



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

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NEWS RELEASE

FOR RELEASE _____

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The Office of Auditor of State today released an audit report on the City of Wapello, Iowa.

The City's receipts totaled \$1,183,076 for the year ended June 30, 2002, a 17% increase from 2001. The receipts included \$380,204 in property tax, \$27,376 in tax increment financing collections, \$216,265 from the state and \$14,454 in interest on investments. The significant increase in receipts is due primarily to including the Wapello Fire Department for the first time and an increase in water and sewer rates.

Disbursements for the year totaled \$1,208,337, a 35% increase from the prior year, and included \$136,174 for community protection, \$182,752 for human development, \$765,573 for home and community environment and \$123,838 for policy and administration. The significant increase in disbursements is due primarily to the repayment of unused emergency watershed protection grant proceeds and a sewer construction project.

A copy of the audit report is available for review in the office of the 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, 2002

Table of Contents

			<u>Page</u>
Officials			3
Independent Auditor's Report			5
Financial Statements:	<u>Exhibit</u>		
Combined Statement of Cash Transactions – All Fund Types	A		8-9
Comparison of Receipts, Disbursements and Changes in Balances – Actual to Budget	B		10-11
Statement of Indebtedness	C		12-13
Notes to Financial Statements			14-18
Supplemental Information:	<u>Schedule</u>		
Combining and Individual Schedules of Cash Transactions:			
General Fund	1		20-27
Special Revenue Fund	2		28
Debt Service Funds	3		29
Capital Projects Fund	4		30
Enterprise Funds	5		31
Note Maturities	6		32
Comparison of Taxes and Intergovernmental Receipts	7		33
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting			35-36
Schedule of Findings			37-43
Staff			44

City of Wapello

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2002)		
Roger Noble	Mayor	Jan 2002
Jim Keldgord	Mayor Pro tem	Jan 2002
Eddie Fisher	Council Member	Jan 2002
Jim Moore	Council Member	Jan 2002
Alana Poage	Council Member	Jan 2002
Mike Chaplin	Council Member	Jan 2004
Kevin Karr	Council Member	Jan 2004
Todd Shutt	Council Member	Jan 2004
(After January 2002)		
Roger Noble	Mayor	Jan 2004
Jim Keldgord	Mayor Pro tem	Jan 2004
Mike Chaplin	Council Member	Jan 2004
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
Tammy Pallieter	Clerk	Indefinite
Bill Matthews / Roger Huddle	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, 2002. 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 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.

In our opinion, the financial statements referred to above 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, 2002, and its indebtedness at June 30, 2002, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 13, 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. The financial statements for the three years ended June 30, 2001 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions 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.

March 13, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

City of Wapello

Financial Statements

City of Wapello
 Combined Statement of Cash Transactions
 All Fund Types
 Year ended June 30, 2002

	Governmental	
	General	Special Revenue
Receipts:		
Property tax	\$ 328,926	-
Tax increment financing collections	-	-
Other City tax	14,672	-
Licenses and permits	3,463	-
Use of money and property	19,034	-
Intergovernmental	74,216	170,127
Charges for service	127,020	-
Special assessments	-	-
Miscellaneous	76,590	-
Total receipts	643,921	170,127
Disbursements:		
Community Protection Program	136,174	-
Human Development Program	182,752	-
Home and Community Environment Program	121,422	137,251
Policy and Administration Program	123,838	-
Total disbursements	564,186	137,251
Excess (deficiency) of receipts over (under) disbursements	79,735	32,876
Other financing sources:		
General obligation note proceeds	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements	79,735	32,876
Balance beginning of year, as restated (note 10)	469,316	73,634
Balance end of year	\$ 549,051	106,510

See notes to financial statements.

