



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

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NEWS RELEASE

FOR RELEASE

June 14, 2011

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515/281-5834

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

The City's receipts totaled \$66,703 for the year ended June 30, 2010. The receipts included \$8,587 in property tax, \$6,391 from local option sales tax, \$23,968 from charges for service, \$26,491 from operating grants, contributions and restricted interest, \$1,235 from unrestricted interest on investments and \$31 from other general receipts.

Disbursements for the year totaled \$46,165, and included \$14,414 for public works, \$10,668 for culture and recreation and \$6,615 for general government. Disbursements for business type activities totaled \$9,866.

The report contains recommendations to the City Council regarding compliance with filing IRS Form 941 and remitting applicable tax withholdings, proper reporting of IPERS wages, improper payment of an employee's share of IPERS from City funds and payment of late fees and penalties for late filing of IPERS reports. The report also addresses concerns regarding unsupported reimbursements and cash withdrawals from the community center bank account.

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/1022-0255-B00F.pdf>.

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

**JUNE 30, 2010**

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**City of Weldon**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(Before January 2010)</b>		
Steve Gully	Mayor	Jan 2010
Betty Savely	Mayor Pro tem	Jan 2010
Rick Cowden (Appointed Aug 2008)	Council Member	Nov 2009
Jerry Quayle	Council Member	(Resigned Aug 2008)
Ken Tennant	Council Member	(Resigned Nov 2008)
Victor Hull	Council Member	Jan 2010
<b>(After January 2010)</b>		
William Jensen	Mayor	Jan 2012
Sharon Kistler	Mayor Pro tem	Jan 2012
Carl Brammer	Council Member	Jan 2012
Rick Cowden	Council Member	Jan 2012
Judy Hughes	Council Member	Jan 2012
Victor Hull	Council Member	Jan 2012
Jolene Tennent	Clerk/Treasurer	Indefinite
Patrick Greenwood	Attorney	Indefinite

**City of Weldon**



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Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Weldon, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Weldon's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009.

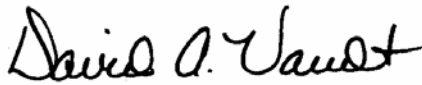
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Weldon as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated May 23, 2011 on our consideration of the City of Weldon'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.

The City of Weldon has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the financial statements.

The budgetary comparison information on pages 20 through 22 is not a required part of the basic financial statements, but is 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 Weldon's basic financial statements. Other supplementary information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the third paragraph, 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 23, 2011



## **Basic Financial Statements**

City of Weldon

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 1,686	-	-
Public works	14,414	-	14,396
Culture and recreation	10,668	-	12,095
General government	6,615	65	-
Debt service	2,916	-	-
Total governmental activities	36,299	65	26,491
Business type activities:			
Sewer	9,866	23,903	-
Total	\$ 46,165	23,968	26,491

**General Receipts:**

Property and other city tax levied for general purposes  
 Local option sales tax  
 Unrestricted interest on investments  
 Miscellaneous  
 Total general receipts

Change in cash basis net assets  
 Cash basis net assets beginning of year  
 Cash basis net assets end of year

**Cash Basis Net Assets**

Restricted:  
     Streets  
     Community center  
     Train depot preservation  
     Country club  
     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
(1,686)	-	(1,686)
(18)	-	(18)
1,427	-	1,427
(6,550)	-	(6,550)
(2,916)	-	(2,916)
(9,743)	-	(9,743)
-	14,037	14,037
(9,743)	14,037	4,294
8,587	-	8,587
6,391	-	6,391
21	1,214	1,235
31	-	31
15,030	1,214	16,244
5,287	15,251	20,538
(3,003)	95,995	92,992
\$ 2,284	111,246	113,530
834	-	834
2,805	-	2,805
5,196	-	5,196
2,029	-	2,029
1,580	-	1,580
(10,160)	111,246	101,086
\$ 2,284	111,246	113,530

