



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____

June 11, 2010

Contact: Andy Nielsen
515/281-5834

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

The City's receipts totaled \$1,481,852 for the year ended June 30, 2009, a 446 percent increase over 2008. The receipts included \$37,491 in property tax, \$29,463 from charges for service, \$13,184 from operating grants, contributions and restricted interest, \$70,204 from capital grants, contributions and restricted interest, \$16,940 from local option sales tax, \$2,775 from unrestricted interest on investments, \$1,266,850 from note proceeds, \$38,500 from loan proceeds and \$6,445 from other general receipts.

Disbursements for the year totaled \$1,532,163, a 448 percent increase over the prior year, and included \$1,312,164 for capital projects, \$109,659 for general government and \$55,487 for public works. Also, disbursements for business type activities totaled \$41,007.

The significant increase in receipts and disbursements is due primarily to a capital project for a new water system put into service during the year ended June 30, 2009.

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

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CITY OF WELTON

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

JUNE 30, 2009

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City of Welton

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Janet Huffman	Mayor	Jan 2010
Ed Novak	Mayor Pro tem	Jan 2012
Glen Boswell	Council Member	Jan 2010
Billy Koranda	Council Member	Jan 2010
Kenneth Mickey	Council Member	Jan 2010
Sandra Walker	Council Member	Jan 2012
LeAnn McCallister	Clerk	Indefinite
Mark Lawson	Attorney	Indefinite

City of Welton



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Welton, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Welton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

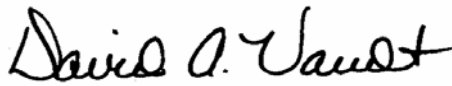
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Welton as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

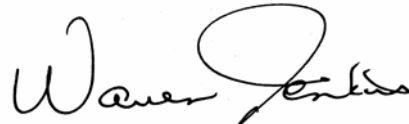
In accordance with Government Auditing Standards, we have also issued our report dated May 17, 2010 on our consideration of the City of Welton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Welton's basic financial statements. Other supplementary information included in Schedules 1 through 4 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 17, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Welton provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased approximately \$50,000, primarily due to disbursements for the water system capital project. Receipts and disbursements increased primarily due to the receipt of note proceeds and water system capital project disbursements.
- The cash basis net assets of the City's business type activities remained relatively consistent with the prior year.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

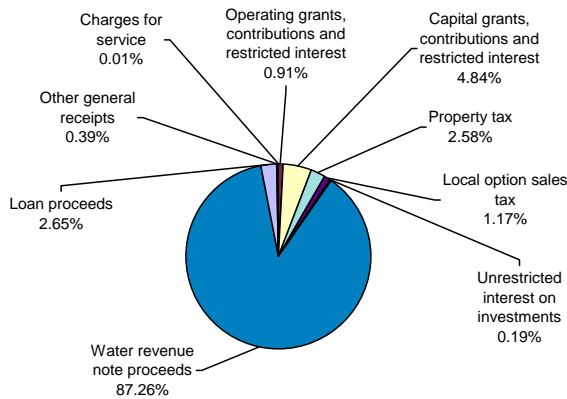
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from \$111,099 at June 30, 2008 to \$61,207 at June 30, 2009, primarily due to disbursements for a new water system. Also, receipts and disbursements increased, primarily due to the receipt of note proceeds and water system capital project disbursements. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

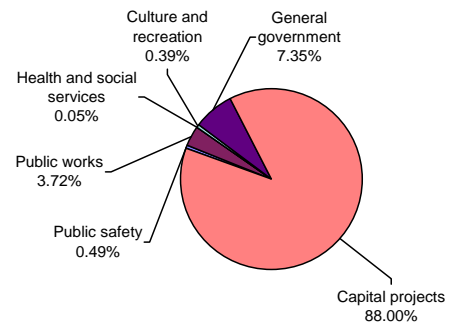
Changes in Cash Basis Net Assets of Governmental Activities

