



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE

August 24, 2011

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the City of Wapello, Iowa.

The City's receipts totaled \$3,463,252 for the year ended June 30, 2010, a 67 percent increase over 2009. The receipts included \$455,657 in property tax, \$222,588 from tax increment financing, \$96,179 from local option sales tax, \$700,269 from charges for service, \$354,129 from operating grants, contributions and restricted interest, \$52,219 from capital grants and contributions, \$2,522 from unrestricted interest on investments, \$13,403 from other general receipts and \$1,566,286 of bond and note and proceeds.

Disbursements for the year totaled \$3,073,755, a 40 percent increase over the prior year, and included \$304,288 for public safety, \$311,414 for public works and \$270,496 for culture and recreation. Disbursements for business type activities totaled \$1,971,070.

The significant increase in receipts and disbursements is due primarily to the receipt of bond and note proceeds disbursed for water and sewer projects.

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/1020-0562-B00F.pdf>.

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CITY OF WAPELLO

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

JUNE 30, 2010

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City of Wapello

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
Ron Durbin	Mayor	Jan 2010
Larry Wagg	Mayor Pro tem	Jan 2012
Shawn Maine	Council Member	Jan 2010
Kermit L. Peterson	Council Member	Jan 2010
Josh R. Drayfahl	Council Member	Jan 2012
Kevin Hardin	Council Member	Jan 2012
Adam Parsons	Council Member	Jan 2012
Randy Tillmann	Council Member	Jan 2012
Celia Drayfahl	City Clerk	Indefinite
Karen Gittings	Deputy Clerk	(Resigned)
Cindy Bockes (Appointed)	Deputy Clerk	Indefinite
Jay Schweitzer and Tim Wink	Attorneys	Indefinite
(After January 2010)		
Ron Durbin	Mayor	Jan 2012
Larry Wagg	Mayor Pro tem	Jan 2012
Josh R. Drayfahl	Council Member	Jan 2012
Kevin Hardin	Council Member	Jan 2012
Adam Parsons	Council Member	Jan 2012
Randy Tillmann	Council Member	Jan 2012
Shawn Maine	Council Member	Jan 2014
Kermit L. Peterson	Council Member	Jan 2014
Celia Drayfahl	City Clerk	Indefinite
Cindy Bockes	Deputy Clerk	Indefinite
Jay Schweitzer and Tim Wink	Attorneys	Indefinite

City of Wapello



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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, the discretely presented component unit and the remaining fund information of the City of Wapello, Iowa, as of and for the year ended June 30, 2010, 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 Wapello'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.

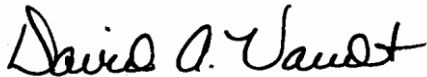
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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 remaining fund information of the City of Wapello as of June 30, 2010, 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 July 1, 2011 on our consideration of the City of Wapello'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 the internal control over financial reporting or on 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 12 and 30 through 32 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 Wapello's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 3 is presented for purposes of additional analysis and is 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

July 1, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Wapello provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 8.5%, or approximately \$123,000, from fiscal year 2009 to fiscal year 2010. Operating grants, contributions and restricted interest decreased approximately \$109,000 while tax increment financing increased approximately \$9,000.
- Disbursements of the City's governmental activities decreased 17%, or approximately \$225,000, from fiscal year 2009 to fiscal year 2010. Public safety disbursements decreased approximately \$211,000, public works disbursements decreased approximately \$65,000 and culture and recreation disbursements decreased approximately \$13,000.
- The City's total cash basis net assets increased 72%, or approximately \$389,000, from June 30, 2009 to June 30, 2010. Of this amount, the net assets of the governmental activities increased approximately \$245,000 and the net assets of the business type activities increased approximately \$144,000.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists of a 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 City's debt.

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, culture and recreation, general government and debt service. Property tax and state grants finance most of these activities.
- Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

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

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

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

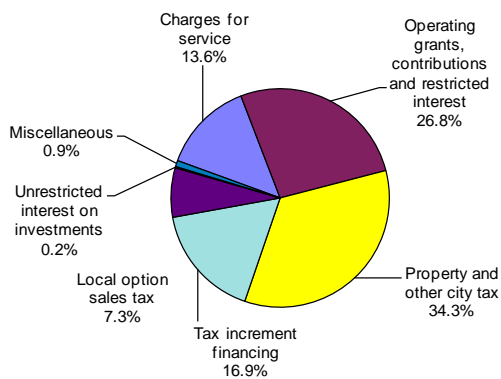
The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

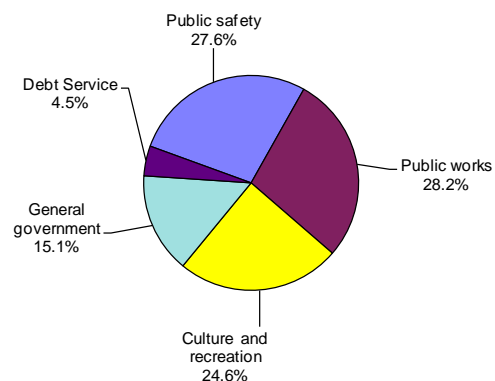
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$245,321 from a year ago, from \$318,571 to \$563,892. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 180	191
Operating grants, contributions and restricted interest	354	463
General receipts:		
Property and other city tax	456	431
Tax increment financing	223	214
Local option sales tax	96	95
Unrestricted interest on investments	2	5
Loan proceeds	-	40
Miscellaneous	12	7
Total receipts	1,323	1,446
Disbursements:		
Public safety	304	515
Public works	311	376
Culture and recreation	271	284
General government	166	118
Debt service	50	34
Total disbursements	1,102	1,327
Change in cash basis net assets before transfers	221	119
Transfers, net	24	(477)
Change in cash basis net assets	245	(358)
Cash basis net assets beginning of year	319	677
Cash basis net assets end of year	\$ 564	319

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased 8.5%, or approximately \$123,000. The total cost of all programs and services decreased approximately \$225,000, or 17%. Operating grants, contributions and restricted interest decreased approximately \$109,000, or 23.5%, from the prior year due to the City receiving less grant revenue for the fire department and from FEMA. Tax increment financing (TIF) receipts increased approximately \$9,000, or 4.2%. The significant decrease in disbursements was due to decreased public safety and public works disbursements in fiscal year 2010. During the previous fiscal year, the City purchased a new fire truck and incurred additional payroll costs relating to natural disasters in the City. The City did not make major capital purchases or incur additional payroll costs in fiscal year 2010.