Fund Types		Proprietary	Total
Debt	Capital	Fund Type	(Memorandum
Service	Projects	Enterprise	Only)
51,278	-	-	380,204
27,376	-	-	27,376
2,237	-	-	16,909
-	-	-	3,463
-	-	-	19,034
-	-	-	244,343
-	-	263,993	391,013
-	-	20,439	20,439
-	-	3,705	80,295
80,891	-	288,137	1,183,076
-	-	-	136,174
-	-	-	182,752
62,055	106,865	337,980	765,573
-	-	-	123,838
62,055	106,865	337,980	1,208,337
18,836	(106,865)	(49,843)	(25,261)
-	-	127,198	127,198
18,836	(106,865)	77,355	101,937
584	43,119	190,384	777,037
19,420	(63,746)	267,739	878,974

City of Wapello
 Comparison of Receipts, Disbursements and Changes in Balances -
 Actual to Budget
 Year ended June 30, 2002

	Actual
Receipts:	
Property tax	\$ 380,204
Tax increment financing collections	27,376
Other City tax	16,909
Licenses and permits	3,463
Use of money and property	19,034
Intergovernmental	244,343
Charges for service	391,013
Special assessments	20,439
Miscellaneous	80,295
Total receipts	1,183,076
Disbursements:	
Community Protection Program	136,174
Human Development Program	182,752
Home and Community Environment Program	765,573
Policy and Administration Program	123,838
Total disbursements	1,208,337
Deficiency of receipts under disbursements	(25,261)
Other financing sources	127,198
Excess of receipts and other financing sources over disbursements	101,937
Balance beginning of year, as restated (note 10)	777,037
Balance end of year	\$ 878,974

See notes to financial statements.

Amended Budget	Variance Favorable (Unfavorable)	Actual as % of Amended Budget
379,084	1,120	100%
10,000	17,376	274%
16,909	-	100%
3,193	270	108%
15,233	3,801	125%
209,172	35,171	117%
323,126	67,887	121%
16,000	4,439	128%
500	79,795	16059%
<u>973,217</u>	<u>209,859</u>	<u>122%</u>
121,500	(14,674)	112%
160,048	(22,704)	114%
665,021	(100,552)	115%
119,227	(4,611)	104%
<u>1,065,796</u>	<u>(142,541)</u>	<u>113%</u>
(92,579)		
<u>127,198</u>		
34,619		
<u>508,839</u>		
<u><u>543,458</u></u>		

City of Wapello
Statement of Indebtedness
Year ended June 30, 2002

Obligation	Date of Issue	Interest Rates
General obligation notes (note 4):		
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
Lease purchase agreement (note 4):		
City hall building and water plant	Jun 25, 1993	5.80%
Special assessments notes:		
Water	Dec 17, 1981	9.00%

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	179,372	-	5,810	173,562	10,768
	205,000	195,000	-	10,000	185,000	10,765
	227,665	-	127,198	2,206	124,992	209
		\$ 374,372	127,198	18,016	483,554	21,742
\$	350,000	174,881	-	31,147	143,734	10,143
\$	178,000	8,900	-	8,900	-	772

City of Wapello

Notes to Financial Statements

June 30, 2002

(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, recreation, public improvements and general administrative services.

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 Louisa County Assessor's Conference Board. The City also participates in the Louisa Regional Solid Waste Agency and 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 fund 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 four major classes of disbursements, known as programs, not by fund. These four programs are community protection, human development, home and community environment and policy and administration.

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, 2002 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, 2002 are as follows:

	Carrying Value	Fair Value
U.S. Treasury Notes	\$ 30,000	30,869

The Wapello Fire Department's investments at June 30, 2002 consist of mutual funds with a fair value of \$32,771 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 6.20% and 9.29%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$13,300, \$12,800 and \$11,100, 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 Notes				Total	
	Corporate Purpose		Water and Sewer Improvements		Principal	Interest
	Principal	Interest	Principal	Interest		
2003	\$ 10,000	11,100	6,160	10,419	16,160	21,519
2004	10,000	10,500	6,529	10,050	16,529	20,550
2005	10,000	9,900	6,894	9,658	16,894	19,558
2006	10,000	9,300	7,335	9,244	17,335	18,544
2007	10,000	8,700	7,775	8,804	17,775	17,504
2008	15,000	8,100	8,241	8,338	23,241	16,438
2009	15,000	7,200	8,714	7,843	23,714	15,043
2010	15,000	6,300	9,258	7,320	24,258	13,620
2011	15,000	5,400	9,814	6,765	24,814	12,165
2012	15,000	4,500	10,403	6,176	25,403	10,676
2013	20,000	3,600	11,012	5,552	31,012	9,152
2014	20,000	2,400	11,688	4,891	31,688	7,291
2015	20,000	1,200	12,389	4,190	32,389	5,390
2016	-	-	13,132	3,446	13,132	3,446
2017	-	-	13,913	2,658	13,913	2,658
2018	-	-	14,755	1,824	14,755	1,824
2019	-	-	15,640	938	15,640	938
Total	\$ 185,000	88,200	173,652	108,116	358,652	196,316

In addition, the City issued general obligation notes of \$227,665 on May 9, 2002 for water and sewer construction. On June 3, 2002 the City received \$127,198. The note requires monthly payments of \$2,415 for 10 years with interest at 5% per annum. Since the City is still drawing funds on the notes, a formal repayment schedule has not yet been adopted. The note balance at June 30, 2002 was \$124,992.

