



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE October 13, 2003

Contact: Andy Nielsen
515/281-5515

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

The City's receipts totaled \$1,256,861 for the year ended June 30, 2003, a 6% increase from 2002. The receipts included \$375,940 in property tax, \$43,476 in tax increment financing collections, \$259,301 from the state and \$11,730 in interest on investments. The City also received note proceeds of \$100,467 that are reported as an other financing source.

Disbursements for the year totaled \$1,251,898, a 4% increase from the prior year, and included \$273,179 for public works, \$195,381 for culture and recreation, and \$451,766 for business-type activities.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

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CITY OF WAPELLO
INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2003

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City of Wapello

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Roger Noble	Mayor	Jan 2004
Jim Keldgord	Mayor Pro tem	Jan 2004
Mike Chaplin	Council Member	Resigned
Andy Truitt (Appointed)	Council Member	Nov 2003
Kevin Karr	Council Member	Jan 2004
Todd Shutt	Council Member	Jan 2004
Jack Dotson	Council Member	Jan 2006
Eddie Fisher	Council Member	Jan 2006
Jim Moore	Council Member	Jan 2006
Celia Drayfahl	Clerk	Indefinite
Roger Huddle	Attorney	Resigned
Bill Matthews	Attorney	Indefinite
Jay Schweitzer and Tim Wink	Attorney	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, listed as exhibits in the table of contents of this report, of the City of Wapello, Iowa, as of and for the year ended June 30, 2003. These financial statements are the responsibility of the City of Wapello's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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 that our audit provides a reasonable basis for our opinion.

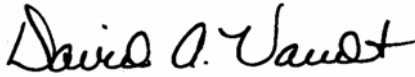
As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

As discussed in Note 9 to the financial statements, the City of Wapello intends to implement Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures, for the fiscal year ending June 30, 2004. The effects of these statements are expected to significantly impact the presentation of the City's financial statements and related notes in the year of implementation. The revised requirements will include an analytical overview of the City's financial activities in the Management's Discussion and Analysis introduction to the basic financial statements.

In our opinion, the aforementioned financial statements present fairly, in all material respects, the results of the cash transactions of the funds of the City of Wapello as of and for the year ended June 30, 2003, and its indebtedness at June 30, 2003, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated July 30, 2003 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 grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2002 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. The supplemental information included in Schedules 1 through 7 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

July 30, 2003

Financial Statements

City of Wapello
 Combined Statement of Cash Transactions
 All Fund Types
 Year ended June 30, 2003

	Governmental	
	General	Special Revenue
Receipts:		
Property tax	\$ 337,522	-
Tax increment financing collections	-	-
Other city tax	15,214	-
Licenses and permits	5,224	-
Use of money and property	16,535	-
Intergovernmental	74,561	172,922
Charges for service	124,214	-
Special assessments	-	-
Miscellaneous	85,464	-
Total receipts	658,734	172,922
Disbursements:		
Public safety	159,505	-
Public works	114,345	158,834
Culture and recreation	195,381	-
General government	109,695	-
Debt service	-	-
Business type activities	-	-
Total disbursements	578,926	158,834
Excess (deficiency) of receipts over (under) disbursements	79,808	14,088
Other financing sources:		
Sale of general fixed assets	327	1,273
General obligation note proceeds	-	-
Total other financing sources	327	1,273
Excess (deficiency) of receipts and other financing sources over (under) disbursements	80,135	15,361
Balance beginning of year	549,051	106,510
Balance end of year	\$ 629,186	121,871

See notes to financial statements.