The City's property tax collections increased 5.8% during fiscal year 2010. The City did not levy for debt service, but did levy for employee benefits in fiscal year 2010.

The cost of all governmental activities this year was approximately \$1,102,000 compared to approximately \$1,327,000 last year. However, as shown in the Statement of Activities and Net Assets on pages 14 and 15, the amount taxpayers ultimately financed for these activities was only \$568,668 because some of the cost was paid by those who directly benefited from the programs \$(179,888) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest \$(354,129).

Changes in Cash Basis Net Assets of Business Type Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 176	180
Sewer	345	311
Capital grants, contributions and restricted interest	52	8
General receipts:		
General obligation note and bond proceeds	1,566	133
Miscellaneous	-	2
Total receipts	<u>2,139</u>	<u>634</u>
Disbursements:		
Water	997	398
Sewer	974	472
Total disbursements	<u>1,971</u>	<u>870</u>
Change in cash basis net assets before transfers	168	(236)
Transfers, net	(24)	477
Change in cash basis net assets	<u>144</u>	<u>241</u>
Cash basis net assets beginning of year	<u>220</u>	<u>(21)</u>
Cash basis net assets end of year	<u>\$ 364</u>	<u>220</u>

Total business type activities receipts for the fiscal year were approximately \$2,139,000 compared to approximately \$634,000 last year, a 93% increase. The increase was due primarily to the receipt of \$1,566,000 in bond and note proceeds in fiscal year 2010. The proceeds were used to finance water and sewer improvements. Total disbursements for the fiscal year increased approximately \$1,101,000 due to sewer and water projects completed in fiscal year 2010. Cash basis net assets increased approximately \$144,000 over the prior year, primarily due to the receipt of bond and note proceeds for water and sewer projects.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Wapello completed the year, its governmental funds reported a combined cash balance of \$563,892, an increase of \$245,321 from last year's total of \$318,571. The following are reasons for significant changes in cash balances, if any, of the major funds from the prior year.

- The General Fund cash balance decreased \$12,293, or 3.8%, from the prior year. Receipts decreased 14.8%, mainly due to decreased FEMA revenue. Disbursements decreased 20.2%, mainly due to decreased disbursements for public safety equipment and payroll costs.
- The Special Revenue, Road Use Tax Fund cash balance increased \$9,843 to \$(56,886). Receipts increased 11.8% while disbursements, primarily for street projects, decreased 25.7%.
- The Special Revenue, Tax Increment Financing Fund cash balance increased \$195,027, from (\$5,855) to \$189,172. The increase was due to the City not repaying interfund loans due to the Enterprise, Water and Sewer Funds.
- The Special Revenue, Local Option Sales Tax (LOST) Fund cash balance increased \$51,738 to \$119,474. The increase was due primarily to the City continuing to spend less than collected in LOST dollars for the past three years.
- The Special Revenue, Employee Benefits Fund cash balance saw no change in fiscal year 2010. The City used the receipts to pay for employee benefit costs during the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$262,700 to \$232,591. The increase in the cash balance is primarily due to unspent note proceeds. During the fiscal year, the City received approximately \$786,000 in note proceeds to help fund the cost of certain water improvements, including the purchase of emergency generators.
- The Sewer Fund cash balance decreased \$118,524 to \$131,193 due to costs associated with sewer construction projects and an increase in debt service costs. During the fiscal year, the City issued approximately \$699,000 of bonds and notes for the Enterprise, Sewer Fund. The proceeds were used to fund the cost of improvements to the City's sewer system.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 13, 2010, primarily to provide for additional disbursements in the business type activities function for water and sewer projects.

The City's receipts were \$111,447 more than budgeted. This was primarily due to the City receiving miscellaneous donations for the Library.

Total disbursements were \$1,092,271 more than the amended budget, primarily in the business type activities function due to more costs for the water and sewer projects than anticipated.

During the year ended June 30, 2010, disbursements in the public safety, culture and recreation, debt service and business type activities functions exceeded the amounts budgeted.

DEBT ADMINISTRATION

At June 30, 2010, the City had \$2,191,482 in bonds, notes and other long-term debt outstanding, compared to \$737,440 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2010	2009
General obligation notes	\$ 1,582,931	\$ 177,284
Revenue bonds	453,924	395,000
Water and sewer revenue bank loan	118,627	125,156
Iowa Department of Public Safety loan	36,000	40,000
Total	\$ 2,191,482	\$ 737,440

Debt increased as a result of issuing general obligation notes and revenue bonds for water and sewer improvements.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$1,621,639, including annually appropriated tax increment financing rebate agreements of \$2,708, is significantly below its constitutional debt limit of approximately \$3.85 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Wapello's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City activities. Circumstances which could significantly affect its financial health in the future are as follows:

The governmental funds activities have some changes in next year's budget. The swimming pool is in the third year of State mandated repairs. More State mandates are forthcoming and, accordingly, the City is not sure how long the current pool can be maintained.

In a portion of the City's TIF area (Patrick's subdivision), the City hopes to install the last street along with water and sewer. New homes have been built in this area promoting more growth.

The City will work toward completing the nine step process the State has established to allow the City to separate the storm and sanitary sewers. The nine step process deadline is fast approaching. Extensive work was started in 2010 to separate the storm and sanitary sewers (CSO). This work will continue into 2011 and possibly 2012.

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 Celia Drayfahl, City Clerk, 335 North Main Street, Wapello, Iowa 52653.

