

During the year ended June 30, 2020, the City loaned \$190,000 from the Special Revenue, Local Option Sales Tax Fund (LOST Fund) to the Capital Projects fund to provide funding for an urban renewal project. The loan is to be repaid from tax increment financing receipts transferred from the Special Revenue, Tax Increment Financing Fund to the LOST Fund, as receipts become available. For year ended June 30, 2021, the Capital Projects and Special Revenue, Tax Increment Financing funds transferred \$1,324 and \$188,676, respectively, to the LOST Fund to repay the interfund loan.

(8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2021 is as follows:

<u>Transfer to</u>		<u>Amount</u>
General	Special Revenue:	
	Road Use Tax	\$ 3,386
	Local Option Sales Tax	25,000
	Employee Benefits	121,098
	Enterprise:	
	Water	6,466
	Sewer	<u>6,857</u>
		<u>162,807</u>
	Special Revenue:	
	Road Use Tax	<u>9,322</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	<u>80,257</u>
Debt Service	General	19,479
	Special Revenue:	
	Road Use Tax	33,750
	Enterprise:	
	Water	21,341
	Sewer	<u>31,774</u>
	<u>106,344</u>	
Local Option Sales Tax	Special Revenue:	
	Tax Increment Financing	188,676
	Capital Projects	<u>1,324</u>
	<u>190,000</u>	
	<u>\$ 548,730</u>	

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

(9) Rebate Agreements

The City has entered into three tax increment financing rebate agreements to assist in urban renewal projects by rebating incremental property tax paid by the developer with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developers will be rebated for a period of five years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. During the year ended June 30, 2021, the City rebated \$2,105 of incremental property tax to the participating developers.

(10) Tax Abatements

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

City Tax Abatements

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

For the year ended June 30, 2021, the City abated \$796 of property tax under the urban renewal and economic development projects.

(11) Construction Commitment

The City has entered into construction contracts for the Water Tower Painting Project and the Mill Street Widening and Overlay Project in the amounts of \$192,000 and \$203,511, respectively. As of June 30, 2021 no work on the projects has been done. The remaining balance of \$395,511 will be paid as work on the projects progress.

(12) COVID-19

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

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

(13) Prospective Accounting Change

Governmental Accounting Standards Board has issued Statement No. 87, Leases. This statement will be implemented for the fiscal year ending June 30, 2022. The revised requirements of this statement require reporting of certain potentially significant lease liabilities that are not currently reported.

Other Information

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

Other Information

Year ended June 30, 2021

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 698,054	-	698,054
Tax increment financing	188,417	-	188,417
Other city tax	222,322	-	222,322
Licenses and permits	9,853	-	9,853
Use of money and property	5,264	-	5,264
Intergovernmental	487,545	-	487,545
Charges for service	422,430	711,378	1,133,808
Miscellaneous	135,897	9,166	145,063
Total receipts	2,169,782	720,544	2,890,326
Disbursements:			
Public safety	744,258	-	744,258
Public works	512,912	-	512,912
Culture and recreation	273,597	-	273,597
Community and economic development	3,806	-	3,806
General government	220,734	-	220,734
Debt service	170,644	-	170,644
Capital Project	2,854	-	2,854
Business type activities	-	735,407	735,407
Total disbursements	1,928,805	735,407	2,664,212
Excess (deficiency) of receipts over (under) disbursements	240,977	(14,863)	226,114
Other financing sources, net	66,438	145,996	212,434
Change in balances	307,415	131,133	438,548
Balances beginning of year	610,171	445,815	1,055,986
Balances end of year	\$ 917,586	576,948	1,494,534

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
714,057	714,057	(16,003)
175,000	175,000	13,417
155,023	155,023	67,299
4,725	4,725	5,128
11,300	11,300	(6,036)
356,475	381,475	106,070
1,138,935	1,138,935	(5,127)
21,888	56,277	88,786
<u>2,577,403</u>	<u>2,636,792</u>	<u>253,534</u>
660,985	769,985	25,727
367,541	517,541	4,629
324,080	324,080	50,483
2,112	2,112	(1,694)
182,869	193,369	(27,365)
127,426	170,679	35
-	17,500	14,646
737,636	737,636	2,229
<u>2,402,649</u>	<u>2,732,902</u>	<u>68,690</u>
174,754	(96,110)	322,224
-	-	212,434
174,754	(96,110)	534,658
824,878	824,878	231,108
<u>999,632</u>	<u>728,768</u>	<u>765,766</u>

City of Wapello

City of Wapello

Notes to Other Information – Budgetary Reporting

June 30, 2021

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the discretely presented component unit. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$330,253. The budget amendments are reflected in the public works and final budgeted amounts.

During the year ended June 30, 2021, disbursements exceeded the amount budgeted in the capital projects functions prior to the budget amendments. At June 30, 2021, disbursements in the community and economic development and general government functions exceeded the amount budgeted.