Fund Types		Proprietary	Total
Debt	Capital	Fund Type	(Memorandum
Service	Projects	Enterprise	Only)
38,418	-	-	375,940
43,476	-	-	43,476
1,724	-	-	16,938
-	-	-	5,224
-	-	-	16,535
-	-	51,704	299,187
-	-	273,717	397,931
-	-	11,278	11,278
-	-	4,888	90,352
83,618	-	341,587	1,256,861
-	-	-	159,505
-	-	-	273,179
-	-	-	195,381
-	-	-	109,695
62,372	-	-	62,372
-	-	451,766	451,766
62,372	-	451,766	1,251,898
21,246	-	(110,179)	4,963
-	-	-	1,600
-	-	100,467	100,467
-	-	100,467	102,067
21,246	-	(9,712)	107,030
19,420	(63,746)	267,739	878,974
40,666	(63,746)	258,027	986,004

City of Wapello
 Comparison of Receipts, Disbursements and Changes in Balances –
 Actual to Budget
 Year ended June 30, 2003

	Actual
Receipts:	
Property tax	\$ 375,940
Tax increment financing collections	43,476
Other city tax	16,938
Licenses and permits	5,224
Use of money and property	16,535
Intergovernmental	299,187
Charges for service	397,931
Special assessments	11,278
Miscellaneous	90,352
Total receipts	1,256,861
Disbursements:	
Public safety	159,505
Public works	273,179
Culture and recreation	195,381
General government	109,695
Debt service	62,372
Business type activities	451,766
Total disbursements	1,251,898
Excess (deficiency) of receipts over (under) disbursements	4,963
Other financing sources	102,067
Excess of receipts and other financing sources over disbursements	107,030
Balance beginning of year	878,974
Balance end of year	\$ 986,004

See notes to financial statements.

Amended Budget	Variance Favorable (Unfavorable)	Actual as % of Amended Budget
375,484	456	100%
44,747	(1,271)	97%
16,934	4	100%
3,270	1,954	160%
18,910	(2,375)	87%
201,297	97,890	149%
394,948	2,983	101%
16,000	(4,722)	70%
-	90,352	
<u>1,071,590</u>	<u>185,271</u>	<u>117%</u>
105,363	(54,142)	151%
157,685	(115,494)	173%
173,239	(22,142)	113%
161,509	51,814	68%
63,591	1,219	98%
571,104	119,338	79%
<u>1,232,491</u>	<u>(19,407)</u>	<u>102%</u>
(160,901)		
<u>240,696</u>		
79,795		
<u>664,274</u>		
<u><u>744,069</u></u>		

City of Wapello
Statement of Indebtedness
Year ended June 30, 2003

Obligation	Date of Issue	Interest Rates
General obligation notes:		
Water and sewer improvements	Sep 17, 1998	6.00%
Corporate purpose	Jun 1, 2000	6.00
Water and sewer construction	May 9, 2002	5.00
Total		
Lease purchase agreement:		
City hall building and water plant	Jun 25, 1993	5.80%

See notes to financial statements.

	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$	190,000	173,562	-	6,160	167,402	10,419
	205,000	185,000	-	10,000	175,000	11,082
	227,665	124,992	100,467	20,669	204,790	8,315
		\$ 483,554	100,467	36,829	547,192	29,816
\$	350,000	143,734	-	32,954	110,780	8,336

City of Wapello

City of Wapello

Notes to Financial Statements

June 30, 2003

(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, general government and business type activities.

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. The City of Wapello has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also 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 Louisa County Assessor's Conference Board. The City also participates in the Louisa Regional Solid Waste Agency and the Southeast Iowa Regional Planning Commission, jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa.

B. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and balances. The various funds and their designated purposes are as follows:

Governmental Funds

General Fund – The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are 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 that are not paid through other funds.

Special Revenue Fund – The Special Revenue Fund is utilized to account for receipts derived from specific sources which are usually required by law or regulation to be accounted for in separate funds.

Debt Service Funds – The Debt Service Funds are utilized to account for the payment of interest and principal on the City’s general obligation and other long-term debt.

Capital Projects Fund – The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through Enterprise Funds.

Proprietary Funds

Enterprise Funds – The Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

C. Basis of Accounting

The City of Wapello 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.

D. Budgets and Budgetary Accounting

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. 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 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.

E. Total (Memorandum Only)

The total column on the combined statement of cash transactions is captioned “Memorandum Only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2003 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's investments are categorized to give an indication of the level of risk assumed by the City at year end. The City's investments are all category 1 which means that the investments are insured or registered or the securities are held by the City or its agent in the City's name.