Basic Financial Statements

City of Wapello

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants and Contributions
Functions/Programs:				
Primary Government:				
Governmental activities:				
Public safety	\$ 304,288	8,614	38,336	-
Public works	311,414	123,862	207,028	-
Culture and recreation	270,496	23,914	108,765	-
General government	166,137	23,498	-	-
Debt service	50,350	-	-	-
Total governmental activities	1,102,685	179,888	354,129	-
Business type activities:				
Water	997,127	175,750	-	-
Sewer	973,943	344,631	-	52,219
Total business type activities	1,971,070	520,381	-	52,219
Total Primary Government	\$ 3,073,755	700,269	354,129	52,219
Component Unit:				
Wapello Fire and Rescue, Inc.	\$ 44,993	-	35,828	-
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Employee benefits				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
General obligation note and loan proceeds				
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				
Cash Basis Net Assets				
Restricted:				
Local option sales tax				
Debt service				
Customer deposits				
Capital projects				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets				
Primary Government			Component Unit	
Governmental Activities	Business Type Activities	Total	Wapello Fire and Rescue, Inc.	
(257,338)	-	(257,338)	-	
19,476	-	19,476	-	
(137,817)	-	(137,817)	-	
(142,639)	-	(142,639)	-	
(50,350)	-	(50,350)	-	
(568,668)	-	(568,668)	-	
-	(821,377)	(821,377)	-	
-	(577,093)	(577,093)	-	
-	(1,398,470)	(1,398,470)	-	
(568,668)	(1,398,470)	(1,967,138)	-	
-	-	-	(9,165)	
\$ 384,027	-	384,027	-	
71,630	-	71,630	-	
222,588	-	222,588	-	
96,179	-	96,179	-	
2,367	155	2,522	-	
-	1,566,286	1,566,286	-	
13,403	-	13,403	-	
23,795	(23,795)	-	-	
813,989	1,542,646	2,356,635	-	
245,321	144,176	389,497	(9,165)	
318,571	219,608	538,179	128,555	
\$ 563,892	363,784	927,676	119,390	
\$ 119,474	-	119,474	-	
189,172	4,941	194,113	-	
-	48,227	48,227	-	
-	310,222	310,222	-	
255,246	394	255,640	119,390	
\$ 563,892	363,784	927,676	119,390	

City of Wapello

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

As of and for the year ended June 30, 2010

	General	Road Use Tax	Special Tax Increment Financing
Receipts:			
Property tax	\$ 384,027	-	-
Tax increment financing	-	-	222,588
Other city tax	-	-	-
Licenses and permits	23,494	-	-
Use of money and property	4,468	-	-
Intergovernmental	56,982	197,849	-
Charges for service	143,379	-	-
Miscellaneous	123,615	-	-
Total receipts	<u>735,965</u>	<u>197,849</u>	<u>222,588</u>
Disbursements:			
Operating:			
Public safety	217,784	-	-
Public works	123,408	188,006	-
Culture and recreation	250,764	-	-
General government	156,302	-	-
Debt service	-	-	-
Total disbursements	<u>748,258</u>	<u>188,006</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(12,293)</u>	<u>9,843</u>	<u>222,588</u>
Other financing sources (uses):			
Operating transfers in	-	-	-
Operating transfers out	-	-	(27,561)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(27,561)</u>
Net change in cash balances	(12,293)	9,843	195,027
Cash balances beginning of year	<u>324,425</u>	<u>(66,729)</u>	<u>(5,855)</u>
Cash balances end of year	<u>\$ 312,132</u>	<u>(56,886)</u>	<u>189,172</u>
Cash Basis Fund Balances			
Unreserved:			
General fund	\$ 312,132	-	-
Special revenue funds	-	(56,886)	189,172
Total cash basis fund balances	<u>\$ 312,132</u>	<u>(56,886)</u>	<u>189,172</u>

See notes to financial statements.

Revenue		Nonmajor	
Local			
Option Sales Tax	Employee Benefits	Debt Service	Total
-	71,630	-	455,657
-	-	-	222,588
96,179	-	-	96,179
-	-	-	23,494
-	-	-	4,468
-	-	-	254,831
-	-	-	143,379
-	-	-	123,615
96,179	71,630	-	1,324,211
44,441	42,063	-	304,288
-	-	-	311,414
-	19,732	-	270,496
-	9,835	-	166,137
-	-	50,350	50,350
44,441	71,630	50,350	1,102,685
51,738	-	(50,350)	221,526
-	-	51,356	51,356
-	-	-	(27,561)
-	-	51,356	23,795
51,738	-	1,006	245,321
67,736	-	(1,006)	318,571
119,474	-	-	563,892
-	-	-	312,132
119,474	-	-	251,760
119,474	-	-	563,892

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, 2010

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 165,499	342,129	507,628
Miscellaneous	10,251	2,502	12,753
Total operating receipts	175,750	344,631	520,381
Operating disbursements:			
Business type activities	178,806	182,669	361,475
Excess (deficiency) of operating receipts over (under) operating disbursements	(3,056)	161,962	158,906
Non-operating receipts (disbursements):			
Interest on investments	155	-	155
Bond/note proceeds (net of \$9,000 initiation fee)	1,095,820	470,466	1,566,286
Community Development Block grant	-	42,384	42,384
Capital projects and equipment	(785,598)	(698,731)	(1,484,329)
Debt service	(32,723)	(92,543)	(125,266)
Total non-operating receipts (disbursements)	277,654	(278,424)	(770)
Excess (deficiency) of receipts over (under) disbursements	274,598	(116,462)	158,136
Capital contributions:			
Special assessments	-	9,835	9,835
Operating transfers out	(11,898)	(11,897)	(23,795)
Net change in cash balances	262,700	(118,524)	144,176
Cash balances beginning of year	(30,109)	249,717	219,608
Cash balances end of year	\$ 232,591	131,193	363,784
Cash Basis Fund Balances			
Reserved for:			
Debt service	\$ -	4,941	4,941
Customer deposits	48,227	-	48,227
Capital projects	310,222	-	310,222
Unreserved	(125,858)	126,252	394
Total cash basis fund balances	\$ 232,591	131,193	363,784

See notes to financial statements.

City of Wapello

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Discretely Presented Component Unit

Wapello Fire and Rescue, Inc. 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. The Department 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, Wapello Fire and Rescue, Inc. 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 E911 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 Statement of Activities and Net Assets 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 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 funds are reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts 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 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 sales and services tax receipts and related disbursements.

The Employee Benefits Fund is used to account for the tax levy and disbursements for employee benefits.

The City reports the following major proprietary funds:

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

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are incurred, there are both restricted and unrestricted cash basis net 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, 2010, disbursements exceeded the amounts budgeted in the public safety, public works, culture and recreation, debt service and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 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.