City of Weldon

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

As of and for the year ended June 30, 2010

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 7,896	-	-
Other city tax	691	-	6,391
Use of money and property	21	-	-
Intergovernmental	-	12,415	-
Miscellaneous	32	-	-
Total receipts	<u>8,640</u>	<u>12,415</u>	<u>6,391</u>
Disbursements:			
Operating:			
Public safety	-	-	1,686
Public works	523	6,900	6,854
Culture and recreation	2,468	-	1,806
General government	6,615	-	-
Debt service	-	-	-
Total disbursements	<u>9,606</u>	<u>6,900</u>	<u>10,346</u>
Net change in cash balances	(966)	5,515	(3,955)
Cash balances beginning of year	<u>2,281</u>	<u>(4,139)</u>	<u>2,498</u>
Cash balances end of year	<u>\$ 1,315</u>	<u>1,376</u>	<u>(1,457)</u>
<b>Cash Basis Fund Balances</b>			
Unreserved:			
General fund	\$ 1,315	-	-
Special revenue funds	-	1,376	(1,457)
Total cash basis fund balances	<u>\$ 1,315</u>	<u>1,376</u>	<u>(1,457)</u>

See notes to financial statements.

Weldon Community Center	Nonmajor	Total
-	-	7,896
-	-	7,082
-	-	21
-	1,981	14,396
7,829	4,330	12,191
7,829	6,311	41,586
-	-	1,686
-	137	14,414
5,415	979	10,668
-	-	6,615
2,916	-	2,916
8,331	1,116	36,299
(502)	5,195	5,287
3,307	(6,950)	(3,003)
2,805	(1,755)	2,284
-	-	1,315
2,805	(1,755)	969
2,805	(1,755)	2,284

**City of Weldon**

City of Weldon

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

As of and for the year ended June 30, 2010

	<u>Enterprise</u> <u>Sewer</u>
Operating receipts:	
Charges for service	\$ 23,903
Operating disbursements:	
Business type activities	<u>9,866</u>
Excess of operating receipts over operating disbursements	14,037
Non-operating receipts:	
Interest on investments	<u>1,214</u>
Net change in cash balance	15,251
Cash balance beginning of year	<u>95,995</u>
Cash balance end of year	<u><u>\$ 111,246</u></u>
<b>Cash Basis Fund Balance</b>	
Unreserved	<u><u>\$ 111,246</u></u>

See notes to financial statements.

City of Weldon

Notes to Financial Statements

June 30, 2010

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

The City of Weldon is a political subdivision of the State of Iowa located in Decatur County. It was first incorporated in 1902 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation and general government services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Weldon 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 has no component units which meet the Governmental Accounting Standards Board criteria.

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: Decatur County Assessor's Conference Board, Decatur County Emergency Management Commission and Decatur 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. 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 the following 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 the proprietary fund. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for receipts derived from the local option sales tax authorized by election and used for police and fire protection and city maintenance.

The Community Center Fund is utilized to account for all resources acquired and used to operate the community center.

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are 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, 2010, disbursements exceeded the amounts budgeted in the culture and recreation, debt service and business type activities functions.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

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

**(3) Note Payable**

On April 23, 2009, the City obtained a bank loan to remodel the community center. The loan is to be repaid in nineteen quarterly payments of \$479, including interest at 7% per annum, beginning July 25, 2009. During the year ended June 30, 2010, the City paid \$2,916 on the loan, including principal of \$2,729 and interest of \$187. The balance on the loan at June 30, 2010 is \$3,984. The loan was subsequently paid off in full in February 2011.

**(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.

Regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Contribution requirements are established by state statute. The City's contributions to IPERS for the year ended June 30, 2010 was \$319, equal to the required contribution for the year.

**(5) 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.

**(6) Deficit Balances**

The Special Revenue, Local Option Sales Tax, Grants and FEMA Funds had deficit balances of \$1,457, \$5,531 and \$5,029, respectively, at June 20, 2010. The Special Revenue, Local Option Sales Tax Fund deficit will be eliminated through future tax collections. The deficits in the Special Revenue, Grants and FEMA Funds will be eliminated through loans from the Enterprise, Sewer Fund. The loans will be repaid over time from the General Fund.

