



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

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE \_\_\_\_\_

July 10, 2009

Contact: Andy Nielsen  
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the City of Welton, Iowa.

The City's receipts totaled \$271,546 for the year ended June 30, 2008. The receipts included \$37,218 in property tax, \$24,195 from charges for service, \$13,622 from operating grants, contributions and restricted interest, \$83,926 from capital grants, contributions and restricted interest, \$13,113 from local option sales tax, \$3,255 from unrestricted interest on investments, \$93,781 from note proceeds and \$2,436 from other general receipts.

Disbursements for the year totaled \$279,656, and included \$181,098 for capital projects, \$43,274 for general government and \$16,550 for public works. Also, disbursements for business type activities totaled \$28,534.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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**CITY OF WELTON**

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

**JUNE 30, 2008**

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**City of Welton**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2008)</b>		
Casey Hootman	Mayor	Jan 2008
Ed Novak	Mayor Pro tem	Jan 2008
Tamie Simmons	Council Member	Jan 2008
Billy Koranda	Council Member	Jan 2010
Kenneth Mickey	Council Member	Jan 2010
LeAnn McCallister	Clerk	Indefinite
Mark Lawson	Attorney	Indefinite
<b>(After January 2008)</b>		
Janet Huffman	Mayor	Jan 2010
Ed Novak	Mayor Pro tem	Jan 2012
Glen Boswell	Council Member	Jan 2010
Billy Koranda	Council Member	Jan 2010
Kenneth Mickey	Council Member	Jan 2010
Sandra Walker	Council Member	Jan 2012
LeAnn McCallister	Clerk	Indefinite
Mark Lawson	Attorney	Indefinite

**City of Welton**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Welton, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Welton's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2007, as discussed in the preceding paragraph, 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 Welton as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

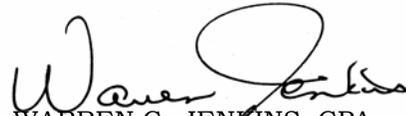
In accordance with Government Auditing Standards, we have also issued our report dated June 4, 2009 on our consideration of the City of Welton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Welton's basic financial statements. Other supplementary information included in Schedules 1 through 3 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 4, 2009

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Welton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- The cash basis net assets of the City's governmental activities decreased approximately \$33,000, primarily due to transfers to the Enterprise, Water and Solid Waste Funds.
- The cash basis net assets of the City's business type activities increased approximately \$25,000, primarily due to transfers from the General and Capital Projects Funds.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds and the City's indebtedness.

### **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include water, sewer and solid waste operations. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, and 3) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

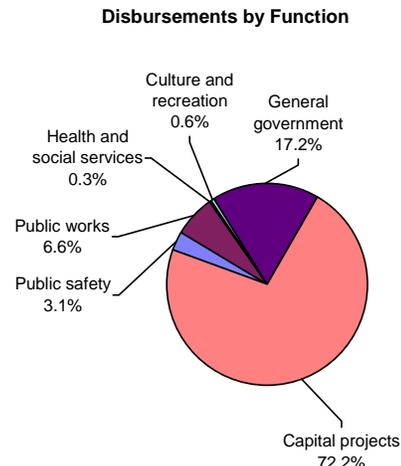
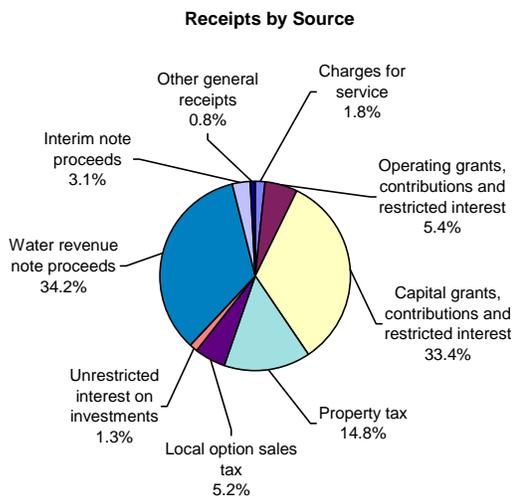
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Solid Waste Funds. The Sewer Fund is considered to be a major fund of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased, from \$124,707 at June 30, 2007 to \$91,499 at June 30, 2008, primarily due to transfers to the Enterprise, Water and Solid Waste Funds. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2008
Receipts:	
Program receipts:	
Charges for service	\$ 4,538
Operating grants, contributions and restricted interest	13,622
Capital grants, contributions and restricted interest	83,926
General receipts:	
Property tax	37,218
Local option sales tax	13,113
Unrestricted interest on investments	3,255
Water revenue note proceeds	86,125
Interim note proceeds	7,656
Other general receipts	2,045
Total receipts	<u>251,498</u>
Disbursements:	
Public safety	7,876
Public works	16,550
Health and social services	695
Culture and recreation	1,629
General government	43,274
Capital projects	181,098
Total disbursements	<u>251,122</u>
Change in cash basis net assets before transfers	376
Transfers, net	<u>(33,584)</u>
Change in cash basis net assets	(33,208)
Cash basis net assets beginning of year	<u>124,707</u>
Cash basis net assets end of year	<u>\$ 91,499</u>