At June 30, 2010, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
U.S. Treasury Notes	\$ 5,000	5,025	10/31/2011
U.S. Treasury Notes	25,000	25,125	11/30/2010
Total	\$ 30,000	30,150	

Interest Rate Risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Long-Term Debt

Primary Government:

Bonds and Notes Payable

Annual debt service requirements to maturity for the general obligation note and sewer revenue bond are as follows:

Year Ending June 30,	General Obligation Notes		Sewer Revenue Bond		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	221,778	63,247	19,000	11,310	240,778	74,557
2012	218,271	54,593	19,000	10,740	237,271	65,333
2013	192,464	46,252	20,000	10,170	212,464	56,422
2014	200,286	38,439	20,000	9,570	220,286	48,009
2015	208,417	30,310	21,000	8,970	229,417	39,280
2016-2020	541,715	43,058	115,000	34,980	656,715	78,038
2021-2025	-	-	134,000	16,650	134,000	16,650
2026	-	-	29,000	870	29,000	870
Total	\$ 1,582,931	275,899	377,000	103,260	1,959,931	379,159

The Code of Iowa requires principal and interest on general obligation notes be paid from the Debt Service Fund. However, \$26,568 of general obligation note principal and interest was paid from the Enterprise, Sewer Fund during the year.

General Obligation Notes

On May 9, 2002, the City issued a general obligation corporate purpose note for \$227,665 to finance certain water and sewer improvements. The note is to be repaid in 120 monthly installments of \$2,415, including interest of 5.00% per annum, beginning June 15, 2002.

The City plans to repay the note from the Enterprise, Water and Sewer Funds. During the year ended June 30, 2010, the City paid principal of \$25,871 and interest of \$3,112 on the note, leaving a principal balance of \$48,168.

On October 29, 2008, the City issued a general obligation corporate purpose note for \$66,712 to finance the purchase of public works equipment. The note is to be repaid in 36 monthly installments of \$1,983, including interest of 4.45% per annum, beginning December 1, 2008, then converting to 1% above the five year treasury rate thereafter.

The City plans to repay the note from the Enterprise, Water and Sewer Funds. During the year ended June 30, 2010, the City paid principal of \$21,885 and interest of \$1,382 on the note, leaving a principal balance of \$30,707.

On October 29, 2008, the City also issued a general obligation corporate purpose note for \$214,000 to finance water and sewer improvements. The note is to be repaid in 120 monthly installments of \$2,213, including interest of 4.45% per annum beginning December 1, 2008, then converting to 1% above the five year treasury rate thereafter.

The City plans to repay the note from tax increment financing receipts. During the year ended June 30, 2010, the City paid principal of \$19,869 and interest of \$6,686 on the note, leaving a principal balance of \$178,056.

On October 28, 2009, the City issued a general obligation corporate purpose note for \$151,000 to finance the purchase of emergency generators. The note is to be repaid in five annual payments of \$33,920, including interest of 4.00% per annum, beginning October 22, 2010.

The City plans to repay the note from the Enterprise, Water and Sewer Funds. During the year ended June 30, 2010, the City paid no principal or interest on the note, leaving a principal balance of \$151,000.

On December 4, 2009, the City issued a general obligation corporate purpose note for \$1,200,000 to finance water and sewer improvements. The note is to be repaid in eight annual payments of \$178,251, including interest of 4.00% per annum, beginning October 22, 2010.

The City plans to repay the note from tax increment financing receipts. During the year ended June 30, 2010, the City paid principal of \$25,000 and interest of \$23,687 on the note, leaving a principal balance of \$1,175,000.

Sewer Revenue Bonds

On June 2, 2005, the City entered into a state revolving loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. for the issuance of a \$447,000 sewer revenue bond with interest at 3.0% per annum. The bond was issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa. At June 30, 2010, the City had drawn \$447,000 of the authorized amount. During the year ending June 30, 2010, the City paid principal of \$18,000 and interest of \$11,850 on the bond. The balance on the bond at June 30, 2010 was \$377,000.

On April 7, 2010, the City entered into a loan agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources (DNR) for the issuance of a sewer revenue bond of up to \$900,000 with interest at 3.0% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The bond was 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 will draw down funds from the DNR upon request to reimburse the City for costs as they are incurred. At June 30, 2010, the City had drawn down \$76,924 of the authorized amount. An initiation fee of \$9,000 (1% of the authorized borrowing for the sewer revenue bond) was charged by the Iowa Finance Authority. The total initiation fee was withheld from the first proceeds of the sewer revenue bond drawn by the City during the year ended June 30, 2010. A final repayment schedule has not yet been adopted. During the year ended June 30, 2010, the City paid no principal or interest on the bond.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,347,000 of sewer revenue bonds issued in June 2005 and June 2010. The percentage of net receipts required to pay annual principal and interest payments on the bonds and the total amount of principal and interest remaining to be paid on the bonds at June 30, 2010 are not available since a final repayment schedule has not been adopted for the 2010 bonds. For the current year, principal and interest paid and total customer net receipts were \$29,850 and \$161,962, respectively.

The resolution providing for the issuance of the sewer revenue bond includes the following provisions:

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

Revenue Bank Loan

On September 17, 1998, the City obtained a bank loan for \$190,000 to finance water and sewer improvements. The loan is to be repaid in twenty annual installments of \$16,579, including interest at 6% per annum, beginning October 1, 1999.

Pursuant to the loan agreement, the loan is authorized under Chapter 384.24A(5) of the Code of Iowa and is payable from the City's Enterprise, Water and Sewer Funds. During the year ended June 30, 2010, the City paid principal of \$6,529 and interest of \$10,049 on the loan, leaving a principal balance at June 30, 2010 of \$118,627.

The City has pledged future water and sewer customer receipts, net of specified operating disbursements, to repay the \$190,000 bank loan. The loan is payable solely from water and sewer customer net receipts and is payable through 2018. Annual principal and interest payments on the loan are expected to require more than 100% of net receipts of the Enterprise, Water Fund and 5% of net receipts of the Enterprise, Sewer Fund. For the current year, \$8,289 and \$8,289 of principal and interest were paid from the Enterprise, Water and Sewer Funds, respectively. Total customer net receipts were \$(3,056) and \$161,962 in the Enterprise, Water and Sewer Funds, respectively.

Iowa Department of Public Safety Loan

On February 25, 2009, the City obtained a \$40,000 interest free loan from the Iowa Department of Public Safety to assist the City in purchasing a new fire truck. The loan is to be repaid in 20 semi-annual installments of \$2,000 beginning on November 1, 2009. The principal balance on the loan at June 30, 2010 is \$36,000.