	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service	\$ 105	4,538
Operating grants, contributions and restricted interest	13,184	13,622
Capital grants, contributions and restricted interest	70,204	83,926
General receipts:		
Property tax	37,491	37,218
Local option sales tax	16,940	13,113
Unrestricted interest on investments	2,775	3,255
Water revenue note proceeds	1,266,850	86,125
Interim note proceeds	-	7,656
Loan proceeds	38,500	-
Other general receipts	5,625	2,045
Total receipts	1,451,674	251,498
Disbursements:		
Public safety	7,372	7,876
Public works	55,487	16,550
Health and social services	695	695
Culture and recreation	5,779	1,629
General government	109,659	43,274
Capital projects	1,312,164	181,098
Total disbursements	1,491,156	251,122
Change in cash basis net assets before transfers	(39,482)	376
Transfers, net	(10,410)	(33,584)
Change in cash basis net assets	(49,892)	(33,208)
Cash basis net assets beginning of year, as restated	111,099	144,307
Cash basis net assets end of year	\$ 61,207	111,099

Receipts by Source



Disbursements by Function



Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service:		
Sewer	\$ 16,614	16,248
Water	5,112	-
Solid waste	7,632	3,409
General receipts:		
Other general receipts	820	391
Total receipts	<u>30,178</u>	<u>20,048</u>
Disbursements:		
Sewer	21,351	17,909
Water	7,854	-
Solid waste	11,802	10,625
Total disbursements	<u>41,007</u>	<u>28,534</u>
Change in cash basis net assets before transfers	(10,829)	(8,486)
Transfers, net	<u>10,410</u>	<u>33,584</u>
Change in cash basis net assets	(419)	25,098
Cash basis net assets beginning of year	<u>11,784</u>	<u>(13,314)</u>
Cash basis net assets end of year	<u>\$ 11,365</u>	<u>11,784</u>

The cash basis net assets of the City's business type activities remained relatively consistent with the prior year. Increases in receipts and disbursements are attributed to water service being started during the current fiscal year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Welton completed the year, its governmental funds reported a combined fund balance of \$61,207, a decrease of approximately \$50,000 from last year's total of \$111,099. The following are the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$28,008 from the prior year to \$5,216, primarily due to the purchase of land from the Welton Volunteer Fire Company.
- The Special Revenue, Road Use Tax Fund cash balance decreased \$38,302 from the prior year to \$28,363, primarily due to asphalt project disbursements.
- The Capital Projects Fund cash balance increased \$24,890 from the prior year to \$18,254, primarily due to water revenue note proceeds and disbursements for a water project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Sewer Fund cash balance decreased \$4,340 from the prior year to \$9,528.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 5, 2009 and resulted in an increase in operating disbursements, primarily due to street department, debt service and the general government function. The City had sufficient cash balances to absorb these additional costs.

The City's receipts were \$18,370 less than budgeted, primarily due to the City budgeting \$38,500 in miscellaneous receipts which was actually a loan which should have been an other financing source. Also, the City budgeted intergovernmental receipts of \$50,603 but actually received \$83,388. The City budgeted for special assessments but didn't receive any collections in fiscal year 2009.

Even with the budget amendment, total disbursements were \$52,705 more than the amended budget, primarily due to the water project which went over the budgeted amount by \$112,164.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$1,402,639 in revenue notes and other long-term debt outstanding, compared to \$100,615 last year, as shown below.

Outstanding Debt at Year-End		
	June 30,	
	2009	2008
Revenue notes	\$1,366,465	100,615
Loan agreement	36,174	-
Total	\$1,402,639	100,615

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City has only \$36,174 in outstanding general obligation debt, which is significantly below its constitutional debt limit of approximately \$310,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Welton's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and fees charged for various City activities. One of those factors is the economy. The City's employment growth has mirrored its population growth during 2004-2008, which have remained virtually unchanged.

Property tax receipts are expected to remain relatively consistent with fiscal year 2009 due to an increase of 1.0% in the tax levy and a 3.3% increase in valuations. The City has budgeted receipts of approximately \$169,000, a decrease of approximately \$26,000 from the fiscal year 2009 final budgeted amount. This decrease is primarily due to no new note proceeds budgeted for in fiscal year 2010. The City has budgeted disbursements of approximately \$231,000, a decrease of approximately \$1,248,000 from the fiscal year 2009 final budgeted amount. This large decrease is primarily due the water project being completed in fiscal year 2009 and the City didn't budget for any capital projects in fiscal year 2010.