**City of Weldon**

**Required Supplementary Information**

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Property tax	\$ 7,896	-
Other city tax	7,082	-
Use of money and property	21	1,214
Intergovernmental	14,396	-
Charges for service	-	23,903
Miscellaneous	12,191	-
Total receipts	<u>41,586</u>	<u>25,117</u>
Disbursements:		
Public safety	1,686	-
Public works	14,414	-
Culture and recreation	10,668	-
Community and economic development	-	-
General government	6,615	-
Debt service	2,916	-
Business type activities	-	9,866
Total disbursements	<u>36,299</u>	<u>9,866</u>
Excess (deficiency) of receipts over (under) disbursements	5,287	15,251
Balances beginning of year	<u>(3,003)</u>	<u>95,995</u>
Balances end of year	<u>\$ 2,284</u>	<u>111,246</u>

See accompanying independent auditor's report.

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Total	Original and Final Budgeted Amounts	Final to Total Variance
7,896	8,074	(178)
7,082	696	6,386
1,235	-	1,235
14,396	-	14,396
23,903	-	23,903
12,191	-	12,191
66,703	8,770	57,933
1,686	2,970	1,284
14,414	17,500	3,086
10,668	3,000	(7,668)
-	3,000	3,000
6,615	16,700	10,085
2,916	-	(2,916)
9,866	3,000	(6,866)
46,165	46,170	5
20,538	(37,400)	57,938
92,992	92,029	963
113,530	54,629	58,901

City of Weldon

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. 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 and the Enterprise Fund. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. There were no budget amendments during the year.

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



**Other Supplementary Information**

City of Weldon

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

Year ended June 30, 2010

	Special		
	Scales	Tort	Grants
Receipts:			
Intergovernmental	\$ -	-	-
Miscellaneous	65	-	-
Total receipts	65	-	-
Disbursements:			
Operating:			
Public works	137	-	-
Culture and recreation	-	-	-
Total disbursements	137	-	-
Net change in cash balances	(72)	-	-
Cash balances beginning of year	1,581	71	(5,531)
Cash balances end of year	\$ 1,509	71	(5,531)
<b>Cash Basis Fund Balances</b>			
Unreserved:			
Special revenue funds	\$ 1,509	71	(5,531)

See accompanying independent auditor's report.

Revenue			
FEMA	Weldon Train Depot Preservation	Weldon Country Club	Total
1,981	-	-	1,981
-	3,849	416	4,330
1,981	3,849	416	6,311
-	-	-	137
-	562	417	979
-	562	417	1,116
1,981	3,287	(1)	5,195
(7,010)	1,909	2,030	(6,950)
(5,029)	5,196	2,029	(1,755)
(5,029)	5,196	2,029	(1,755)

**City of Weldon**



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David A. Vaudt, CPA  
Auditor of State

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Weldon, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated May 23, 2011. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Weldon'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 Weldon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Weldon's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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

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

## Compliance and Other Matters

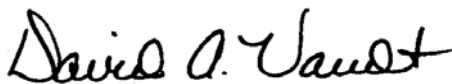
As part of obtaining reasonable assurance about whether the City of Weldon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material 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 which are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

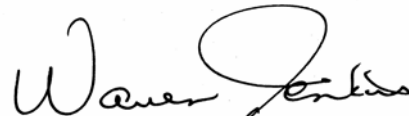
The City of Weldon's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Weldon's responses and, accordingly, we express no opinion on them.

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 Weldon and other parties to whom the City of Weldon may report and 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 Weldon 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 23, 2011

City of Weldon

Schedule of Findings

Year ended June 30, 2010

**Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

- (A) Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees and officials to prevent an individual employee from handling duties which are incompatible. For the City, one individual has control over each of the following areas.
- (1) Cash – handling, reconciling and recording.
  - (2) Investments – investing, recording and reconciling earnings.
  - (3) Receipts – collecting, recording, depositing, journalizing and reconciling.
  - (4) Utilities – billing, collecting, depositing, posting, recordkeeping for accounts receivable and write offs.
  - (5) Disbursements – purchasing, invoice processing, preparing checks, signing checks, mailing and recording.
  - (6) Payroll – recordkeeping, preparation, posting and distribution.
  - (7) Financial reporting – preparing and reconciling.
  - (8) Computer systems – performing all general accounting functions and controlling all data and output.