Changes in Cash Basis Net Assets of Business Type Activities	
	Year ended June 30, 2008
Receipts:	
Program receipts:	
Charges for service:	
Sewer	\$ 16,248
Solid waste	3,409
General receipts:	
Unrestricted interest on investments	391
Total receipts	<u>20,048</u>
Disbursements:	
Sewer	17,909
Solid waste	10,625
Total disbursements	<u>28,534</u>
Change in cash basis net assets before transfers	(8,486)
Transfers, net	<u>33,584</u>
Change in cash basis net assets	25,098
Cash basis net assets beginning of year	<u>(13,314)</u>
Cash basis net assets end of year	<u>\$ 11,784</u>

The cash basis net assets of the City's business type activities increased approximately \$25,000, primarily due to transfers from the General and Capital Projects Funds.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Welton completed the year, its governmental funds reported a combined fund balance of \$91,499, a decrease of more than \$33,000 from last year's total of \$124,707. The following are the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$13,687 from the prior year to \$13,624.
- The Special Revenue, Road Use Tax Fund cash balance increased \$712 over the prior year to \$66,665.
- The Special Revenue, Local Option Sales Tax Fund cash balance decreased \$1,887 from the prior year to \$14,444.
- The Capital Projects Fund cash balance decreased \$24,975 from prior year to a deficit of \$(6,636), primarily due to a transfer to the Enterprise, Water Fund.

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

- The Sewer Fund cash balance decreased \$1,322 from the prior year to \$13,868.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 20, 2008 and resulted in an increase in operating disbursements relating to streets department and the general government function. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$96,301 more than budgeted. This was primarily due to the City receiving more in CDBG funds than originally budgeted for.

Even with the budget amendment, total disbursements were \$90,521 more than the amended budget, primarily due to the water project which was not budgeted for.

## **DEBT ADMINISTRATION**

At June 30, 2008, the City had \$100,615 in revenue notes outstanding, compared to \$78,469 last year.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City has no outstanding general obligation debt.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Welton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2009 budget, tax rates and fees charged for various City activities. One of those factors is the economy. The City's employment growth has mirrored its population growth during 2003-2007, which have remained virtually unchanged.

Property tax receipts are expected to remain consistent with fiscal year 2008 due to an increase of 2.3% in the tax levy and a 3.7% decrease in valuations. The City has budgeted receipts of approximately \$1,363,000, an increase of approximately \$1,185,000. This large increase is primarily due to note proceeds and disbursements will increase approximately \$1,099,000 due to disbursements for the water project.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$38,000 by the close of 2009.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact LeAnn McCallister, City Clerk, 95 Main Street, Welton, Iowa 52774-0015.