If these estimates are realized, the City's budgeted cash balance is expected to decrease approximately \$62,000 by the close of fiscal year 2010.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

City of Welton

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Primary government:				
Governmental activities:				
Public safety	\$ 7,372	-	-	-
Public works	55,487	-	13,184	-
Health and social services	695	-	-	-
Culture and recreation	5,779	-	-	-
General government	109,659	105	-	-
Capital projects	1,312,164	-	-	70,204
Total governmental activities	1,491,156	105	13,184	70,204
Business type activities:				
Sewer	21,351	16,614	-	-
Water	7,854	5,112	-	-
Solid waste	11,802	7,632	-	-
Total business type activities	41,007	29,358	-	-
Total primary government	\$ 1,532,163	29,463	13,184	70,204
Component unit:				
Welton Volunteer Fire Company	\$ 57,018	15,798	27,362	-
General Receipts:				
Property and other city tax levied for general purposes				
Local option sales tax				
Unrestricted interest on investments				
Loan proceeds				
Water revenue note proceeds				
Sale of land				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year, as restated				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Capital projects				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Governmental Activities	Business Type Activities	Total	Component Unit
(7,372)	-	(7,372)	-
(42,303)	-	(42,303)	-
(695)	-	(695)	-
(5,779)	-	(5,779)	-
(109,554)	-	(109,554)	-
(1,241,960)	-	(1,241,960)	-
(1,407,663)	-	(1,407,663)	-
-	(4,737)	(4,737)	-
-	(2,742)	(2,742)	-
-	(4,170)	(4,170)	-
-	(11,649)	(11,649)	-
(1,407,663)	(11,649)	(1,419,312)	-
-	-	-	(13,858)
37,491	-	37,491	-
16,940	-	16,940	-
2,775	-	2,775	-
38,500	-	38,500	-
1,266,850	-	1,266,850	-
-	-	-	75,356
5,625	820	6,445	4,744
(10,410)	10,410	-	-
1,357,771	11,230	1,369,001	80,100
(49,892)	(419)	(50,311)	66,242
111,099	11,784	122,883	2,977
\$ 61,207	11,365	72,572	69,219
\$ 28,363	-	28,363	-
18,254	-	18,254	-
9,374	-	9,374	-
5,216	11,365	16,581	69,219
\$ 61,207	11,365	72,572	69,219

Exhibit B

City of Welton

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

As of and for the year ended June 30, 2009

	Special Revenue				Total
	General	Road Use Tax	Capital Projects	Nonmajor	
Receipts:					
Property tax	\$ 32,753	-	-	3,391	36,144
Other city tax	1,347	-	-	16,940	18,287
Licenses and permits	105	-	-	-	105
Use of money and property	2,775	-	-	-	2,775
Intergovernmental	-	13,184	70,204	-	83,388
Miscellaneous	5,625	-	-	-	5,625
Total receipts	42,605	13,184	70,204	20,331	146,324
Disbursements:					
Operating:					
Public safety	7,372	-	-	-	7,372
Public works	4,001	51,486	-	-	55,487
Health and social services	695	-	-	-	695
Culture and recreation	5,623	-	-	156	5,779
General government	107,672	-	-	1,987	109,659
Capital projects	-	-	1,312,164	-	1,312,164
Total disbursements	125,363	51,486	1,312,164	2,143	1,491,156
Excess (deficiency) of receipts over (under) disbursements	(82,758)	(38,302)	(1,241,960)	18,188	(1,344,832)
Other financing sources (uses):					
Water revenue note proceeds	-	-	1,266,850	-	1,266,850
Loan proceeds	38,500	-	-	-	38,500
Operating transfers in	17,250	-	-	-	17,250
Operating transfers out	(1,000)	-	-	(26,660)	(27,660)
Total other financing sources (uses)	54,750	-	1,266,850	(26,660)	1,294,940
Net change in cash balances	(28,008)	(38,302)	24,890	(8,472)	(49,892)
Cash balances beginning of year, as restated	33,224	66,665	(6,636)	17,846	111,099
Cash balances end of year	\$ 5,216	28,363	18,254	9,374	61,207
Cash Basis Fund Balances					
Unreserved:					
General fund	5,216	-	-	-	5,216
Special revenue funds	-	28,363	-	9,374	37,737
Capital projects fund	-	-	18,254	-	18,254
Total cash basis fund balances	\$ 5,216	28,363	18,254	9,374	61,207

See notes to financial statements.