For the Weldon Community Center, the Weldon Country Club and the Weldon Train Depot Preservation accounts, one individual has control over each of the following areas.

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, recording, depositing and reconciling.
- (3) Disbursements – preparing checks, signing checks, mailing and recording.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, Community Center, Country Club and Train Depot Preservation should review their control procedures to obtain the maximum internal control possible under the circumstances.

Response – The City Clerk will begin working with the Community Center, Country Club and Train Depot boards regarding these issues. The City Clerk will discuss with the Council possible solutions to internal control issues with the City and the boards.

Conclusion – Response accepted.

City of Weldon

Schedule of Findings

Year ended June 30, 2010

- (B) Bank Reconciliations – Book balances were not reconciled to the bank account and investment balances monthly for the City, the Weldon Community Center, the Weldon Country Club and the Weldon Train Depot Preservation. Also, lists of outstanding checks were not prepared monthly.

Recommendation – To improve financial accountability and control, book and bank balances should be reconciled monthly. Variances, if any, should be investigated and resolved timely. A listing of outstanding checks should be prepared monthly and retained.

Response – The current City Clerk reconciles the bank balances monthly and keeps a spreadsheet for all investment balances. The current City Clerk also keeps a list of all outstanding checks. The City Clerk will require the other boards provide copies of their monthly bank statements to be kept at City hall and require that all books be reconciled monthly.

Conclusion – Response accepted.

- (C) Financial Reporting – During the audit, we identified a material amount of receipts recorded to incorrect funds in the City's accounting records and material activity for the separately maintained Weldon Community Center, Weldon Country Club and Weldon Train Depot Preservation accounts omitted from the City's records. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure all receipts and activity for each separately maintained account are properly recorded in the City's financial statements.

Response – The City will ensure all receipts and separately maintained accounts are recorded properly in the City's financial statements.

Conclusion – Response accepted.

- (D) Utilities – The following were noted regarding the City's utilities:

- Utility billings, collections and delinquent accounts were not reconciled throughout the year.
- \$1,253 of write-offs of accounts deemed uncollectible were not approved by the City Council.
- Utility receipts were not always retained.
- Paid utility stubs or other receipt records did not indicate the date or amount paid. Accordingly, we were unable to determine whether penalties were properly applied throughout the year.

Recommendation - Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period. The Council or other independent person should review the reconciliations and monitor delinquencies. Write-offs of uncollectible accounts should be approved by the City Council prior to write off. All paid utility stubs or receipt records should be retained and should indicate the actual date and amount paid.



City of Weldon

Schedule of Findings

Year ended June 30, 2010

Response – The current City Clerk reconciles utility billings monthly and keeps a record of all delinquent accounts. Any further write offs will be approved by the Council and recorded in the minutes.

Conclusion – Response acknowledged. Utility billings should also be reconciled to collections and delinquent accounts monthly. All utility stub or receipt records should be retained and should indicate the actual date and amount paid.

(E) Disbursements and Debit Card Purchases – The following were noted:

- Prior to April, 2010, the City had a debit card for use by employees while on City business. Use of these types of cards is a risk to the City since the function of a debit card is to provide immediate access to the City's funds and there is limited ability to set guidelines for access. In April 2010, the Council approved eliminating use of the debit card for City business.
- Invoices and other supporting documentation were not always available to support disbursements made by check and/or debit card. For disbursements made by check, four of fifteen items tested, totaling \$648, were not properly supported. For disbursements made via debit card, eight of twenty transactions tested, totaling \$196, were not properly supported.
- Disbursements for mowing totaling \$1,425 were not properly supported. Support did not include service dates or a signature of the individual providing the service.
- Sales tax was paid on certain transactions.