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 monthly lease payments of \$41,290 for 12 years with 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, 2002.

Year Ending June 30,	Minimum Lease Payments	Less Amount Representing Interest	Present Value of Net Minimum Lease Payments
2003	\$ 41,290	8,336	32,954
2004	41,290	6,425	34,865
2005	41,290	4,403	36,887
2006	41,290	2,262	39,028
Total	\$ 165,160	21,426	143,734

(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, 2002, relating primarily to the General Fund, is \$8,400. The liability is computed based on rates of pay in effect at June 30, 2002.

(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, 2002. 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 program level. During the year ended June 30, 2002, disbursements in the Community Protection, Human Development, Home and Community Environment, and Policy and Administration Programs exceeded the amounts budgeted.

(9) Construction Commitments

The City has entered into two construction contracts totaling \$264,225 for water and sewer construction. At June 30, 2002, costs of \$98,733 had been paid on the projects. The remaining \$165,492 will be paid as work on these projects progresses.

(10) Restatement

The City did not previously report the Wapello Fire Department and included the Keck Memorial Library as part of the General Fund, General Account. The effects of this restatement are as follows:

Fund/Account	Balance		Balance at July 1, 2001, as Restated
	June 30, 2001, as Previously Reported	Adjustment	
General:			
General	\$ 321,934	(73,459)	248,475
Keck Memorial Library	-	73,459	73,459
Wapello Fire Department	-	147,382	147,382
	<u>\$ 321,934</u>	<u>147,382</u>	<u>469,316</u>

Supplemental Information

City of Wapello
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	General
Receipts:	
Property tax	\$ 328,926
Other City tax:	
Utility tax replacement excise tax	14,672
Licenses and permits	3,463
Use of money and property:	
Interest on investments	5,102
Rent	4,580
	9,682
Intergovernmental:	
State allocation	29,743
Bank franchise tax	6,209
County library allocation	8,200
Trees forever grant	10,186
City fire protection allocation	-
Township fire protection	1,459
Miscellaneous	3,070
	58,867
Charges for service:	
Garbage collection	108,815
Library	1,233
Swimming pool	16,562
Miscellaneous	410
	127,020
Miscellaneous:	
Court fines	4,561
Fundraisers	-
Refunds and reimbursements	17,452
Donations and contributions	-
Concessions	6,696
Cable franchise fees	6,435
Miscellaneous	2,011
	37,155
Total receipts	579,785

Keck Memorial Library	Wapello Fire Department	Total
-	-	328,926
-	-	14,672
-	-	3,463
4,296	5,056	14,454
-	-	4,580
4,296	5,056	19,034
-	-	29,743
-	-	6,209
-	-	8,200
-	-	10,186
-	7,250	7,250
-	4,569	6,028
3,530	-	6,600
3,530	11,819	74,216
-	-	108,815
-	-	1,233
-	-	16,562
-	-	410
-	-	127,020
-	-	4,561
-	9,008	9,008
-	-	17,452
7,860	21,319	29,179
-	-	6,696
-	-	6,435
1,248	-	3,259
9,108	30,327	76,590
16,934	47,202	643,921

City of Wapello
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	General
Disbursements:	
Community Protection Program:	
Police:	
Personal services	57,137
Contractual services	1,991
Commodities	3,115
Capital outlay	25,175
	87,418
Fire:	
Contractual services	6,381
Commodities	2,612
Capital outlay	9,718
	18,711
	106,129
Human Development Program:	
Animal control	733
Briggs Civic Center:	
Contractual services	15,952
Commodities	2,206
	18,158
Library:	
Personal services	53,147
Contractual services	7,586
Commodities	14,324
Capital outlay	-
	75,057
Parks and recreation:	
Personal services	8,347
Contractual services	5,362
Commodities	1,991
Capital outlay	12,275
	27,975