The City's investments at June 30, 2003 are as follows:

Type	Carrying Value	Fair Value
U.S. treasury notes	\$ 30,000	30,681

The Wapello Fire Department's investments at June 30, 2003 consist of mutual funds with a fair value of \$32,610 that are not subject to risk categorization.

(3) 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.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll, except for police employees, in which case the percentages are 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2003, 2002, and 2001 were \$13,980, \$13,300 and \$12,800, respectively, equal to the required contributions for each year.

(4) Long-Term Debt

Notes Payable

Annual debt service requirements to maturity for general obligation notes are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2004	\$ 35,680	30,382
2005	37,078	28,383
2006	38,526	26,337
2007	40,049	24,213
2008	46,640	22,021
2009	48,347	19,415
2010	50,131	16,732
2011	52,009	13,952
2012	46,382	11,106
2013	31,034	9,144
2014	31,696	7,282
2015	32,398	5,381
2016	13,142	3,437
2017	13,931	2,648
2018	14,766	1,812
2019	15,383	926
Total	<u>\$ 547,192</u>	<u>223,171</u>

Lease Purchase Agreement

On June 25, 1993, the City entered into a lease-purchase agreement to renovate city hall and update the City water plant. The total cost was \$350,000, with annual lease payments of \$41,290 for 12 years, including interest at 5.80% per annum. The following is a schedule of the future minimum lease payments, interest and the present value of net minimum lease payments under the agreement in effect at June 30, 2003.

Year Ending June 30,	Minimum Lease Payments	Less Amount Representing Interest	Present Value of Net Minimum Lease Payments
2004	\$ 41,290	6,425	34,865
2005	41,290	4,403	36,887
2006	41,290	2,262	39,028
Total	<u>\$ 123,870</u>	<u>13,090</u>	<u>110,780</u>

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payments payable to employees at June 30, 2003, relating primarily to the General Fund, is \$11,300. The liability is computed based on rates of pay in effect at June 30, 2003.

(6) Risk Management

The City of Wapello 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 Balance

The Capital Projects Fund had a deficit balance of \$63,746 at June 30, 2003. The deficit is the result of a refund for the Emergency Watershed Protection Program grant. The deficit balance will be eliminated through a transfer from other City funds.

(8) Budget Overexpenditures

Per the Code of Iowa, disbursements may not legally exceed budget appropriations at the functional level. During the year ended June 30, 2003, disbursements in the public safety, public works and culture and recreation functions exceeded the amounts budgeted.

(9) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus; and Statement No. 38, Certain Financial Statement Note Disclosures. These statements will be implemented for the fiscal year ending June 30, 2004. The effects are expected to significantly impact the presentation of governmental financial statements in the year of implementation. The revised minimum reporting requirements include Management’s Discussion and Analysis to introduce the basic financial statements and to provide an analytical overview of the City’s financial activities.

City of Wapello

Supplemental Information

City of Wapello
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General
Receipts:	
Property tax	\$ 337,522
Other city tax:	
Utility tax replacement excise tax	15,214
Licenses and permits	5,224
Use of money and property:	
Interest on investments	4,329
Rent	4,805
	9,134
Intergovernmental:	
State allocation	28,103
Bank franchise tax	6,572
County library allocation	8,200
City fire protection allocation	-
Township fire protection	3,004
Miscellaneous	1,322
	47,201
Charges for service:	
Garbage collection	108,580
Swimming pool	15,484
Miscellaneous	150
	124,214
Miscellaneous:	
Court fines	10,305
Fundraisers	-
Refunds and reimbursements	8,865
Donations and contributions	920
Concessions	6,753
Cable franchise fees	12,513
Miscellaneous	2,599
	41,955
Total receipts	580,464

Keck Memorial Library	Wapello Fire Department	Total
-	-	337,522
-	-	15,214
-	-	5,224
4,210	3,191	11,730
-	-	4,805
4,210	3,191	16,535
-	-	28,103
-	-	6,572
-	-	8,200
-	8,847	8,847
-	4,337	7,341
14,176	-	15,498
14,176	13,184	74,561
-	-	108,580
-	-	15,484
-	-	150
-	-	124,214
-	-	10,305
-	14,358	14,358
-	-	8,865
-	20,990	21,910
6,568	-	13,321
-	-	12,513
1,593	-	4,192
8,161	35,348	85,464
26,547	51,723	658,734