**City of Welton**

## **Basic Financial Statements**

City of Welton

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>				
<b>Primary government:</b>				
Governmental activities:				
Public safety	\$ 7,876	-	-	-
Public works	16,550	-	13,622	-
Health and social services	695	-	-	-
Culture and recreation	1,629	-	-	77,739
General government	43,274	4,538	-	-
Capital projects	181,098	-	-	6,187
Total governmental activities	251,122	4,538	13,622	83,926
Business type activities:				
Sewer	17,909	16,248	-	-
Solid waste	10,625	3,409	-	-
Total business type activities	28,534	19,657	-	-
Total primary government	\$ 279,656	24,195	13,622	83,926
<b>Component unit:</b>				
Welton Volunteer Fire Company	\$ 129,030	21,571	77,243	-
<b>General Receipts:</b>				
Property and other city tax levied for general purposes				
Local option sales tax				
Unrestricted interest on investments				
Water revenue note proceeds				
Interim note proceeds				
Sale of assets				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
<b>Cash Basis Net Assets</b>				
Restricted:				
Streets				
Local option sales tax				
Other purposes				
Unrestricted				
<b>Total cash basis net assets</b>				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Governmental Activities	Business Type Activities	Total	Component Unit
(7,876)	-	(7,876)	-
(2,928)	-	(2,928)	-
(695)	-	(695)	-
76,110	-	76,110	-
(38,736)	-	(38,736)	-
(174,911)	-	(174,911)	-
(149,036)	-	(149,036)	-
-	(1,661)	(1,661)	-
-	(7,216)	(7,216)	-
-	(8,877)	(8,877)	-
(149,036)	(8,877)	(157,913)	-
-	-	-	30,216
37,218	-	37,218	-
13,113	-	13,113	-
3,255	-	3,255	-
86,125	-	86,125	-
7,656	-	7,656	-
-	-	-	15,000
2,045	391	2,436	5,385
(33,584)	33,584	-	-
115,828	33,975	149,803	20,385
(33,208)	25,098	(8,110)	(9,831)
124,707	(13,314)	111,393	12,808
\$ 91,499	11,784	103,283	2,977
\$ 66,665	-	66,665	-
14,444	-	14,444	-
3,402	-	3,402	-
6,988	11,784	18,772	2,977
\$ 91,499	11,784	103,283	2,977

**Exhibit B**

## City of Welton

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

As of and for the year ended June 30, 2008

	Special Revenue					Total
	General	Road Use Tax	Local Option Sales Tax	Capital Projects	Nonmajor	
<b>Receipts:</b>						
Property tax	\$ 32,930	-	-	-	2,955	35,885
Other city tax	1,333	-	13,113	-	-	14,446
Licenses and permits	640	-	-	-	-	640
Use of money and property	3,255	-	-	-	-	3,255
Intergovernmental	-	13,631	-	83,926	-	97,557
Miscellaneous	5,934	-	-	-	-	5,934
Total receipts	44,092	13,631	13,113	83,926	2,955	157,717
<b>Disbursements:</b>						
Operating:						
Public safety	7,876	-	-	-	-	7,876
Public works	3,631	12,919	-	-	-	16,550
Health and social services	695	-	-	-	-	695
Culture and recreation	1,593	-	-	-	36	1,629
General government	38,802	-	-	-	4,472	43,274
Capital projects	-	-	-	94,973	-	94,973
Total disbursements	52,597	12,919	-	94,973	4,508	164,997
Excess (deficiency) of receipts over (under) disbursements	(8,505)	712	13,113	(11,047)	(1,553)	(7,280)
<b>Other financing sources (uses):</b>						
Water revenue note proceeds	-	-	-	86,125	-	86,125
Interim note proceeds	-	-	-	7,656	-	7,656
Interim notes paid	-	-	-	(86,125)	-	(86,125)
Operating transfers in	15,000	-	-	-	8,182	23,182
Operating transfers out	(20,182)	-	(15,000)	(21,584)	-	(56,766)
Total other financing sources (uses)	(5,182)	-	(15,000)	(13,928)	8,182	(25,928)
Net change in cash balances	(13,687)	712	(1,887)	(24,975)	6,629	(33,208)
Cash balances beginning of year	27,311	65,953	16,331	18,339	(3,227)	124,707
Cash balances end of year	\$ 13,624	66,665	14,444	(6,636)	3,402	91,499
<b>Cash Basis Fund Balances</b>						
Unreserved:						
General fund	13,624	-	-	-	-	13,624
Special revenue funds	-	66,665	14,444	-	3,402	84,511
Capital projects fund	-	-	-	(6,636)	-	(6,636)
Total cash basis fund balances	\$ 13,624	66,665	14,444	(6,636)	3,402	91,499