Keck Memorial Library	Wapello Fire Department	Total
-	-	57,137
-	-	1,991
-	-	3,115
-	-	25,175
-	-	87,418
-	-	6,381
-	18,255	20,867
-	11,790	21,508
-	30,045	48,756
-	30,045	136,174
-	-	733
-	-	15,952
-	-	2,206
-	-	18,158
-	-	53,147
-	-	7,586
8,569	-	22,893
6,746	-	6,746
15,315	-	90,372
-	-	8,347
-	-	5,362
-	-	1,991
-	-	12,275
-	-	27,975

City of Wapello
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	General
Disbursements (continued):	
Human Development Program:	
Swimming pool:	
Personal services	22,426
Contractual services	11,633
Commodities	10,514
	44,573
Special events:	
Contractual services	941
	167,437
Home and Community Environment Program:	
Solid waste:	
Contractual services	112,754
Commodities	668
	113,422
Cemetery:	
Contractual services	8,000
	121,422
Policy and Administration Program:	
Mayor and Council Members:	
Personal services	7,893
Financial administration:	
Personal services	36,979
Contractual services	62,756
Commodities	16,210
	115,945
	123,838
Total disbursements	518,826

Keck Memorial Library	Wapello Fire Department	Total
-	-	22,426
-	-	11,633
-	-	10,514
-	-	44,573
-	-	941
15,315	-	182,752
-	-	112,754
-	-	668
-	-	113,422
-	-	8,000
-	-	121,422
-	-	7,893
-	-	36,979
-	-	62,756
-	-	16,210
-	-	115,945
-	-	123,838
15,315	30,045	564,186

City of Wapello
Combining Schedule of Cash Transactions
General Fund
Year ended June 30, 2002

	<u>General</u>
Excess of receipts over disbursements	60,959
Balance beginning of year, as restated (note 10)	<u>248,475</u>
Balance end of year	<u><u>\$ 309,434</u></u>

See accompanying independent auditor's report.

Keck Memorial Library	Wapello Fire Department	Total
1,619	17,157	79,735
73,459	147,382	469,316
75,078	164,539	549,051

Schedule 2

City of Wapello
Schedule of Cash Transactions
Special Revenue Fund
Year ended June 30, 2002

	<u>Road Use Tax</u>
Receipts:	
Intergovernmental:	
Road use tax allocation	\$ 170,127
Disbursements:	
Home and Community Environment Program:	
Personal services	42,384
Contractual services	21,644
Commodities	40,222
Capital outlay	33,001
Total disbursements	<u>137,251</u>
Excess of receipts over disbursements	32,876
Balance beginning of year	<u>73,634</u>
Balance end of year	<u><u>\$ 106,510</u></u>

See accompanying independent auditor's report.

City of Wapello
Combining Schedule of Cash Transactions
Debt Service Funds
Year ended June 30, 2002

	General Obligations	Urban Renewal TIF	Total
Receipts:			
Property tax	\$ 51,278	-	51,278
Tax increment financing collections	-	27,376	27,376
Other city tax:			
Utility tax replacement excise tax	2,237	-	2,237
	<u>53,515</u>	<u>27,376</u>	<u>80,891</u>
Disbursements:			
Home and Community Environment Program:			
Debt service:			
Principal redeemed	31,147	10,000	41,147
Interest paid	10,143	10,765	20,908
Total disbursements	<u>41,290</u>	<u>20,765</u>	<u>62,055</u>
Excess of receipts over disbursements	12,225	6,611	18,836
Balance beginning of year	584	-	584
Balance end of year	<u>\$ 12,809</u>	<u>6,611</u>	<u>19,420</u>

See accompanying independent auditor's report.

Schedule 4

City of Wapello
Schedule of Cash Transactions
Capital Projects Fund
Year ended June 30, 2002

	<u>Emergency Watershed Project</u>
Receipts:	
None	\$ -
Disbursements:	
Home and Community Environment Program:	
Refund of Emergency Watershed Protection Program grant	<u>106,865</u>
Deficiency of receipts under disbursements	(106,865)
Balance beginning of year	<u>43,119</u>
Balance end of year	<u><u>\$ (63,746)</u></u>

See accompanying independent auditor's report.