City of Wapello
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General
Disbursements:	
Public safety:	
Police:	
Personal services	83,049
Services and commodities	6,720
Capital outlay	6,367
	96,136
Fire department:	
Personal services	465
Services and commodities	10,219
Capital outlay	7,006
	17,690
	113,826
Public works:	
Garbage:	
Services and commodities	114,345
	114,345
Culture and recreation:	
Library:	
Personal services	55,898
Services and commodities	17,921
Capital outlay	-
	73,819
Parks:	
Personal services	13,333
Services and commodities	16,556
Capital outlay	4,855
	34,744

Keck Memorial Library	Wapello Fire Department	Total
-	-	83,049
-	-	6,720
-	-	6,367
-	-	96,136
-	-	465
-	27,456	37,675
-	18,223	25,229
-	45,679	63,369
-	45,679	159,505
-	-	114,345
-	-	55,898
8,934	-	26,855
5,525	-	5,525
14,459	-	88,278
-	-	13,333
-	-	16,556
-	-	4,855
-	-	34,744

City of Wapello
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	General
Disbursements (continued):	
Culture and recreation:	
Swimming pool:	
Personal services	21,609
Services and commodities	16,057
	37,666
Cemetery:	
Services and commodities	8,000
Briggs Civic Center:	
Personal services	39
Services and commodities	21,404
Capital outlay	2,000
	23,443
Special events:	
Services and commodities	3,250
	180,922
General government:	
Mayor and council members:	
Personal services	7,105
Clerk and treasurer:	
Personal services	33,807
Services and commodities	68,783
	102,590
	109,695
Total disbursements	518,788

Keck Memorial Library	Wapello Fire Department	Total
-	-	21,609
-	-	16,057
-	-	37,666
-	-	8,000
-	-	39
-	-	21,404
-	-	2,000
-	-	23,443
-	-	3,250
14,459	-	195,381
-	-	7,105
-	-	33,807
-	-	68,783
-	-	102,590
-	-	109,695
14,459	45,679	578,926

City of Wapello
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2003

	<u>General</u>
Excess of receipts over disbursements	61,676
Other financing sources:	
Sale of general fixed assets	<u>327</u>
Excess of receipts and other financing sources over disbursements	62,003
Balance beginning of year	<u>309,434</u>
Balance end of year	<u><u>\$ 371,437</u></u>

See accompanying independent auditor's report.

Keck Memorial Library	Wapello Fire Department	Total
12,088	6,044	79,808
-	-	327
12,088	6,044	80,135
75,078	164,539	549,051
87,166	170,583	629,186

City of Wapello

City of Wapello
 Schedule of Cash Transactions
 Special Revenue Fund
 Year ended June 30, 2003

	Road Use Tax
Receipts:	
Intergovernmental:	
Road use tax allocation	\$ 172,922
Disbursements:	
Public works:	
Personal services	38,144
Services and commodities	110,631
Capital outlay	10,059
Total disbursements	158,834
Excess of receipts over disbursements	14,088
Other financing sources:	
Sale of general fixed assets	1,273
Excess of receipts and other financing sources over disbursements	15,361
Balance beginning of year	106,510
Balance end of year	\$ 121,871

See accompanying independent auditor's report.

Schedule 3

City of Wapello
Combining Schedule of Cash Transactions
Debt Service Funds
Year ended June 30, 2003

	General Obligations	Urban Renewal TIF	Total
Receipts:			
Property tax	\$ 38,418	-	38,418
Tax increment financing collections	-	43,476	43,476
Other city tax:			
Utility tax replacement excise tax	1,724	-	1,724
Total receipts	<u>40,142</u>	<u>43,476</u>	<u>83,618</u>
Disbursements:			
Debt service:			
Principal redeemed	32,954	10,000	42,954
Interest paid	8,336	11,082	19,418
Total disbursements	<u>41,290</u>	<u>21,082</u>	<u>62,372</u>
Excess (deficiency) of receipts over (under) disbursements	(1,148)	22,394	21,246
Balance beginning of year	<u>12,809</u>	<u>6,611</u>	<u>19,420</u>
Balance end of year	<u>\$ 11,661</u>	<u>29,005</u>	<u>40,666</u>

See accompanying independent auditor's report.