City of Wapello

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

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

Other Information

	2021	2020	2019	2018
City's proportion of the net pension liability	0.004504%	0.003224%	0.003608%	0.003521%
City's proportionate share of the net pension liability	\$ 316	187	228	235
City's covered payroll	\$ 647	538	391	402
City's proportionate share of the net pension liability as a percentage of its covered payroll	48.84%	34.76%	58.31%	58.46%
IPERS' net position as a percentage of the total pension liability	82.90%	85.45%	83.62%	82.21%

* 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.

2017	2016	2015
0.003730%	0.003479%	0.003051%
235	172	121
380	373	336
61.84%	46.11%	36.01%
81.82%	85.19%	87.61%

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

Other Information

	2021	2020	2019	2018
Statutorily required contribution	\$ 68	63	53	36
Contributions in relation to the statutorily required contribution	<u>(68)</u>	<u>(63)</u>	<u>(53)</u>	<u>(36)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 711	647	538	391
Contributions as a percentage of covered payroll	9.56%	9.74%	9.85%	9.21%

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

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
37	35	35	30	32	28
(37)	(35)	(35)	(30)	(32)	(28)
-	-	-	-	-	-
402	380	373	336	341	332
9.20%	9.21%	9.38%	8.93%	9.38%	8.43%

City of Wapello

Notes to Other Information – Pension Liability

Year ended June 30, 2021

Changes of benefit terms:

There are no significant changes in benefit terms.

Changes of assumptions:

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

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

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

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

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

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

Supplementary Information

City of Wapello

City of Wapello

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

As of and for the year ended June 30, 2021

	<u>Permanent</u>		Total
	Capital Projects	Library Bequest	
Receipts:			
None	\$ -	-	-
Disbursements:			
Capital projects	2,854	-	2,854
Deficiency of disbursements over receipts	(2,854)	-	(2,854)
Other financing sources (uses):			
Transfers In	80,257	-	80,257
Transfers Out	(1,324)	-	(1,324)
Change in cash balances	76,079	-	76,079
Cash balances beginning of year	9,188	30,000	39,188
Cash balances end of year	<u>\$ 85,267</u>	<u>30,000</u>	<u>115,267</u>
Cash Basis Fund Balances			
Nonspendable - library bequest	\$ -	30,000	30,000
Restricted for capital projects	85,267	-	85,267
Total cash basis fund balances	<u>\$ 85,267</u>	<u>30,000</u>	<u>115,267</u>

See accompanying independent auditor's report.

City of Wapello

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

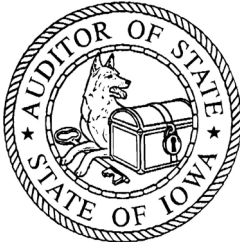
For the Last Ten Years

	2021	2020	2019	2018
Receipts:				
Property tax	\$ 698,054	730,975	669,325	629,695
Local option sales tax	172,446	154,655	159,209	122,209
Tax increment financing	188,417	3,054	126,357	259,385
Other city tax	49,876	*	*	*
Licenses and permits	9,853	11,005	14,341	22,039
Use of money and property	5,264	4,939	5,231	5,124
Intergovernmental	487,545	525,796	366,310	336,578
Charges for service	422,430	385,621	321,399	179,642
Miscellaneous	135,897	100,432	125,584	86,291
Total	<u>\$ 2,169,782</u>	<u>1,916,477</u>	<u>1,787,756</u>	<u>1,640,963</u>
Disbursements:				
Operating:				
Public safety	\$ 744,258	949,112	613,506	378,064
Public works	512,912	654,159	349,838	374,259
Culture and recreation	273,597	298,174	320,047	351,727
Community and economic development	3,806	984	2,020	765
General government	220,734	213,599	177,049	172,072
Debt service	170,644	128,096	304,838	357,646
Capital projects	2,854	188,676	-	-
Total	<u>\$ 1,928,805</u>	<u>2,432,800</u>	<u>1,767,298</u>	<u>1,634,533</u>

* Other city tax was reported under property tax prior to fiscal year 2021

See accompanying independent auditor's report.

2017	2016	2015	2014	2013	2012
593,135	600,829	577,775	529,190	519,331	496,541
128,269	124,435	116,428	141,845	109,406	112,723
338,126	334,893	355,216	330,625	321,738	284,508
*	*	*	*	*	*
21,688	22,048	23,688	26,277	22,465	22,769
4,533	6,394	5,751	5,960	5,226	4,596
386,378	332,525	351,082	249,832	323,947	241,040
175,355	169,969	164,844	156,276	152,004	155,271
188,337	54,599	54,105	97,983	34,985	42,795
<u>1,835,821</u>	<u>1,645,692</u>	<u>1,648,889</u>	<u>1,537,988</u>	<u>1,489,102</u>	<u>1,360,243</u>
432,797	330,925	389,191	358,653	336,642	296,015
425,017	716,542	371,256	281,825	329,076	364,085
378,108	420,658	282,366	207,566	254,828	274,294
-	-	-	-	-	-
159,960	209,283	144,891	134,462	161,163	147,258
385,567	493,399	440,536	370,783	1,385,532	336,804
-	28,418	-	1,103,141	339,781	-
<u>1,781,449</u>	<u>2,199,225</u>	<u>1,628,240</u>	<u>2,456,430</u>	<u>2,807,022</u>	<u>1,418,456</u>