(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 4.30% of their annual covered salary and the City is required to contribute 6.65% 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 contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$26,039, \$20,450 and \$20,189, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 8 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 would pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$434 for single coverage and \$1,087 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2010, the City contributed \$84,415 to the plan. The plan members did not contribute to the plan.

(6) Compensated Absences

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

Employees eligible for retirement will receive one-half of their accumulated sick leave balance. However, the employees must have earned the maximum days allowable before sick leave benefits under this plan are effective. No employees were eligible for sick leave benefits at June 30, 2010.

The City's approximate liability for earned vacation hours payable to employees at June 30, 2010, primarily relating to the General Fund, was \$13,000. This liability has been computed based on rates of pay in effect at June 30, 2010.

(7) 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.

(8) Rebate and Development Agreements

In January 2009, the City entered into a tax increment financing rebate agreement with Midwest Rod and Restoration (Company) to assist in an urban renewal project by rebating incremental property tax paid by the Company 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 Company 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 are first paid. The total amount that will be rebated in any fiscal year under the tax increment financing rebate agreement will not exceed 100% for the first year, 80% for the second year, 60% for the third year, 40% for the fourth year and 20% for the fifth year. The actual amount rebated during the year ended June 30, 2010 was \$2,708. The Code of Iowa requires tax increment financing rebates be paid from the Special Revenue, Tax Increment Financing Fund. However, \$2,708 of tax increment financing rebates were paid from the General Fund during the year.

The City has entered into one development agreement in accordance with Chapter 15A of the Code of Iowa. The agreement was for the construction a new Dollar General store located in the City. The City agreed to reimburse certain property tax paid by the developer for five years. The tax reimbursement will be 100% in the first year, 80% for the second year, 60% for the third year, 40% for the fourth year and 20% for the fifth year. The fourth year reimbursement of \$1,480 was properly paid from the General Fund during the ended June 30, 2010.

(9) Interfund Loans

The detail of interfund loans at June 30, 2010 is as follows:

Due From	Due To	Amount
Special Revenue:	Enterprise:	
Tax Increment Financing	Water	\$ 363,936
	Sewer	432,137
Total		\$ 796,073

The loans represent amounts paid from the Water and Sewer Funds for costs associated with the City's urban renewal projects. These loans will be repaid through transfers from the Special Revenue, Tax Increment Financing Fund as receipts of the fund become available.

(10) Deficit Balance

At June 30, 2010, the City had the following deficit fund balance:

Fund	Deficit
Special Revenue:	
Road Use Tax	\$ (56,886)

The Special Revenue, Road Use Tax Fund deficit is the result of an increase in road projects during the current and prior fiscal years.

City of Wapello

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 455,657	-	455,657
Tax increment financing	222,588	-	222,588
Other city tax	96,180	-	96,180
Licenses and permits	23,494	-	23,494
Use of money and property	4,468	155	4,623
Intergovernmental	254,831	42,384	297,215
Charges for service	143,379	507,628	651,007
Special assessments	-	9,835	9,835
Miscellaneous	123,614	12,753	136,367
Total receipts	<u>1,324,211</u>	<u>572,755</u>	<u>1,896,966</u>
Disbursements:			
Public safety	304,288	-	304,288
Public works	311,414	-	311,414
Culture and recreation	270,496	-	270,496
Community and economic development	-	-	-
General government	166,137	-	166,137
Debt service	50,350	-	50,350
Business type activities	-	1,971,070	1,971,070
Total disbursements	<u>1,102,685</u>	<u>1,971,070</u>	<u>3,073,755</u>
Excess (deficiency) of receipts over (under) disbursements	221,526	(1,398,315)	(1,176,789)
Other financing sources (uses), net	<u>23,795</u>	<u>1,542,491</u>	<u>1,566,286</u>
Excess of receipts and other financing sources over disbursements and other financing uses	245,321	144,176	389,497
Balances beginning of year	<u>318,571</u>	<u>219,608</u>	<u>538,179</u>
Balances end of year	<u>\$ 563,892</u>	<u>363,784</u>	<u>927,676</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
448,799	448,799	6,858
231,780	231,780	(9,192)
107,080	107,080	(10,900)
4,245	4,245	19,249
5,320	5,320	(697)
229,266	229,266	67,949
750,029	750,029	(99,022)
9,000	9,000	835
-	-	136,367
<u>1,785,519</u>	<u>1,785,519</u>	<u>111,447</u>
284,128	284,128	(20,160)
337,831	337,831	26,417
207,633	207,633	(62,863)
231,780	231,780	231,780
168,700	210,588	44,451
-	-	(50,350)
555,447	709,524	(1,261,546)
<u>1,785,519</u>	<u>1,981,484</u>	<u>(1,092,271)</u>
-	(195,965)	(980,824)
-	1,582,635	(16,349)
-	1,386,670	(997,173)
<u>716,541</u>	<u>716,541</u>	<u>(178,362)</u>
<u>716,541</u>	<u>2,103,211</u>	<u>(1,175,535)</u>

City of Wapello

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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 Debt Service Fund and the Proprietary 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 \$195,965. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety, culture and recreation, debt service and business type activities functions.

Other Supplementary Information

City of Wapello
Schedule of Indebtedness
Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Primary government:			
General obligation notes:			
Water and sewer construction	May 9, 2002	5.00%	\$ 227,665
Public works equipment	Oct 29, 2008	4.45	66,712
Water and sewer improvements	Oct 29, 2008	4.45	214,000
Emergency generators	Oct 28, 2009	4.00	151,000
Water and sewer improvements	Dec 4, 2009	4.00	1,200,000
Total			
Revenue bonds:			
Sewer	Jun 2, 2005	3.00%	\$ 447,000
Sewer	Apr 7, 2010	* 3.00	\$ 900,000
Total			
Bank loan:			
Water and sewer revenue	Sep 17, 1998	6.00%	\$ 190,000
Iowa Department of Public Safety loan:			
Fire truck	Feb 25, 2009	0%	\$ 40,000
Discretely presented component unit:			
Bank loan:			
Fire truck	Apr 15, 2009	5.10%	\$ 13,000