City of Wapello
 Schedule of Cash Transactions
 Capital Projects Fund
 Year ended June 30, 2003

	Emergency Watershed Project
Receipts:	
None	\$ -
Disbursements:	
None	-
Excess of receipts over disbursements	-
Balance beginning of year	(63,746)
Balance end of year	\$ (63,746)

See accompanying independent auditor's report.

Schedule 5

City of Wapello
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2003

	Water Works Operating	Sewer Rental	Customer Deposits	Total
Receipts:				
Intergovernmental:				
Community development block grant	\$ -	51,704	-	51,704
Charges for service:				
Sale of water	145,108	-	-	145,108
Sewer rental fees	-	128,609	-	128,609
	145,108	128,609	-	273,717
Special assessments	11,278	-	-	11,278
Miscellaneous:				
Customer deposits	-	-	3,385	3,385
Miscellaneous	1,324	179	-	1,503
	1,324	179	3,385	4,888
Total receipts	157,710	180,492	3,385	341,587
Disbursements:				
Business type activities:				
Personal services	55,729	35,782	-	91,511
Services and commodities	52,078	38,451	963	91,492
Capital outlay	19,440	203,760	-	223,200
Debt service:				
Principal redeemed	3,080	23,749	-	26,829
Interest paid	5,210	13,524	-	18,734
Total disbursements	135,537	315,266	963	451,766

City of Wapello
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2003

	Water Works Operating	Sewer Rental	Customer Deposits	Total
Excess (deficiency) of receipts over (under) disbursements	22,173	(134,774)	2,422	(110,179)
Other financing sources:				
General obligation note proceeds	-	100,467	-	100,467
Excess (deficiency) of receipts and other financing sources over (under) disbursements	22,173	(34,307)	2,422	(9,712)
Balance beginning of year	146,763	96,296	24,680	267,739
Balance end of year	\$ 168,936	61,989	27,102	258,027

See accompanying independent auditor's report.

Schedule 6

City of Wapello

Note Maturities

June 30, 2003

Year Ending June 30,	General Obligation Notes							Total
	Water and Sewer Improvements		Corporate Purpose		Water and Sewer Construction			
	Issued Sep 17, 1998		Issued Jun 1, 2000		Issued May 9, 2002			
	Interest		Interest		Interest			
	Rates	Amount	Rates	Amount	Rates	Amount		
2004	6.00%	\$ 6,531	6.00%	\$ 10,000	5.00%	\$ 19,149	35,680	
2005	6.00	6,923	6.00	10,000	5.00	20,155	37,078	
2006	6.00	7,339	6.00	10,000	5.00	21,187	38,526	
2007	6.00	7,779	6.00	10,000	5.00	22,270	40,049	
2008	6.00	8,245	6.00	15,000	5.00	23,395	46,640	
2009	6.00	8,740	6.00	15,000	5.00	24,607	48,347	
2010	6.00	9,265	6.00	15,000	5.00	25,866	50,131	
2011	6.00	9,820	6.00	15,000	5.00	27,189	52,009	
2012	6.00	10,410	6.00	15,000	5.00	20,972	46,382	
2013	6.00	11,034	6.00	20,000		-	31,034	
2014	6.00	11,696	6.00	20,000		-	31,696	
2015	6.00	12,398	6.00	20,000		-	32,398	
2016	6.00	13,142	6.00	-		-	13,142	
2017	6.00	13,931	6.00	-		-	13,931	
2018	6.00	14,766	6.00	-		-	14,766	
2019	6.00	15,383	6.00	-		-	15,383	
Total		<u>\$ 167,402</u>		<u>\$175,000</u>		<u>\$ 204,790</u>	<u>547,192</u>	

See accompanying independent auditor's report.