See notes to financial statements.

City of Welton

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

As of and for the year ended June 30, 2008

	Enterprise		
	Sewer	Nonmajor	Total
Operating receipts:			
Charges for service	\$ 16,248	3,409	19,657
Operating disbursements:			
Business type activities	17,909	10,625	28,534
Deficiency of operating receipts under operating disbursements	(1,661)	(7,216)	(8,877)
Non-operating receipts:			
Miscellaneous	339	52	391
Deficiency of receipts under disbursements	(1,322)	(7,164)	(8,486)
Operating transfers in	-	33,584	33,584
Net change in cash balances	(1,322)	26,420	25,098
Cash balances beginning of year	15,190	(28,504)	(13,314)
Cash balances end of year	\$ 13,868	(2,084)	11,784
<b>Cash Basis Fund Balances</b>			
Unreserved	\$ 13,868	(2,084)	11,784

See notes to financial statements.

City of Welton

Notes to Financial Statements

June 30, 2008

**(1) Summary of Significant Accounting Policies**

The City of Welton is a political subdivision of the State of Iowa located in Clinton County. It was first incorporated in 1858 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 sewer and solid waste services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Welton 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 Welton (the primary government) and the Welton Volunteer Fire Company (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

The Welton Volunteer Fire Company was established to preserve life and property from and during fire and other emergencies as may occur in the Welton Fire District and all other areas that may be covered by mutual aid agreements. The Fire Company is governed by a three member Board of Trustees appointed by the Fire Chief. Title to all property of the Fire Company is held in the name of the Fire Company.

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: Clinton County Assessor's Conference Board, City Assessor's Conference Board, Clinton County Emergency Management Commission, Clinton County Landfill Commission and Clinton County Joint E911 Service Board.

B. Basis of Presentation

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

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets 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 and proprietary funds are aggregated and reported as nonmajor governmental and proprietary 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 road construction and maintenance.

The Local Option Sales Tax Fund is used to account for receipts from a 1% sales tax to be used for property tax relief.

The Capital Projects Fund is used to account for construction of the City's water system.

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The City of Welton 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 assets 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.

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. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, capital projects and business type activities functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2008 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 insure there will be no loss of public funds.

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

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 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.

**(3) Notes Payable**

Water Revenue Notes

On February 21, 2006, the City entered into a State Revolving Fund (SRF) loan and disbursement agreement with the Iowa Finance Authority for the issuance of an \$85,000

interest free Interim Loan and Disbursement Agreement Note. The note was issued to provide interim financing for engineering costs and will be repaid from proceeds of a \$1,449,000 SRF loan agreement. At June 30, 2008, the City had paid off the interim note.

On June 10, 2008, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority for the issuance of \$1,449,000 Water Revenue Capital Loan Notes with interest at 3.00% per annum. The notes were issued pursuant to the provisions of Chapter 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the City's water system. The City will draw down funds from the Iowa Finance Authority upon request to reimburse the City for costs as they are incurred. At June 30, 2008, the City had drawn \$100,615 of the \$1,449,000 authorized. An initiation fee of 1% of the authorized borrowing for the water revenue capital loan notes was charged by the Iowa Finance Authority. The total initiation fee of \$14,490 was withheld by the Iowa Finance Authority from the first proceeds of the water revenue capital loan notes. Since the City has not fully drawn funds on the water revenue capital loan notes, a final repayment schedule has not yet been adopted for the debt. No principal or interest was paid in the current fiscal year due to the project not being completed.