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

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
74,039	-	25,871	48,168	3,112
52,592	-	21,885	30,707	1,910
50,563	147,362	19,869	178,056	6,686
-	151,000	-	151,000	-
-	1,200,000	25,000	1,175,000	23,867
\$ 177,194	1,498,362	92,625	1,582,931	35,575
395,000	-	18,000	377,000	11,850
-	76,924	-	76,924	-
\$ 395,000	76,924	18,000	453,924	11,850
125,156	-	6,529	118,627	10,049
40,000	-	4,000	36,000	-
13,000	-	13,000	-	278

City of Wapello
 Bond and Note Maturities
 June 30, 2010

Year Ending June 30,	Water and Sewer Construction		Public Works Equipment		General Water and Sewer Improvements	
	Issued May 9, 2002		Issued Oct. 29, 2008		Issued October 29, 2008	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2011	5.00%	\$ 24,614	4.45%	\$ 20,940	4.45%	\$ 17,115
2012	5.00	23,554	4.45	9,767	4.45	19,475
2013		-		-	4.45	20,378
2014		-		-	4.45	21,303
2015		-		-	4.45	22,271
2016		-		-	4.45	23,274
2017		-		-	4.45	24,340
2018		-		-	4.45	25,445
2019		-		-	4.45	4,455
Total		<u>\$ 48,168</u>		<u>\$ 30,707</u>		<u>\$ 178,056</u>

Year Ending June 30,	Revenue Bond Sewer	
	Interest Rates	Amount
2011	3.00%	\$ 19,000
2012	3.00	19,000
2013	3.00	20,000
2014	3.00	20,000
2015	3.00	21,000
2016	3.00	22,000
2017	3.00	22,000
2018	3.00	23,000
2019	3.00	24,000
2020	3.00	24,000
2021	3.00	25,000
2022	3.00	26,000
2023	3.00	27,000
2024	3.00	28,000
2025	3.00	28,000
2026	3.00	29,000
Total		<u>\$ 377,000</u>

See accompanying independent auditor's report.

Obligation Notes				
Emergency Generators		Water and Sewer Improvements		
Issued October 28, 2009		Issued December 4, 2009		
Interest Rates	Amount	Interest Rates	Amount	Total
4.00%	\$ 27,881	4.00%	\$ 131,228	221,778
4.00	28,996	4.00	136,479	218,271
4.00	30,145	4.00	141,941	192,464
4.00	31,361	4.00	147,622	200,286
4.00	32,617	4.00	153,529	208,417
	-	4.00	159,674	182,948
	-	4.00	166,064	190,404
	-	4.00	138,463	163,908
	-		-	4,455
	<u>\$ 151,000</u>		<u>\$ 1,175,000</u>	<u>1,582,931</u>

City of Wapello

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

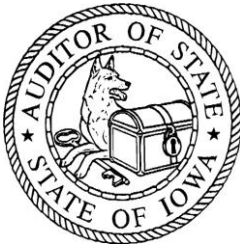
For the Last Eight Years

	2010	2009	2008	2007
Receipts:				
Property and other city tax	\$ 455,657	430,545	427,218	399,536
Tax increment financing	222,588	214,121	193,892	46,601
Local option sales tax	96,180	95,377	83,314	-
Licenses and permits	23,494	27,991	20,999	21,486
Use of money and property	4,468	13,720	19,544	28,290
Intergovernmental	254,831	405,834	208,746	198,387
Charges for service	143,379	134,384	140,549	135,330
Miscellaneous	123,614	83,750	91,940	122,621
Total	<u>\$ 1,324,211</u>	<u>1,405,722</u>	<u>1,186,202</u>	<u>952,251</u>
Disbursements:				
Operating:				
Public safety	\$ 304,288	515,199	281,161	163,328
Public works	311,414	375,854	359,504	276,829
Culture and recreation	270,496	284,172	234,978	313,630
General government	166,137	118,079	139,740	117,799
Debt service	50,350	33,567	33,189	16,595
Total	<u>\$ 1,102,685</u>	<u>1,326,871</u>	<u>1,048,572</u>	<u>888,181</u>

See accompanying independent auditor's report.

2006	2005	2004	2003
383,917	379,516	388,312	392,878
103,795	97,319	60,240	43,476
-	-	-	-
19,373	20,114	19,606	5,224
10,014	13,208	11,283	16,535
324,316	197,004	365,128	247,483
134,159	133,396	127,059	124,214
106,014	143,952	98,564	85,464
<u>1,081,588</u>	<u>984,509</u>	<u>1,070,192</u>	<u>915,274</u>
330,627	195,402	166,751	159,505
301,510	350,321	305,250	273,179
194,706	194,587	203,080	195,381
133,330	130,106	127,951	109,695
201,861	61,172	61,781	62,372
<u>1,162,034</u>	<u>931,588</u>	<u>864,813</u>	<u>800,132</u>

City of Wapello



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the discretely presented component unit and the remaining fund information of the City of Wapello, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated July 1, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 Wapello'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 Wapello's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Wapello'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wapello's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters 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, 2010 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.

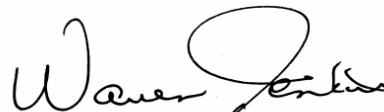
The City of Wapello's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Wapello's responses and, accordingly, we express no opinion on them.

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 Wapello and other parties to whom the City of Wapello 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 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

July 1, 2011

City of Wapello

Schedule of Findings

Year ended June 30, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL 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. 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, initiating cash receipt and disbursement transactions and handling and recording cash.
- (3) Investments – detailed record keeping, custody of investments and reconciling earnings.
- (4) Long term debt – recording and reconciling.
- (5) Receipts – collecting, depositing, journalizing, posting and reconciling.
- (6) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (7) Disbursements – preparing, recording and reconciling.
- (8) Payroll – preparing and distributing.
- (9) Computer usage – performing all general accounting functions, preparation of journal entries and controlling data input and output.
- (10) Financial reporting – preparing, reconciling and distributing.

For the Keck Memorial Library, 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.

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.

Response – The City of Wapello and the Keck Memorial Library will review their operating procedures.

Conclusion – Response accepted.

City of Wapello

Schedule of Findings

Year ended June 30, 2010

- (B) Bank Reconciliations and Financial Reports – Complete monthly bank to book reconciliations which included all City bank accounts and investments were not prepared. Monthly financial reports including all City accounts and activity were not prepared and provided to the City Council for its review and approval.