Recommendation – The City should establish a formal written policy prohibiting the use of debit cards for City business. All disbursements should be supported by vendor invoice or other supporting documentation. Documentation for mowing services should include the dates of service and signature of the individual providing the service. The City is exempt from sales tax and, accordingly, should establish procedures to ensure sales tax is not paid on future purchases.

Response – The City will prepare a formal policy prohibiting the use of debit cards for City business. The City will ensure all disbursements are supported by invoice, receipts or documentation. The City will ensure sales tax is not paid on all future invoices. The City will require all contractors for mowing to document dates and sign their invoices.

Conclusion – Response accepted.

(F) Community Center Disbursements and Cash Withdrawals – Invoices and other supporting documentation were not always available to support disbursements. One of five invoices tested, totaling \$111, was not properly supported by vendor invoice. In addition, two checks totaling \$503 written to an individual for "cash to reimburse" were not supported. The City represented the reimbursement was for supplies purchased for the community center remodeling project.

In addition, unsupported cash withdrawals totaling \$282 were made from the Community Center bank account during fiscal year 2010.

City of Weldon

Schedule of Findings

Year ended June 30, 2010

Recommendation – The City should establish written policies regarding reimbursements to employees for products purchased for City purposes, including limits on these types of reimbursements and requiring proper support with vendor invoice prior to allowing reimbursement. The City should also establish written policies prohibiting cash withdrawals from bank accounts and requiring payments be made by check. If cash is needed to replenish a petty cash or change fund, a check should be issued to the bank for “cash” to provide a trail of the transaction and, as noted in finding (A) above, proper segregation of duties controls should be in place over all disbursements.

Response – The City will adopt a written policy that no cash be withdrawn from any City accounts and require invoices and/or receipts be provided before any reimbursements are made. The City will adopt a policy to limit reimbursements.

Conclusion – Response accepted.

- (G) Prenumbered Receipts - Prenumbered receipts were not issued for amounts collected by the City, the Weldon Community Center, the Weldon Train Depot Preservation and the Weldon Country Club.

Recommendation – 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 current City Clerk uses a prenumbered receipt book.

Conclusion – Response accepted.

- (H) Electronic Data Processing Systems – During our review of internal control, the existing control activities in the City’s computer-based systems 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 systems were noted:

The City does not have written policies for:

- Requiring the maintenance of password privacy and confidentiality.
- Requiring passwords be changed at least every 60-90 days.
- Requiring backups of system information.
- Installing software from a vendor and ensuring only software licensed to the City is installed on computers.
- Running an anti-virus program on computers.
- Usage of the internet.
- Personal use of computer equipment and software.

Also, the City does not have a written disaster recovery plan.

City of Weldon

Schedule of Findings

Year ended June 30, 2010

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over computer based systems. A written disaster recovery plan should be developed. At a minimum, the plan should identify computer equipment needed for temporary processing and paper supplies, such as checks, warrants, purchase orders, etc., which should be located off-site. Additionally, copies of user documentation and the disaster recovery plan should be maintained at an off-site location.

Response – The City Clerk will talk with the Council during the next City Council meeting regarding a policy for above items.

Conclusion – Response accepted.

- (I) Accounting Policies and Procedures Manual - The City does not have an accounting policies and procedures manual.

Recommendation - An accounting policies and procedures manual should be developed to provide the following benefits:

- (1) Aid in training additional or replacement personnel.
- (2) Help achieve uniformity in accounting and in the application of policies and procedures.
- (3) Ensure City accounts are properly utilized.

Response – The City will work on preparing a procedure manual.

Conclusion – Response accepted.

- (J) Special Assessments – The City collects special assessments for delinquent sewer accounts and fees for nuisance mowing. The resolutions provided to the County Treasurer to certify the delinquent accounts and fees for collection through property tax do not identify amounts assessed for sewer separately from amounts assessed for nuisance mowing.

Recommendation – The Council resolution to certify delinquent sewer accounts and nuisance mowing fees should clearly indicate if an assessment is for delinquent sewer accounts or nuisance mowing. The City should retain copies of the resolutions to ensure and support proper posting of these receipts.