The resolution providing for the issuance of the water revenue notes includes the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the fund.
- (b) Sufficient monthly transfers shall be made to a water revenue note sinking account for the purpose of making principal and interest payments when due.
- (c) After all other accounts have sufficient balances, the net revenues available after making the required principal and interest payments should be credited to a water surplus account for operation of the utility.

The City has not established the sinking account required by the water revenue note resolution.

Welton Volunteer Fire Company Loan Agreement

On November 1, 2005, the Welton Volunteer Fire Company entered into a loan agreement with interest at 4.98% per annum for construction of a fire house. During the year ended June 30, 2008, the Welton Volunteer Fire Company paid loan principal of \$67,963 and interest of \$5,037. The loan has an outstanding balance of \$59,225 at June 30, 2008 and is due as follows:

Year Ending June 30,	Principal	Interest	Total
2009	\$ 5,114	2,886	8,000
2010	5,371	2,629	8,000
2011	5,642	2,358	8,000
2012	5,927	2,073	8,000
2013	6,225	1,775	8,000
2014 - 2016	30,946	3,029	33,975
Total	\$ 59,225	14,750	73,975

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2008 of \$820 was equal to the required contribution for the year.

**(5) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Enterprise: Solid Waste	General	\$ 12,000
General	Special Revenue: Local Option Sales Tax	15,000
Enterprise: Water	Capital Projects	21,584
Special Revenue: Tax Increment Financing	General	<u>8,182</u>
Total		<u>\$ 56,766</u>

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

**(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) Deficit Balances**

The Capital Projects Fund had a deficit balance of \$6,636 at June 30, 2008. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state grants. Also, the Enterprise, Water and Solid Waste Funds had deficit balances of \$367 and \$1,717, respectively, which will be eliminated by transfers from the General Fund.

**(8) Construction Commitments**

During the year ended June 30, 2008, the City entered into contracts totaling \$1,360,165 for construction of a water tank, installation of water mains and construction of a treatment building. As of June 30, 2008, costs of \$70,527 had been paid on the contracts. Costs for additional work completed prior to July 1, 2008 totaled \$410,130 and will be paid in fiscal year 2009. The remaining \$879,508 will be paid as work on these projects progresses. All construction commitments will be paid using the proceeds of a State Revolving Fund loan.

**City of Welton**

**Required Supplementary Information**

City of Welton  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 35,885	-	35,885
Other city tax	14,446	-	14,446
Licenses and permits	640	-	640
Use of money and property	3,255	-	3,255
Intergovernmental	97,557	-	97,557
Charges for service	-	19,657	19,657
Miscellaneous	5,934	391	6,325
Total receipts	<u>157,717</u>	<u>20,048</u>	<u>177,765</u>
Disbursements:			
Public safety	7,876	-	7,876
Public works	16,550	-	16,550
Health and social services	695	-	695
Culture and recreation	1,629	-	1,629
Community and economic development	-	-	-
General government	43,274	-	43,274
Capital projects	94,973	-	94,973
Business type activities	-	28,534	28,534
Total disbursements	<u>164,997</u>	<u>28,534</u>	<u>193,531</u>
Excess (deficiency) of receipts over (under) disbursements	(7,280)	(8,486)	(15,766)
Other financing sources, net	<u>(25,928)</u>	<u>33,584</u>	<u>7,656</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(33,208)	25,098	(8,110)
Balances beginning of year	<u>124,707</u>	<u>(13,314)</u>	<u>111,393</u>
Balances end of year	<u>\$ 91,499</u>	<u>11,784</u>	<u>103,283</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
35,801	35,801	84
13,463	13,463	983
500	500	140
-	-	3,255
13,200	13,200	84,357
18,500	18,500	1,157
-	-	6,325
<u>81,464</u>	<u>81,464</u>	<u>96,301</u>
7,665	7,665	(211)
22,500	28,500	11,950
695	695	-
1,150	1,150	(479)
500	500	500
31,000	46,000	2,726
-	-	(94,973)
18,500	18,500	(10,034)
<u>82,010</u>	<u>103,010</u>	<u>(90,521)</u>
(546)	(21,546)	5,780
-	-	7,656
(546)	(21,546)	13,436
<u>122,740</u>	<u>245,480</u>	<u>(134,087)</u>
<u>122,194</u>	<u>223,934</u>	<u>(120,651)</u>