City of Welton

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

As of and for the year ended June 30, 2009

	Enterprise		Total
	Sewer	Nonmajor	
Operating receipts:			
Charges for service	\$ 16,614	12,744	29,358
Operating disbursements:			
Business type activities	21,351	18,656	40,007
Deficiency of operating receipts under operating disbursements	(4,737)	(5,912)	(10,649)
Non-operating receipts (disbursements):			
Miscellaneous	397	423	820
Debt service	-	(1,000)	(1,000)
Total non-operating receipts (disbursements)	397	(577)	(180)
Deficiency of receipts under disbursements	(4,340)	(6,489)	(10,829)
Operating transfers in	-	10,410	10,410
Net change in cash balances	(4,340)	3,921	(419)
Cash balances beginning of year	13,868	(2,084)	11,784
Cash balances end of year	\$ 9,528	1,837	11,365
Cash Basis Fund Balances			
Unreserved	\$ 9,528	1,837	11,365

See notes to financial statements.

City of Welton

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

The City of Welton is a political subdivision of the State of Iowa located in Clinton County. It was first incorporated in 1858 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides sewer, water and solid waste services for its citizens.

A. Reporting Entity

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

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

Discretely Presented Component Unit

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Clinton County Assessor's Conference Board, City Assessor's Conference Board, Clinton County Emergency Management Commission, Clinton County Landfill Commission and Clinton County Joint E911 Service Board.

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

The Special Revenue, Road Use Tax Fund is used to account for road construction and maintenance

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

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the culture and recreation, capital projects and business type activities functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

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

(3) Notes Payable

Water Revenue Notes

On June 10, 2008, the City entered into a State Revolving Fund loan and disbursement agreement with the Iowa Finance Authority for the issuance of \$1,449,000 of water revenue capital loan notes with interest at 3.00% per annum. The notes were issued pursuant to the provisions of Chapter 384.83 of the Code of Iowa to pay the cost of constructing improvements and extensions to the City's water system. The City will draw down funds from the Iowa Finance Authority upon request to reimburse the City for costs as they are incurred. At June 30, 2009, the City had drawn \$1,367,465 of the \$1,449,000 authorized. An initiation fee of 1% of the authorized borrowing for the water revenue capital loan notes was charged by the Iowa Finance Authority. The total initiation fee of \$14,490 was withheld by the Iowa Finance Authority from the first proceeds of the water revenue capital loan notes. Since the City has not fully drawn funds on the water revenue capital loan notes, a final repayment schedule has not yet been adopted for the debt. The City drew the remaining \$81,535 after June 30, 2009. During the year ended June 30, 2009, the City paid principal of \$1,000 and no interest. The City water system was placed into service in May 2009.

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

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

Loan Agreement

On February 27, 2009, the City entered into a loan agreement with interest at 5.80% per annum to purchase land. During the year ended June 30, 2009, the City paid loan principal of \$2,326 and interest of \$674. The loan has an outstanding principal balance of \$36,174 at June 30, 2009 and is due as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 7,088	1,912	9,000
2011	7,511	1,489	9,000
2012	7,958	1,042	9,000
2013	8,432	568	9,000
2014	5,185	101	5,286
Total	\$ 36,174	5,112	41,286

Welton Volunteer Fire Company Loan Agreement

On November 1, 2005, the Welton Volunteer Fire Company entered into a loan agreement with interest at 4.98% per annum to construct a fire house. During the year ended June 30, 2009, the Welton Volunteer Fire Company paid loan principal of \$4,857 and interest of \$3,143. The loan has an outstanding principal balance of \$54,368 at June 30, 2009 and is due as follows:

Year Ending June 30,	Principal	Interest	Total
2010	\$ 5,358	2,642	8,000
2011	5,629	2,371	8,000
2012	5,913	2,087	8,000
2013	6,210	1,790	8,000
2014	6,524	1,476	8,000
2015 - 2016	24,734	1,593	26,327
Total	\$ 54,368	11,959	66,327

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2009 and 2008 were \$1,171 and \$820, respectively, equal to the required contributions for each year.