City of Wapello

Comparison of Taxes and Intergovernmental Receipts

	Years ended June 30,		
	2003	2002	2001
Property tax	\$ 375,940	380,204	375,236
Tax increment financing collections	43,476	27,376	9,901
Other city tax:			
Utility tax replacement excise tax	16,938	16,909	-
Intergovernmental:			
State allocation	28,103	29,743	30,842
Road use tax allocation	172,922	170,127	163,617
Bank franchise tax	6,572	6,209	5,043
Grants	51,704	10,186	-
County library allocation	8,200	8,200	-
Miscellaneous	31,686	19,878	10,066
	299,187	244,343	209,568
Total	\$ 735,541	668,832	594,705

See accompanying independent auditor's report.

City of Wapello



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the City of Wapello, Iowa, as of and for the year ended June 30, 2003, and have issued our report thereon dated July 30, 2003. Our report expressed an unqualified opinion 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, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 and contracts, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance 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, 2003 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. Prior year statutory comments have been resolved except for items (2), (3), (8), (9), and (10).

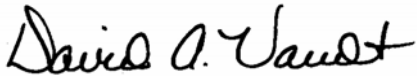
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Wapello's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Wapello's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings.

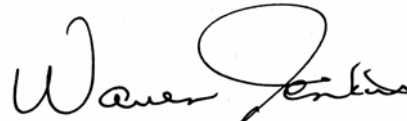
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items (A) and (E) are material weaknesses. Prior year reportable conditions have been resolved except for items (A), (B), (C), (D), (E) and (F).

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 30, 2003

City of Wapello
Schedule of Findings
Year ended June 30, 2003

Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

(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 receipts and disbursement transactions, and handling and recording cash.
- (3) Receipts – collecting, depositing, journalizing, posting and reconciling.
- (4) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (5) Disbursements – preparing, recording and reconciling.
- (6) Payroll – preparing and distributing.
- (7) Computer usage – performing all general accounting functions and controlling data input and output.

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

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

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City and the Wapello Fire Department should review their operating procedures to obtain the maximum internal control possible under the circumstances.

Response –

City – The City will review its operating procedures.

Wapello Fire Department – The Wapello Fire Department will have a second person reconcile bank statements, cash receipts, disbursements, handling and recording cash.

Conclusion – Response accepted.

City of Wapello

Schedule of Findings

Year ended June 30, 2003

- (B) Separately Maintained Records – The Wapello Fire Department and Keck Memorial Library maintain separate accounting records for their operations. The individual transaction activity is not included in the City’s accounting records.

Additionally, prenumbered receipts were not issued by the Wapello Fire Department.

Recommendation – Chapter 384.20 of the Code of Iowa states in part that 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 accounting records and reported to the Council on a monthly basis.

Prenumbered receipts should be issued at the time of collection to provide additional control over the proper collection and recording of all money.

Response –

City – The Wapello Fire Department has been incorporated and is now a legally separate entity. The Library checking and CDs are now on the City’s computer.

Wapello Fire Department – Receipts will be used in future.

Conclusion – Response accepted.

- (C) Monthly Bank Reconciliations – Monthly reconciliations of the Clerk’s balances to the bank accounts and investments were not prepared. An accurate list of outstanding checks was not always prepared each month.

Recommendation – To provide better control over financial transactions and overall accountability, monthly bank reconciliations should be prepared to include all checking accounts, investments, petty cash and reconciling items. The reconciliations should agree with the fund and account balances on the Clerk’s monthly financial report. Any variances should be investigated and resolved in a timely manner. A listing of outstanding checks should be prepared each month.

Response – This will be corrected when the City gets accurate fund balances on the computer.

Conclusion – Response accepted.

- (D) Disbursements – Although disbursements were approved by the Council in the minutes, the list of bills reviewed by the Council was not signed to indicate approval.

Recommendation – Disbursements approved by the Council should be signed by Council members to indicate approval.

Response – The majority of council members will sign the bill list as approval.

Conclusion – Response accepted.

City of Wapello

Schedule of Findings

Year ended June 30, 2003

- (E) Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies each month. The Council should review the reconciliation and monitor delinquencies each month.

Response – The City started this procedure in July 2003.

Conclusion – Response accepted.