City of Welton

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

The budgetary comparison is presented as Required Supplementary Information 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 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 \$21,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, capital projects and business type activities functions.

**Other Supplementary Information**

**Schedule 1**

## City of Welton

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

As of and for the year ended June 30, 2008

	Special Revenue		
	Employee Benefits	Tax Increment Financing	Total
Receipts:			
Property tax	\$ 2,955	-	2,955
Disbursements:			
Operating:			
Culture and recreation	36	-	36
General government	4,472	-	4,472
Total disbursements	4,508	-	4,508
Deficiency of receipts under disbursements	(1,553)	-	(1,553)
Other financing sources:			
Operating transfers in	-	8,182	8,182
Net change in cash balances	(1,553)	8,182	6,629
Cash balances beginning of year	4,955	(8,182)	(3,227)
Cash balances end of year	\$ 3,402	-	3,402
<b>Cash Basis Fund Balances</b>			
Unreserved:			
Special revenue funds	\$ 3,402	-	3,402

See accompanying independent auditor's report.

## City of Welton

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

As of and for the year ended June 30, 2008

	Water	Solid Waste	Total
Operating receipts:			
Charges for service	\$ -	3,409	3,409
Operating disbursements:			
Business type activities	-	10,625	10,625
Deficiency of operating receipts under operating disbursements	-	(7,216)	(7,216)
Non-operating receipts:			
Miscellaneous	-	52	52
Deficiency of receipts under disbursements	-	(7,164)	(7,164)
Operating transfers in	21,584	12,000	33,584
Net change in cash balances	21,584	4,836	26,420
Cash balances beginning of year	(21,951)	(6,553)	(28,504)
Cash balances end of year	\$ (367)	(1,717)	(2,084)
<b>Cash Basis Fund Balances</b>			
Unreserved	\$ (367)	(1,717)	(2,084)

See accompanying independent auditor's report.

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City of Welton  
Schedule of Indebtedness  
Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue notes:			
Interim loan	Feb 21, 2006	0.00%	\$ 85,000
Water	Jun 10, 2008	3.00	1,449,000
Total			
Welton Volunteer Fire Company:			
Loan agreement	Nov 1, 2005	4.98%	\$ 130,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
78,469	7,656	86,125	-	-
-	100,615	-	100,615	-
\$ -	100,615	-	100,615	-
127,188	-	67,963	59,225	5,037

**City of Welton**



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

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Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

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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 the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Welton, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated June 4, 2009. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2007. Except as noted in the Independent Auditor's Report, 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.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Welton's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Welton's financial statements that is more than inconsequential will not be prevented or detected by the City of Welton's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Welton's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items (A), (F) and (K) are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Welton'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 that 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, 2008 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 Welton's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Welton's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Welton and other parties to whom the City of Welton may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Welton 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.



DAVID A. VAUDT, CPA  
Auditor of State



WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

June 4, 2009

City of Welton  
 Schedule of Findings  
 Year ended June 30, 2008

**Findings Related to the Financial Statements:**

**SIGNIFICANT DEFICIENCIES:**

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. When duties are properly segregated, the activities of one employee act as a check on those of another. Generally, one person has control over each of the following areas:

	Entity
(1) Cash – Receiving, recording, depositing and reconciling.	City Welton Volunteer Fire Company
(2) Investments – Investing, recording and custody.	City
(3) Disbursements – Check writing, signing and posting	City Welton Volunteer Fire Company
(4) Receipts - opening and listing mail receipts, collecting, depositing, posting and daily reconciling.	City Welton Volunteer Fire Company
(5) Payroll – preparing and distributing.	City
(6) Bank reconciliations – preparing, reconciling and reviewing.	City Welton Volunteer Fire Company

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, each entity should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of review of reconciliations should be indicated by initials of the independent reviewer and the date of the review.