(5) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Local Option Sales Tax	\$ 17,250
Enterprise: Water	General Special Revenue: Local Option Sales Tax	1,000 3,410
Enterprise: Solid Waste	Special Revenue: Local Option Sales Tax	6,000
Total		<u>\$ 27,660</u>

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

(6) Risk Management

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

(7) Construction Commitments

During the year ended June 30, 2009, the City entered into a contract totaling \$90,890 for street paving. At year end, the amount paid on the contract totaled \$39,080. The remaining \$51,810 will be paid during fiscal year 2010.

Prior contracts entered into by the City as of June 30, 2008 totaled \$1,360,165 with \$70,527 paid on the contracts as of June 30, 2008. During the year ended June 30, 2009, a change order increased the total amount of the contracts to \$1,374,853 as of June 30, 2009. Amounts paid on the contracts during fiscal year 2009 totaled \$1,169,679. During fiscal year 2010, change orders increased the total amount of the contracts to \$1,380,840. The remaining \$140,634 will be paid during fiscal year 2010.

(8) Restatement

The beginning cash basis net assets of the governmental activities and the General Fund have been restated to report previously unreported certificates of deposit held by the City. The detail of the restatement is as follows:

	Governmental Activities	General Fund
Cash basis net assets/fund balance June 30, 2008, as previously reported	\$ 91,499	13,624
Add previously unreported certificates of deposit	19,600	19,600
Cash basis net assets/fund balance July 1, 2008, as restated	<u>\$ 111,099</u>	<u>33,224</u>

(9) Subsequent Event

In February 2010, the City received \$250,000 in leaking underground storage tank (LUST) grant proceeds from the State of Iowa. This will be used to help pay down the outstanding water revenue note. A final debt schedule will not be established with the Iowa Finance Authority until these grant proceeds are applied to repay a portion of the water revenue notes.

In July 2009, the City entered into a loan agreement for \$35,000 for street repairs.

City of Welton

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 36,144	-	36,144
Other city tax	18,287	-	18,287
Licenses and permits	105	-	105
Use of money and property	2,775	-	2,775
Intergovernmental	83,388	-	83,388
Charges for service	-	29,358	29,358
Special assessments	-	-	-
Miscellaneous	5,625	820	6,445
Total receipts	<u>146,324</u>	<u>30,178</u>	<u>176,502</u>
Disbursements:			
Public safety	7,372	-	7,372
Public works	55,487	-	55,487
Health and social services	695	-	695
Culture and recreation	5,779	-	5,779
Community and economic development	-	-	-
General government	109,659	-	109,659
Capital projects	1,312,164	-	1,312,164
Debt service	-	1,000	1,000
Business type activities	-	40,007	40,007
Total disbursements	<u>1,491,156</u>	<u>41,007</u>	<u>1,532,163</u>
Deficiency of receipts under disbursements	(1,344,832)	(10,829)	(1,355,661)
Other financing sources, net	<u>1,294,940</u>	<u>10,410</u>	<u>1,305,350</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(49,892)	(419)	(50,311)
Balances beginning of year, as restated	<u>111,099</u>	<u>11,784</u>	<u>122,883</u>
Balances end of year	<u>\$ 61,207</u>	<u>11,365</u>	<u>72,572</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
35,038	35,038	1,106
16,063	16,063	2,224
500	530	(425)
-	-	2,775
14,500	50,603	32,785
96,485	29,660	(302)
-	24,478	(24,478)
-	38,500	(32,055)
162,586	194,872	(18,370)
7,270	7,935	563
41,930	78,510	23,023
695	695	-
2,400	5,550	(229)
500	100	100
39,320	112,230	2,571
1,200,000	1,200,000	(112,164)
-	38,000	37,000
32,468	36,438	(3,569)
1,324,583	1,479,458	(52,705)
(1,161,997)	(1,284,586)	(71,075)
1,200,000	1,200,000	105,350
38,003	(84,586)	34,275
136,110	136,110	(13,227)
174,113	51,524	21,048

City of Welton

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$154,875. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the culture and recreation, capital projects and business type activities functions.