Response – The City Clerk will prepare separate resolutions for sewer and mowing nuisances. The current City Clerk keeps copies of all resolutions.

Conclusion – Response accepted.

City of Weldon

Schedule of Findings

Year ended June 30, 2010

- (K) Payroll - Time sheets were not prepared by City employees.

Recommendation - Time sheets should be prepared and retained to support time worked by all employees and should be reviewed and approved by a responsible official before the payroll checks are prepared.

Response - Time sheets are currently being prepared and maintained.

Conclusion - Response accepted.

- (L) Unemployment Payroll Reports - The Iowa Quarterly Employer's Contribution and Payroll reports were not filed timely with Iowa Workforce Development, resulting in late fees of \$105 in fiscal year 2010.

Recommendation - The City Clerk should establish procedures to ensure the Iowa Quarterly Employer's Contribution and Payroll reports are filed timely.

Response - The current City Clerk reports all IPERS and payments before due date.

Conclusion - Response accepted.

- (M) Expense Allocation - The City has no formal policy detailing how certain expenses should be allocated among the General, Special Revenue, Road Use Tax and Enterprise, Sewer Funds.

Recommendation - The City should review current methods of allocating expenses, such as payroll, utilities and fuel, and should establish a written policy providing guidelines for proper and consistent allocation of these costs.

Response - The City will prepare a written policy on expense allocation.

Conclusion - Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

City of Weldon

Schedule of Findings

Year ended June 30, 2010

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

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

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

Response – The City will monitor budgets closely and amend all future budgets if needed.

Conclusion – Response accepted.

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

<u>Paid to</u>	<u>Purpose as noted</u>	<u>Amount</u>
Bruce Thompson	Weldon community BBQ	\$ 150
Walmart	Cups and lemonade for the Weldon community BBQ	84

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

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

Response – The City Council will review the recommendations.

Conclusion – Response acknowledged. The Council should determine and document public purpose prior to authorizing further payments.

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

City of Weldon

Schedule of Findings

Year ended June 30, 2010

- (4) Business Transactions – Business transactions between the City and City officials or employees and their immediate family are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Ken Tennent, spouse of Jolene Tennent, City Clerk	Snow plowing and swing set repair	\$ 375
Konner Brimm, son of Sam Brimm, City employee	Mowing and City clean- up	1,838
Kooper Brimm, son of Sam Brimm, City employee	City clean-up	80

In accordance with Chapter 362.5(10)(k) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500 during the fiscal year.

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

Certain minutes of the Council meetings were not signed in accordance with Chapter 380.7 of the Code of Iowa.

The annual gross salary of each employee was not posted in accordance with an Attorney General's opinion dated April 12, 1978.

The Council went into closed session on April 11, 2010. The minutes record did not document the roll call vote to go into closed session and did not reference a specific exemption for the closed session as required by Chapter 21.5 of the Code of Iowa. In addition, the stated reason for the closed session did not meet the criteria of Chapter 21.5 of the Code of Iowa for holding a closed session.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa. The City should ensure annual individual gross salaries are posted as required. The minutes should be signed to authenticate the record.

Response – The City will post gross salaries yearly as required. The current City Clerk signs all 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 that complies with the provisions of Chapter 12B.10B of the Code of Iowa.

Response – The City will adopt a written investment policy.

City of Weldon

Schedule of Findings

Year ended June 30, 2010

Conclusion – Response accepted.

- (8) IRS Form 941 – The 2009 and 2010 Employer’s Quarterly Federal Tax Returns, Form 941, were not retained or available for audit. Based on information obtained from the Internal Revenue Service (IRS) by the current City Clerk, the following were noted:
- Form 941 reports for the third and fourth quarter of 2009 were not filed with the IRS and the corresponding federal tax withholdings, totaling \$496, were not remitted as required.
  - Form 941 reports for the first, second and third quarters of 2010 were not filed with the IRS. Federal tax withholdings totaling \$575 for the first and second quarters were not remitted. However, \$265 of federal tax withholdings were remitted (with no Form 941) for the third quarter of 2010.
  - On February 6, 2010, the former City Clerk remitted \$1,118 to the IRS with no Form 941.