Responses –

City – We will review processes and determine how to best segregate duties, utilizing Council members and the Mayor.

Welton Volunteer Fire Company – We will evaluate procedures and further segregate duties as possible.

Conclusions – Responses accepted.

- (B) Information Systems – During our review of internal control, the existing control activities in the City’s computer based financial system were evaluated in order to determine activities, from a control standpoint, were designed to provide reasonable assurance regarding the achievement of objectives in the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The following weaknesses in the City’s financial computer based system were noted:

City of Welton  
Schedule of Findings  
Year ended June 30, 2008

The City does not have written policies over the financial computer system for:

- password privacy and confidentiality.
- requiring password changes because software does not require the user to change log-ins/passwords periodically.
- requiring backups be performed daily and stored off site.
- ensuring only software licensed to the City is installed on computers and monitoring software licensing requirements to ensure the City is in compliance.
- usage of the internet.
- A disaster recovery plan.
- Anti virus software
- Logging off unattended computers.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over its financial computer based system.

Response – We will contact other local communities to obtain copies of their policies and procedures, with the intent of tailoring them to the City's needs.

Conclusion – Response accepted.

- (C) Accounting Procedures Manual – The City and the Welton Volunteer Fire Company do not maintain an accounting procedures manual.

Recommendation – The City and the Welton Volunteer Fire Company should develop an accounting procedures manual detailing the reports needed by the City and the Welton Volunteer Fire Company.

Responses –

City – We will obtain or create an accounting manual.

Welton Volunteer Fire Company – We will work on putting a manual together.

Conclusions – Responses accepted.

- (D) Supporting Documentation – Supporting documentation is not available to Council members when signing checks.

Recommendation – The Council should ensure supporting documentation for disbursements is available for review prior to signing checks.

Response – The City Clerk will print checks and attach supporting documentation for the Council's review.

Conclusion – Response accepted.

City of Welton

Schedule of Findings

Year ended June 30, 2008

- (E) Record of Investments – A detailed record of investment transactions was not maintained.

Recommendation – A detailed record of investment transactions by fund should be maintained. This record should include investment number, purchase date, redemption date, interest rate and amount of principal and interest received.

Response – We will prepare and maintain an investment ledger.

Conclusion – Response accepted.

- (F) Bank Reconciliations – City bank reconciliations are not prepared monthly and are not reviewed by an independent person.

Recommendation – The City should ensure bank reconciliations are prepared monthly and reviewed by an independent person.

Response – The City Clerk has started preparing bank reconciliations beginning in January, 2009 and the Mayor will review them when completed.

Conclusion – Response accepted.

- (G) Disbursements – Certain purchases were made with a debit card. Also, certain invoices were not cancelled to prevent reuse.

Recommendation – A debit card should not be used for purchases since payments are made prior to approval by the City Council. Also, invoices should be cancelled to prevent reuse.

Response – We have disposed of the debit card by having the bank shred it. The City Clerk will ensure all invoices have been properly cancelled to prevent reuse.

Conclusion – Response accepted.

- (H) Timesheets – Timesheets were not approved by the Council.

Recommendation – The Council should ensure all timesheets are approved prior to checks being issued.

Response – The City Clerk will attach check to timesheets for Council approval.

Conclusion – Response accepted.

- (I) Transfers – Transfers were not always recorded as transfers in the City's financial statements.

Recommendation – The City should ensure all transfers are properly recorded as transfers in the financial statements.

Response – The City Clerk will ensure transfers are properly recorded. All transfer-in line account numbers have been set up.

Conclusion – Response accepted.