Other Supplementary Information

Schedule 1

City of Welton

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

As of and for the year ended June 30, 2009

	Special Revenue		
	Employee Benefits	Local Option Sales Tax	Total
Receipts:			
Property tax	\$ 3,391	-	3,391
Other city tax	-	16,940	16,940
Total receipts	<u>3,391</u>	<u>16,940</u>	<u>20,331</u>
Disbursements:			
Operating:			
Culture and recreation	156	-	156
General government	1,987	-	1,987
Total disbursements	<u>2,143</u>	<u>-</u>	<u>2,143</u>
Excess of receipts over disbursements	1,248	16,940	18,188
Other financing uses:			
Operating transfers out	-	(26,660)	(26,660)
Net change in cash balances	1,248	(9,720)	(8,472)
Cash balances beginning of year	3,402	14,444	17,846
Cash balances end of year	<u>\$ 4,650</u>	<u>4,724</u>	<u>9,374</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	<u>\$ 4,650</u>	<u>4,724</u>	<u>9,374</u>

See accompanying independent auditor's report.

City of Welton

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

As of and for the year ended June 30, 2009

	Enterprise		Total
	Water	Solid Waste	
Operating receipts:			
Charges for service	\$ 5,112	7,632	12,744
Operating disbursements:			
Business type activities	6,854	11,802	18,656
Deficiency of operating receipts under operating disbursements	(1,742)	(4,170)	(5,912)
Non-operating receipts (disbursements):			
Miscellaneous	309	114	423
Debt service	(1,000)	-	(1,000)
Total non-operating receipts (disbursements)	(691)	114	(577)
Deficiency of receipts under disbursements	(2,433)	(4,056)	(6,489)
Operating transfers in	4,410	6,000	10,410
Net change in cash balances	1,977	1,944	3,921
Cash balances beginning of year	(367)	(1,717)	(2,084)
Cash balances end of year	\$ 1,610	227	1,837
Cash Basis Fund Balances			
Unreserved	\$ 1,610	227	1,837

See accompanying independent auditor's report.

City of Welton
Schedule of Indebtedness
Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
Revenue notes: Water	Jun 10, 2008	3.00%	\$1,449,000
Loan agreement: Land	Feb 27, 2009	5.80%	\$ 38,500
Welton Volunteer Fire Company: Loan agreement	Nov 1, 2005	4.98%	\$ 130,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
100,615	1,266,850	1,000	1,366,465	-
-	38,500	2,326	36,174	674
59,225	-	4,857	54,368	3,143

Schedule 4

City of Welton

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

For the Last Two Years

	<u>2009</u>	<u>2008</u>
Receipts:		
Property tax	\$ 36,144	35,885
Other city tax	18,287	14,446
Licenses and permits	105	640
Use of money and property	2,775	3,255
Intergovernmental	83,388	97,557
Miscellaneous	5,625	5,934
	<hr/>	<hr/>
Total	\$ 146,324	157,717
	<hr/> <hr/>	<hr/> <hr/>
Disbursements:		
Operating:		
Public safety	\$ 7,372	7,876
Public works	55,487	16,550
Health and social services	695	695
Culture and recreation	5,779	1,629
General government	109,659	43,274
Capital projects	1,312,164	94,973
	<hr/>	<hr/>
Total	\$ 1,491,156	164,997
	<hr/> <hr/>	<hr/> <hr/>

See accompanying independent auditor's report



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Welton, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated May 17, 2010. Our report expressed unqualified opinions on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

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

Compliance and Other Matters

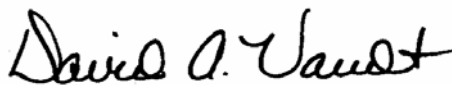
As part of obtaining reasonable assurance about whether the City of Welton's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

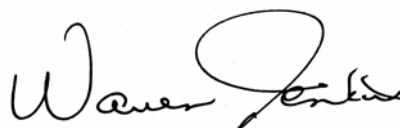
The City of Welton's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Welton's responses and, accordingly, we express no opinion on them.

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

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

May 17, 2010

City of Welton

Schedule of Findings

Year ended June 30, 2009

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

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

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

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

Responses –

City – Deposits are now being written and checked by second person. We have no investments at this time but are going to be working on an investment plan. Checks are signed now by two people and approved at each council meeting. Mail is opened by the City Clerk only, but deposits are prepared by second party. Payroll is prepared entirely by the City Clerk but approved by Council members at monthly council meeting in the past; will have a Council member approve any hourly employee payroll hours in the future. Bank reconciliations are prepared by the City Clerk and checked by Mayor with her reviewing and checking all transactions on the bank statement and clerks report, then initialing and dating upon completion of review and approval.