- (F) 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 periodically.
- immediately removing access rights for terminated employees.
- requiring the use of an anti-virus program on computers and obtaining updates to the anti-virus program.
- requiring timeout or logoff functions to be utilized when terminals are left unattended.
- requiring scan disk to be run when programs are installed or downloading files.

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

Response – The City will try to accomplish these tasks this fiscal year.

Conclusion – Response accepted.

City of Wapello

Schedule of Findings

Year ended June 30, 2003

Findings Related to Required Statutory Reporting:

- (1) Official Depositories – A resolution naming official depositories has been approved by the Council. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2003.
- (2) Certified Budget – Disbursements during the year ended June 30, 2003 exceeded the amounts budgeted in the public safety, public works, and culture and recreation functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation. Also, the business type activities function was exceeded prior to the budget being amended.

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 try to amend the budget in a more timely manner.

Conclusion – Response accepted.

- (3) Questionable Expenditures – Certain disbursements were noted that 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. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Chantz Bieri	Christmas recognition	\$ 25
Llewann Bryant	Christmas recognition	25
Wayne Crump	Christmas recognition	25
Mike Delzell	Christmas recognition	25
Celia Crayfahl	Christmas recognition	25
Matt Gish	Christmas recognition	25
Kirk Kinsley	Christmas recognition	25

According to the opinion, it is possible for certain disbursements to meet the test of serving a public purpose under certain circumstances, although such expenses 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 requirement for proper documentation.

Response – The City will stop this procedure.

Conclusion – Response accepted.

City of Wapello

Schedule of Findings

Year ended June 30, 2003

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

Name, Title, and Business Connection	Transaction Description	Amount
Llewann Bryant, Librarian, spouse is owner of Bryant Construction	Shelter house roof repair	\$7,050

The above transaction does not appear to represent a conflict of interest since it was competitively bid.

- (6) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- (7) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

Certain minutes of the Council meetings were not signed. Also, although the minutes of Council proceedings were published, total disbursements from each fund and a summary of all receipts were not included as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – Minutes should be signed by the Mayor and City Clerk. The City should publish minutes as required.

Response – The Clerk will correct the missing information and adhere to the requirements.

Conclusion – Response accepted.

- (8) Deposits and Investments – Except as noted below, deposits and investments were in compliance with Chapters 12B and 12C of the Code of Iowa.

The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa. Also, interest on investments earned on the Debt Service Funds has not been credited to those funds. Chapter 12C.9(2) of the Code of Iowa requires that interest earned on bond proceeds and funds being accumulated for the payment of principal and interest should be used to pay the principal and interest as it comes due or be credited to the project fund for which the indebtedness was issued.

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 comply with Chapter 12C.9 of the Code of Iowa and credit interest earned on investments from the Debt Service Funds to the Debt Service Funds.

City of Wapello

Schedule of Findings

Year ended June 30, 2003

Response – The City will develop an investment policy this year. Also, the City will transfer interest into the Debt Service Funds.

Conclusion – Response accepted.

- (9) Financial Condition – The Capital Projects Fund had a deficit balance at June 30, 2003.

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

Response – The City Clerk will contact our software vendor to help close this account to the General Fund.

Conclusion – Response accepted.

- (10) TIF Taxes – The City recorded the tax increment financing collections in the Debt Service, Urban Renewal TIF Fund.

Recommendation – Chapter 403.19(2) of the Code of Iowa requires that these monies shall be allocated to and, when collected, be paid into a special fund of the municipality to retire debt incurred. The City should record tax increment financing collections in a special revenue fund of the City and then disburse or transfer the funds to the appropriate fund for the retirement of debt.

Response – The Clerk will work with our software vendor to establish a new fund for TIF.

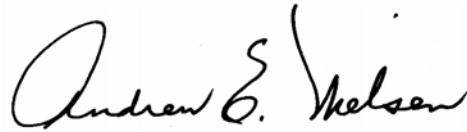
Conclusion – Response accepted.

City of Wapello

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Katherine L. Rupp, CPA, Senior Auditor II
Cory A. Warmuth, CPA, Staff Auditor
Erin M. Scharingson, Staff 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