City of Welton

Schedule of Findings

Year ended June 30, 2008

- (J) Annual Financial Report – The City’s annual financial report was prepared and filed timely for the year ended June 30, 2008. However, the report contained material errors and amounts which could not be substantiated.

Recommendation – The annual financial report should be amended to correct material errors and the amounts reported should be substantiated.

Response – Corrections will be made from the audit report to the City’s financial statements and will be reported to the Council and public.

Conclusion – Response accepted.

- (K) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year and a delinquent accounts listing was not prepared.

Recommendation – A listing of delinquent accounts should be prepared on a monthly basis. Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – Currently we are printing delinquent reports which are presented to the City Council each month and all deposits are completed by an appointed person each time.

Conclusion – Response accepted.

- (L) Welton Volunteer Fire Company – Bank reconciliations are prepared monthly but are not retained. The bank reconciliations are not reviewed by and initialed by an independent person.

Certain checks were written payable to cash.

The Welton Volunteer Fire Company has multiple fund raisers throughout the year. A reconciliation of receipts to cash is not prepared.

Certain checks are signed in advance.

Recommendation – The Welton Volunteer Fire Company should ensure the monthly bank reconciliations are retained and are reviewed by an independent person.

The Welton Volunteer Fire Company should issue a check to the bank to establish a change fund for fund-raisers.

The Welton Volunteer Fire Company should use tickets for the fund raisers and reconcile the tickets sold with the cash receipts.

The Welton Volunteer Fire Company should not sign checks in advance.

City of Welton  
Schedule of Findings  
Year ended June 30, 2008

Response – We will ensure bank reconciliations are retained and reviewed by an independent person.

We will issue the check to establish a change fund made payable to the bank.

We will start using tickets for fund raisers and reconciling them with the cash receipts.

We will discontinue signing checks in advance.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Welton

Schedule of Findings

Year ended June 30, 2008

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

- (1) Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the public safety, culture and recreation, capital projects 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 – We will watch disbursements more closely to ensure budgeted amounts are not exceeded. Additionally, if budgeted amounts are to be exceeded, an amendment will be prepared in accordance with the Code of Iowa.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (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) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- (7) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

A resolution naming official depositories has not been adopted by the City Council as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – The City should adopt a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

The City should adopt a depository resolution which establishes maximum amounts for each bank as required by Chapter 12C.2 of the Code of Iowa.

Response – I am contacting several cities to get a copy of their investment policies and official depository resolutions so the City can implement them as soon as possible.

Conclusion – Response accepted.

City of Welton

Schedule of Findings

Year ended June 30, 2008

- (8) Revenue Notes – One provision of the revenue note resolution is a separate account be established as the water revenue note sinking account. This account is to have monthly deposits into it of 1/6<sup>th</sup> of the next interest payment due and 1/12<sup>th</sup> of the next principal payment due. This account has not been established by the City.

Recommendation – The City should work with its accounting software support team to ensure the water revenue note sinking account is properly established. The City should also ensure deposits are made to the account as required by the revenue note resolution.

Response – We will work with Data-Tek to ensure the water revenue note sinking account is established. We will also ensure the required deposits are made to the water revenue note sinking account.

Conclusion – Response accepted.

- (9) Financial Condition – The Capital Projects and the Enterprise, Water and Solid Waste Funds had deficit balances at June 30, 2008 of \$6,636, \$367 and \$1,717, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficits to return these funds to a sound financial position.

Response – The deficit in the Capital Projects Fund was due to construction costs incurred prior to receipt of a state grant. The deficit was subsequently eliminated by a transfer from the General Fund. Also, the City will eliminate the Enterprise, Water and Solid Waste Funds deficits with a transfer from the General Fund.

Conclusion – Response accepted.

- (10) Petition for Audit – Except as noted, all items in the petition for audit have been resolved.

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City of Welton

Staff

This audit was performed by:

K. David Voy, CPA, Manager  
Shawn R. Elsbury, Senior Auditor  
Reza Sepehri, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State