City of Wapello
Combining Schedule of Cash Transactions
Enterprise Funds
Year ended June 30, 2002

	Water Works Operating	Sewer Rental	Customer Deposits	Total
Receipts:				
Charges for service:				
Sale of water	\$ 139,466	-	-	139,466
Sewer rental fees	-	124,527	-	124,527
	139,466	124,527	-	263,993
Special assessments	20,439	-	-	20,439
Miscellaneous:				
Customer deposits	-	-	3,495	3,495
Miscellaneous	105	105	-	210
	105	105	3,495	3,705
Total receipts	160,010	124,632	3,495	288,137
Disbursements:				
Home and Community Environment Program:				
Utility operations:				
Personal services	50,003	40,443	-	90,446
Contractual services	33,530	26,419	988	60,937
Commodities	17,846	6,253	-	24,099
Capital outlay	-	133,833	-	133,833
Debt service:				
Principal redeemed	11,806	5,110	-	16,916
Interest paid	6,156	5,593	-	11,749
Total disbursements	119,341	217,651	988	337,980
Excess (deficiency) of receipts over (under) disbursements	40,669	(93,019)	2,507	(49,843)
Other financing sources:				
General obligation note proceeds	-	127,198	-	127,198
Excess of receipts and other financing sources over disbursements	40,669	34,179	2,507	77,355
Balance beginning of year	106,094	62,117	22,173	190,384
Balance end of year	\$ 146,763	96,296	24,680	267,739

See accompanying independent auditor's report.

Schedule 6

City of Wapello

Note Maturities

June 30, 2002

Year Ending June 30,	General Obligation Notes				
	Corporate Purpose		Water and Sewer Improvements		
	Issued Jun 1, 2000		Issued Sep 17, 1998		
	Interest Rates	Amount	Interest Rates	Amount	Total
2003	6.00%	\$ 10,000	6.00%	\$ 6,160	16,160
2004	6.00	10,000	6.00	6,529	16,529
2005	6.00	10,000	6.00	6,894	16,894
2006	6.00	10,000	6.00	7,335	17,335
2007	6.00	10,000	6.00	7,775	17,775
2008	6.00	15,000	6.00	8,241	23,241
2009	6.00	15,000	6.00	8,714	23,714
2010	6.00	15,000	6.00	9,258	24,258
2011	6.00	15,000	6.00	9,814	24,814
2012	6.00	15,000	6.00	10,403	25,403
2013	6.00	20,000	6.00	11,012	31,012
2014	6.00	20,000	6.00	11,688	31,688
2015	6.00	20,000	6.00	12,389	32,389
2016	6.00	-	6.00	13,132	13,132
2017	6.00	-	6.00	13,913	13,913
2018	6.00	-	6.00	14,755	14,755
2019	6.00	-	6.00	15,640	15,640
Total		<u>\$ 185,000</u>		<u>\$ 173,652</u>	<u>358,652</u>

See accompanying independent auditor's report.

City of Wapello

Comparison of Taxes and Intergovernmental Receipts

	Years ended June 30,			
	2002	2001	2000	1999
Property tax	\$ 380,204	375,236	357,617	308,456
Tax increment financing collections	27,376	9,901	-	-
Other city tax:				
Utility tax replacement excise tax	16,909	-	-	-
Intergovernmental:				
State allocation	29,743	30,842	30,933	30,909
Road use tax	170,127	163,617	163,284	154,403
Bank franchise tax	6,209	5,043	4,601	3,946
Grants	10,186	-	906,266	99,017
County library allocation	8,200	-	-	-
Miscellaneous	19,878	10,066	9,757	9,057
	244,343	209,568	1,114,841	297,332
Total	\$ 668,832	594,705	1,472,458	605,788

See accompanying independent auditor's report.

City of Wapello



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

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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, 2002, and have issued our report thereon dated March 13, 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, 2002 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.

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 (G) are material weaknesses. Prior year reportable conditions have been resolved except for item (A).

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.

March 13, 2003

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

City of Wapello
Schedule of Findings
Year ended June 30, 2002

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 look into segregation of the Treasurer duties.

Conclusion - Response accepted.

City of Wapello

Schedule of Findings

Year ended June 30, 2002

- (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 - The City Clerk will work to accomplish this.

Conclusion - Response accepted.

- (C) Safeguarding City Records - Accounting records and unused checks were not stored in a secure place.

Recommendation - Accounting records and unused checks should be stored in a secure place.