Recommendation – Monthly bank to book reconciliations which include all City bank accounts and investments should be prepared. Variances, if any, should be resolved timely. Monthly financial reports, including all city accounts and activity and bank to book reconciliations, should be provided to the City Council each month for its review and approval.

Response – The new software should produce a true status of the City's accounts which will allow accurate reports to be produced for the City Council.

Conclusion – Response accepted.

- (C) Financial Reporting – During the audit, we identified the following material reporting errors:

- The City converted to new accounting software in August 2009. During the month of July 2009 and part of August 2009, the City did not receipt \$198,525 of non-utility receipts into the general ledger.
- A \$2,450 check issued in June 2009 for equipment was not posted to the general ledger, resulting in an understatement of disbursements.
- A state revolving fund interest payment of \$5,925 was not posted to the general ledger.
- Receipts totaling \$23,164 were improperly posted to the general ledger twice when converting to the new accounting software.
- Proceeds of \$50,333 and \$100,667 were misclassified in the Enterprise, Water and Sewer Funds as water and sewer receipts, respectively, rather than other financing sources.
- A \$50,000 check written on June 19, 2009 and held for costs related to a water project in the previous year was not properly cancelled in fiscal year 2009 and posted as a fiscal year 2010 disbursement, materially understating disbursements.
- \$72,630 of property tax levied for employee benefits was incorrectly posted to the General Fund rather than the Special Revenue, Employee Benefits Fund.
- The Debt Service Fund paid \$50,350 of principal and interest on general obligation notes which the City intended to fund with revenues from the Special Revenue, Tax Increment Financing and Enterprise, Water and Sewer Funds. However, the City did not make the required transfers of \$26,555, \$11,898 and \$11,897 from the Special Revenue, Tax Increment Financing and the Enterprise, Water and Sewer Funds, respectively, to reimburse the Debt Service Fund. As of June 30, 2010, the City recorded corrective transfers to properly reimburse the Debt Service Fund.

City of Wapello

Schedule of Findings

Year ended June 30, 2010

- Checks totaling \$6,375 issued and redeemed during fiscal year 2010 were incorrectly included in the list of outstanding checks at June 30, 2010.
- IJOBS receipts totaling \$9,277 were incorrectly classified as “miscellaneous” receipts rather than “intergovernmental” receipts.
- \$37,100 paid to the County to help cover debt issued for the jail was incorrectly paid from the General Fund rather than the Special Revenue, Local Option Sales Tax Fund. The local option sales tax ballot specifies use of the revenue shall be for “payment of bonds for jail construction.”

Adjustments were subsequently made by the City to properly reflect these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure financial transactions are properly recorded in the City’s financial records.

Response – Most of these errors resulted from the software conversion. Receipting is done in a new way with a different person doing the receipting. A timely check will be done on the codes used for receipting.

Conclusion – Response acknowledged. The City should also implement procedures to ensure disbursements are properly posted, the employee benefits levied is properly recorded in a Special Revenue Fund and transfers are made timely to reimburse the Debt Service Fund, as appropriate.

(D) Information Systems – The following weaknesses in the City’s computer based systems were noted:

The City does not have written policies for:

- Requiring password changes because software does not require the user to change log-ins/passwords and/or preventing the reuse of the same password.
- Requiring lock out if the password is incorrectly entered three times in a row.
- Requiring timeout or logoff functions to be utilized when terminals are left unattended.
- Requiring computer journal entries to be reviewed and approved by an independent individual.

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 plan has not been adequately tested by the City.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over computer based systems.

City of Wapello

Schedule of Findings

Year ended June 30, 2010

Response – The City will take this into consideration.

Conclusion – Response acknowledged. The City should develop written policies to improve controls over computer based systems.

(E) Investments – The City does not maintain an investment record.

Recommendation – A detailed investment record should be maintained detailing the investment number, date purchased, maturity date, interest rate, fund(s) held for, interest earned and any other information the City believes is necessary. This record should be kept current each month and should be reconciled to the bank and financial accounting records on a monthly basis.

Response – An investment ledger has been developed and will be maintained.

Conclusion – Response accepted.

(F) Utility Reconciliations – Although a reconciliation of utility billings, collections and delinquents is performed each billing cycle, variances in the reconciliations are not resolved.

Recommendation – Procedures should be established to ensure variances in the utility reconciliations are identified and resolved timely.

Response – Procedures will be established to ensure variances in utility billing reconciliations are identified and resolved timely.

Conclusion – Response accepted.

(G) Wapello Fire and Rescue, Inc. – 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. For Wapello Fire and Rescue, Inc., 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.

Wapello Fire and Rescue Inc. does not maintain an investment register showing certificate of deposit activity for the fiscal year.

Recommendation – Wapello Fire and Rescue, Inc. should review its operating procedures to obtain the maximum internal control possible under the circumstances and should maintain an investment register documenting the investment activity of each investment held during the year. In addition, checks should only be signed when the completed check and appropriate supporting documentation are available for review.

Response – The City will pass this information to the Fire Chief, Eric Small.

Conclusion – Response accepted.

City of Wapello

Schedule of Findings

Year ended June 30, 2010

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Wapello

Schedule of Findings

Year ended June 30, 2010

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public safety, culture and recreation, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City will strive to amend the budget as required.

Conclusion – Response accepted.

- (2) Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

<u>Paid To</u>	<u>Purpose</u>	<u>Amount</u>
Jack and Jill Food Center	Steaks for joint police/fire benefit	\$ 363
3-D Fabrications	Hand rail for local pharmacy	727

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.

Recommendation – The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the city should establish written policies and procedures, including the requirements for proper documentation.

Response – The City will take this into consideration to meet the test of serving a public purpose.

Conclusion – Response acknowledged. The City should document the public purpose served prior to allowing future payments.

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

City of Wapello

Schedule of Findings

Year ended June 30, 2010

(4) Business Transactions – Business transactions between the City and City officials or

Name, Title, and Business Connection	Transaction Description	Amount
Shawn Maine, Council Member, owner of Midwest Rod Restoration	Squad car and fire truck repair Urban renewal development agreement	\$ 1,701 *
Larry Wagg, Council Member, owner of Browns Repair	Lawnmower and tiller repair and maintenance and installation of leaf vaccum	2,206
Llewann Bryant, Librarian, husband owns Bryant Construction	Sidewalk	250
Stacy Griffin, Pool Board Member, Owner of Stitches and Cream	Pool concessions	1,156
Celia Drayfahl, City Clerk, husband owns 3-D Fabrications	Various public works and parks repairs and handrail for local pharmacy	1,266

* Total amount of this agreement is based on rebate of future property tax and, accordingly, the amount is unknown at June 30, 2010. During the year ended June 30, 2010, the City paid \$2, under this agreement.