Welton Volunteer Fire Company – As a Company we will try to segregate duties more to comply with recommendations presented to us. The Company will start a list of all receipts prepared by someone other than the treasurer. This list will then be traced to the receipts ledger by another member.

Conclusions – Responses accepted.

City of Welton

Schedule of Findings

Year ended June 30, 2009

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

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

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

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

Response – The City Council will prepare a written policy for the financial computer system in the near future. A password has already been set up on the computer for sign on security and confidentiality. Password will be changed monthly for computer system. Backups are now done and held offsite by our government software entity. All software on the computer is licensed only to the City and used for City work. No usage other than City business is done on the computer; this will be in the written policy. We will be working on a disaster recovery plan for the City and our computer system. We also will be setting up the computer to shut down after a short period of time which will require a password to log on again to continue work for the City.

Conclusion – Response accepted.

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

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

City of Welton

Schedule of Findings

Year ended June 30, 2009

Responses –

City – The City Clerk will compile a daily procedure manual for the City’s accounting software, daily functions, monthly functions and quarterly functions for accounting procedures.

Welton Volunteer Fire Company – A more detailed accounting manual will be prepared and presented to the company for approval.

Conclusions – Responses accepted.

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

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

Response – The Mayor and Council will set up a detailed record of investments transactions for City investments with all required information recorded for each investment of the City.

Conclusion – Response accepted.

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

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

Response – The City will work on keeping all bank reconciliations current each month and reviewed by an independent person (Mayor).

Conclusion – Response accepted.

- (F) Disbursements – Certain purchases were made with a debit card.

Recommendation – A debit card should not be used for purchases since payments are made prior to approval by the City Council.

Response – Purchases are no longer made by a debit card. Debit card was destroyed by bank per the Clerk’s instructions and a City credit card was purchased for any City purchases necessary.

Conclusion – Response accepted.

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

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

Response – Timesheets will be provided to the Council or Council member for approval before checks are printed for hourly employees.

Conclusion – Response accepted.

City of Welton

Schedule of Findings

Year ended June 30, 2009

- (H) Annual Financial Report – The City’s annual financial report was prepared and filed timely for the year ended June 30, 2009. However, the report contained material errors and amounts which could not be substantiated.

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

Response – Errors will be corrected and the annual financial report will be re-approved at the April 2010 council meeting and sent in to the State Auditor’s Office.

Conclusion – Response accepted.

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

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response – Reconciling of utility billing, collections and delinquent accounts will be done once per week. This will be included in the accounting procedures manual.

Conclusion – Response accepted.

- (J) Welton Volunteer Fire Company – Bank reconciliations were not prepared July 2008 through November 2008. The reconciliations for December 2008 through June 2009 were prepared but were not reviewed and initialed by an independent person.

Certain checks were written payable to cash.

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

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

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

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

Response – Bank reconciliations have been started and done every month, but they will be reviewed and initialed by another person in the Company.

No more checks will be written to cash. If cash is needed a withdrawal from the bank will be made. The cash and a bank receipt will then be approved by another member after the cash is withdrawn.

The Company will take tickets for fundraisers and reconcile the receipts with tickets sold.

Conclusion – Response accepted.

City of Welton

Schedule of Findings

Year ended June 30, 2009

(K) Financial Reporting – During the audit, we identified material amounts of certificates of deposit not recorded in the City’s financial statements. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all certificates of deposit are identified and included in the City’s financial statements.

Response – We are currently working on procedures to make sure any future certificates of deposit are identified and included in all financial statements from this date forward.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Welton

Schedule of Findings

Year ended June 30, 2009

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the culture and recreation, capital projects and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

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

Response – The City budget will be amended before disbursements exceed the budget.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.
- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.
- (5) Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- (6) Council Minutes – One transfer was found we believe should have been approved in the Council minutes but was not.

Recommendation – Transfers between funds should be approved by the Council and documented in the minutes.

Response – All transfers will be recorded in the Council minutes.

Conclusion – Response accepted.

- (7) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

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

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

Conclusion – Response accepted.

City of Welton

Staff

This audit was performed by:

K. David Voy, CPA, Manager
Joshua B. Ludwig, Staff Auditor
Jeana R. Muhlbauer, Assistant Auditor
Lara K. Van Wyk, Assistant Auditor



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