We were unable to determine if the appropriate FICA and Medicare amounts were remitted to the IRS for the 2009 and 2010 reporting periods.

Recommendation – The City should contact the Internal Revenue Service to determine the disposition of this matter and ensure all appropriate taxes are remitted for 2009 and 2010. In the future, the City should ensure all IRS Forms 941 are filed quarterly, as required, and all federal withholdings are properly remitted.

Response – The current City Clerk has contacted IRS and filed all necessary paperwork. The City will continue to file all 941 forms on a timely manner and all proper withholdings are remitted.

Conclusion – Response accepted.

- (9) IPERS Withholdings - The City did not report wages to the Iowa Public Employees Retirement System (IPERS) for the City’s maintenance employee although more than \$300 had been earned for various quarters during his employment, which began in 2005.

The former City Clerk did not withhold IPERS from her wages but instead remitted both the employee’s and employer’s share of IPERS from City funds. This resulted in the City paying \$958 of the City Clerk’s share of IPERS for the period June 2005 through September 2010. In addition, IPERS reports were regularly filed late and penalties totaling \$121 were incurred for the period January 1, 2009 to December 31, 2010.

Recommendation - The City should consult the County Attorney and the Iowa Public Employees Retirement System to determine the disposition of these matters.

Response – The City will contact the County Attorney as well as IPERS on this matter.

Conclusion – Response accepted.

City of Weldon

Schedule of Findings

Year ended June 30, 2010

- (10) Contract Labor - The City did not file a Form 1099 with the Internal Revenue Service for \$1,838 of contract mowing services paid during the 2009 calendar year.

Recommendation - The City should contact the Internal Revenue Service to determine the disposition of this matter.

Response - The City will contact the IRS on this matter.

Conclusion - Response accepted.

- (11) Annual Financial Report - Chapter 384.22 of the Code of Iowa requires the City's Annual Financial Report contain a "summary for the preceding fiscal year of all collections and receipts, all accounts due the City, and all expenditures...". The City's Annual Financial Report reported receipts, disbursements and fund balances which do not materially agree with City records.

Recommendation - The Annual Financial Report should be amended to correct material errors and future amounts reported should be supported by the City's records.

Response - The City will amend the AFR.

Conclusion - Response acknowledged. The City should also ensure future reports are properly supported.

- (12) Separately Maintained Records - The Community Center, Train Depot Preservation and Country Club maintain bank accounts for fundraiser and donation activity separate from the City Clerk's accounting records. The transactions and the resulting balances were not included in the City's accounting records and were not included in the City's annual budget or monthly financial reports. However, the transactions and the resulting balances are included in these financial statements.

Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records and annual budget and should be reported to the Council on a monthly basis.

Response - The City will begin including the Community Center, Train Depot and Country Club in all budgets and annual reports. The City Clerk will work with all boards to ensure all records are kept at City Hall and maintained.

Conclusion - Response accepted.

- (13) Electronic Check Retention - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not retain electronic images of the back of cancelled checks.

Recommendation - The City should retain an image of both the front and back of each cancelled check as required.



City of Weldon

Schedule of Findings

Year ended June 30, 2010

Response – The City will contact the bank and request images of both the front and back of cancelled checks.

Conclusion – Response accepted.

- (14) Financial Condition – The Special Revenue, Local Option Sales Tax, Grants and FEMA Funds had deficit balances of \$1,457, \$5,531 and \$5,029, respectively, at June 30, 2010.

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

Response – The City plans to pass a resolution loaning funds from the Enterprise, Sewer Fund to the Special Revenue, Grants and FEMA Funds eliminate those deficits. The resolution will include a repayment plan. The deficit in the Special Revenue, Local Option Sales Tax Fund will be eliminated through future tax collections.

Conclusion – Response accepted.

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City of Weldon

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager  
Karen J. Kibbe, Senior Auditor  
Brooke A. Lytle, Assistant Auditor

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

Andrew E. Nielsen, CPA  
Deputy Auditor of State