The transactions with the Librarian's husband, the Pool Board member and the City Clerk's husband do not represent conflicts of interest in accordance with Chapter 362.5(10) of the Code of Iowa since the cumulative totals for each individual during the fiscal year were less than \$1,500.

According to the City Attorney, a conflict of interest does not exist related to the urban renewal development agreement with Council Member Maine since Mr. Maine abstained from voting on the issue of entering into the agreement.

The transactions with Council Member Wagg may represent conflicts of interest since the total transactions exceeded \$1,500 during the fiscal year.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City will consult legal counsel.

Conclusion – Response accepted.

(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.

City of Wapello

Schedule of Findings

Year ended June 30, 2010

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.
- (8) Revenue Bond – Although the sewer sinking account has been established as required by the revenue bond resolution, the City did not make the required monthly transfers into the sinking account during the fiscal year.

Recommendation – The City should ensure monthly transfers are made to the sewer sinking account as required.

Response – The City will strive to use the sewer sinking account.

Conclusion – Response accepted.

- (9) Separately Maintained Records – The Keck Memorial Library maintains separate accounting records for its 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.

In addition, the Police Department K-9, Police Equipment, Briggs Center, Chief Wapello Days and various parks and recreation accounts were not included in the City’s computer system and/or in the monthly 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 Council on a monthly basis.

Response – The City will take this under consideration.

Conclusion – Response acknowledged. The City should ensure the financial activity and balances of all City accounts are included in the City’s financial system as required.

- (10) Public Hearing – During the year, the City issued a \$1.2 million general obligation corporate purpose note for water and sewer improvements. The City did not publish notice of public hearing on the issuance of the general obligation note prior to the hearing, as required by Chapter 384.25 of the Code of Iowa.

Recommendation – The City should ensure notice of public hearings are published as required.

Response – The City will strive to adhere to Chapter 384.25 of the Code of Iowa.

Conclusion – Response accepted.

City of Wapello

Schedule of Findings

Year ended June 30, 2010

- (11) Payment of General Obligation Notes – Principal and interest on the City’s 2002 general obligation notes and the City’s 2009 general obligation note were paid from the Enterprise, Water and Sewer Funds. Chapter 384.4 of the Code of Iowa states, in part, “Moneys pledged or available to service general obligation notes, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer from the Enterprise, Water and Sewer Funds to the Debt Service Fund for future funding contributions. Payments on the notes should be made from the Debt Service Fund as required.

Response – The City will strive to make payments from the Debt Service Fund and transfer from the appropriate fund.

Conclusion – Response accepted.

- (12) Urban Renewal Tax Increment (TIF) Rebate Agreements – During the year ended June 30, 2010, \$2,708 of urban renewal tax increment rebate payments were made from the General Fund. In accordance with Chapter 403.19(2) of the Code of Iowa, TIF debt payments should be made from the Special Revenue, Tax Increment Financing Fund.

In addition, pursuant to the development agreement related to the fiscal year 2010 TIF rebate payments, the payments to the developer are “subject to annual approval and appropriation by the City Council”. The Council did not appropriate the rebate prior to payment.

Recommendation – The City should transfer \$2,708 from the Special Revenue, Tax Increment Financing Fund to the General Fund to correct the error. Future tax increment financing rebate payments should be made from the Special Revenue, Tax Increment Financing Fund as required by Chapter 403.19(2) of the Code of Iowa. Tax rebate payments should be appropriated prior to making the payment.

Response – The City will make the appropriate transfers.

Conclusion – Response accepted.

- (13) Tax Increment Financing Debt Certification – In December 2009, the City certified tax increment financing (TIF) indebtedness to the County Auditor for invoices totaling \$201,714 and \$333,257 from the Enterprise, Water and Sewer Funds, respectively, for projects within the City’s urban renewal area. While the City intended these payments to represent loans from the Enterprise, Water and Sewer Funds to the Special Revenue, Tax Increment Financing Fund for the related TIF projects, the loans were never formally approved by the City Council and, accordingly, do not represent TIF debt which may be certified to the County Auditor.

In addition, the City collected \$222,588 of tax increment financing receipts during fiscal year 2010. These receipts have not been used by the City to repay the interfund loans as required by Chapter 403.19 of the Code of Iowa. The Special Revenue, Tax Increment Financing Fund balance at June 30, 2010 is \$189,172.

City of Wapello

Schedule of Findings

Year ended June 30, 2010

Recommendation – The City should establish procedures to ensure the TIF debt certification complies with Chapter 403 of the Code of Iowa and includes only allowable debt approved by the City Council prior to certification. The City should also review the amounts due on interfund loans at June 30, 2010 and transfer TIF revenue to the Enterprise, Water and Sewer Funds, as appropriate, to repay a portion of the interfund loans. As future tax increment financing receipts are collected, the City should transfer the appropriate amounts to repay the Enterprise, Water and Sewer Fund interfund loans.

Response – The City will need to further investigate this to ensure the proper procedure is followed.

Conclusion – Response accepted.

- (14) Financial Condition – The City had a deficit balance of \$56,886 in the Special Revenue, Road Use Tax Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return the fund to a sound financial position.

Response – The City will take this into consideration.

Conclusion – Response acknowledged. The City should investigate alternatives to eliminate this deficit fund balance.

- (15) Chief Wapello Days – In July 2010, the City donated \$5,103 to the non-profit organization Chief Wapello Days, Inc. The amount donated was collected by the City through fundraising for the Chief Wapello Days celebration held annually in the City.

The Constitution of the State of Iowa prohibits governmental bodies from making a gift to a private non-profit corporation. Article III, Section 31 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 should consult legal counsel to determine the disposition of this matter, including requesting the return of the funds to the City.

Response – The City will consult legal counsel.

Conclusion – Response accepted.

City of Wapello

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Michael J. Hackett, Senior Auditor
Marta M. Sobieszkoda, Staff Auditor
Brandon J, Vogel, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State