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

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the aggregate remaining fund information of the City of Wapello, Iowa, as of and for the year ended June 30, 2021, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 22, 2022. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2021 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


The City of Wapello's Responses to the Findings

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

Purpose of this Report

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

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


Ernest H. Ruben, Jr., CPA
Deputy Auditor of State

February 22, 2022

City of Wapello

Schedule of Findings

Year ended June 30, 2021

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

(A) Segregation of Duties

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

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

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

For the Keck Memorial Library and the Hometown Pride accounts, maintained by the City Library and the Hometown Pride Group, and reported to the City Clerk monthly, one individual has control over one or more of the following areas:

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

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

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

City of Wapello

Schedule of Findings

Year ended June 30, 2021

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Keck Memorial Library should review their operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Evidence of review of reconciliations should be documented by the signature or initials of the independent reviewer and the date of the review.

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

Conclusion – Response accepted.

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

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

Condition – Although reconciliations of utility billings, collections and accounts receivables were prepared, there was no evidence of an independent review. Reconciliations for ambulance service billings, collections and accounts receivable are not prepared.

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

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

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

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

Conclusion – Response accepted.

City of Wapello

Schedule of Findings

Year ended June 30, 2021

(C) Computer System

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

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

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

Additionally, the written disaster recovery plan does not include:

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

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

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

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

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

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

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

City of Wapello

Schedule of Findings

Year ended June 30, 2021

(D) Wapello Fire and Rescue, Inc.

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

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

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

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

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

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

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

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Wapello

Schedule of Findings

Year ended June 30, 2021

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – During the year ended June 30, 2021, disbursements exceeded the amount budgeted in the capital projects functions prior to the budget amendment(s). Disbursements at June 30, 2021 exceeded the amount budgeted in the community and economic development and general government functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

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

Conclusion – Response accepted.

- (2) Questionable Disbursements – In accordance with Article III, Section 31 of the Iowa Constitution and an Attorney General’s opinion dated April 25, 1979, public funds may only be spent for public benefit. During the year ended June 30, 2021, the City donated \$250 to the Wapello High School for Post Prom. This disbursement may not meet the requirements of public purpose as defined in the Attorney General’s opinion since the public benefits to be derived have not been clearly documented.

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

In addition, during the year ended June 30, 2021, the City donated \$50 to the Wapello Community Club. The Constitution of the State of Iowa prohibits governmental bodies from making a gift to private non-profit corporations. Article III, Section 31 of the Constitution of the State of Iowa states “... no public money or property shall be appropriated for local or private purposes, unless such appropriation, compensation or claim be allowed by two-thirds of the members elected to each branch of the General Assembly.”

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

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

Response – The City will discuss questionable disbursements.

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

City of Wapello

Schedule of Findings

Year ended June 30, 2021

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Shawn Maine, Mayor, owner of Midwest Rod and Restoration, Midwest Collision and Repair, and Midwest Classic Storage	Vehicle repairs and supplies and property tax abatements	\$ 4,288

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

- (5) Restricted Donor Activity – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa.
- (6) 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.
- (7) City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.
- (8) Deposits and Investments – Except as noted below, there were no instances of noncompliance with the deposits and investment provisions of Chapters 12B and 12C of the Code of Iowa.

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

Recommendation – The City should adopt a written investment policy as required by Chapter 12B.10b of the Code of Iowa.

Response – The City will develop an investment policy.

Conclusion – Response accepted.

- (9) Revenue Bonds – No instances of non-compliance with the revenue bond resolutions were noted.

City of Wapello

Schedule of Findings

Year ended June 30, 2021

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

Recommendation – The City should review outstanding checks and other items over two years old and remit them to the Office of Treasurer of State, as required.

Response – The City will submit outstanding checks over two years old to the State Treasurer.

Conclusion – Response accepted.

- (11) Annual Urban Renewal Report – The Annual Urban Renewal Report was approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.

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

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

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

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

- (13) Separately Maintained Records – The Keck Memorial Library and Hometown Pride maintain separate accounting records for their operations. Although monthly financial reports are prepared and provided to the City, the activity is not included in the City’s computer system or in the City’s accounting records or financial reports.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, “A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose.” For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City’s computer system and accounting records and be reported to the City Council on a monthly basis.

Response – The City will look into adding Keck Memorial Library and Hometown Pride to their Computer System.

Conclusion – Response accepted.

City of Wapello

Staff

This audit was performed by:

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