Response - Unused checks are now stored in a safe place. Files that contain the past three fiscal years records are now locked.

Conclusion - Response accepted.

- (D) Monthly Bank Reconciliations - Although monthly bank reconciliations were prepared, the reconciliations included only the checking accounts and did not include investments and other reconciling items necessary to reconcile with the monthly financial reports.

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.

Response - Monthly reconciliations will be done.

Conclusion - Response accepted.

- (E) Receipts - Garbage tags sold for yard waste were not being accounted for.

Recommendation - Garbage tags for yard waste should be accounted for.

Response - We will start this immediately.

Conclusion - Response accepted.

City of Wapello

Schedule of Findings

Year ended June 30, 2002

- (F) Disbursements - Although disbursements were approved by the Council in the minutes, the list of bills was not included in the minutes. Also, invoices and supporting documentation were not always marked paid or canceled to help prevent possible duplicate payment. In addition, certain checks were countersigned in advance.

Recommendation - Disbursements approved by the Council should be identified in the minutes. Also, all invoices and supporting documentation should be canceled to help prevent possible duplicate payment. In addition, checks should only be countersigned after the appropriate supporting documentation has been reviewed. Checks should not be countersigned in advance.

Response - City Council will now sign off on the bill list. Bills paid will be stamped paid. Checks will not be countersigned in advance.

Conclusion - Response accepted.

- (G) 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 will establish a procedure for this.

Conclusion - Response accepted

- (H) 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.
- storage of back up tapes/files off site.
- 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, 2002

- (I) Timesheets - Timesheets/timecards were not available for all employees.

Recommendation - Timesheets should be prepared by all personnel in all departments, salaried as well as hourly, and should be submitted to the City Clerk prior to processing payroll each pay period. The timesheets should be signed by the employee and should be reviewed and signed by the employee's immediate supervisor prior to submission. The timesheets should support all hours worked and all hours taken as vacation, sick leave, compensatory time, holiday hours, and personal days.

Response - The Clerk will request this from all employees.

Conclusion - Response accepted.

City of Wapello

Schedule of Findings

Year ended June 30, 2002

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, 2002.
- (2) Certified Budget - Disbursements during the year ended June 30, 2002 exceeded the amounts budgeted in the Community Protection, Human Development, Home and Community Environment, and Policy and Administration Programs. 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.

The notice of the budget amendment hearing was not published at least 10 days prior to the hearing as required by Chapter 384.16(3) of the Code of Iowa.

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. The notice of the budget amendment hearing should be published not less than 10 days nor more than 20 days prior to the hearing date.

Response - The City will try to amend the budget in a more timely manner and adhere to the requirements of publications.

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
Wapello Jack and Jill Store	Christmas gift of meat for City employees	\$ 221

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 document the public purchase in a more appropriate manner.

Conclusion - Response accepted.

City of Wapello

Schedule of Findings

Year ended June 30, 2002

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

The Council went into closed session on July 5, 2001 to discuss personnel matters. These meetings were not closed in accordance with Chapter 21.5 of the Code of Iowa since the Council did not document that the employee had requested the closed session.

Recommendation - Minutes for closed meetings held under Chapter 21.5 of the Code of Iowa should document that the employee requested the closed session.

Response - The Clerk will document the council minutes more thoroughly.

Conclusion - Response accepted.

- (8) Deposits and Investments - Except as noted below, deposits and investments were in compliance with Chapter 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 made from 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 on investments to the Debt Service Funds.

Response - The City will try to adopt an investment policy this fiscal year.

Conclusion - Response acknowledged.

- (9) Financial Condition - The Capital Projects Fund had a deficit balance at June 30, 2002.

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

Response - The City will make a transfer from the General Fund to eliminate this deficit.

Conclusion - Response accepted.

City of Wapello

Schedule of Findings

Year ended June 30, 2002

- (10) Annual Financial Report - The City did not publish or file with the Office of Auditor of State the annual report for the fiscal year ended June 30, 2002, as required by Chapter 384.22 of the Code of Iowa.

Recommendation - The City should publish and file the annual report as required by Chapter 384.22 of the Code of Iowa.

Response - The annual report will be filed in a timely manner next year. Also, the annual report for fiscal year ended June 30, 2002 will be filed.

Conclusion - Response accepted.

- (11) 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 the receipt of 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 establish a Special Revenue 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
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