



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____

June 22, 2011

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

The City's receipts totaled \$5,464,298 for the year ended June 30, 2010. The receipts included \$283,921 in property tax, \$177,571 from tax increment financing, \$1,426,372 from charges for service, \$374,231 from operating grants, contributions and restricted interest, \$2,340,062 from capital grants, contributions and restricted interest, \$117,772 from local option sales tax, \$7,579 from unrestricted interest on investments, \$721,346 from note proceeds and \$15,444 from other general receipts.

Disbursements for the year totaled \$5,974,617, and included \$3,590,743 for capital projects, \$296,466 for debt service and \$293,963 for culture and recreation. Also, disbursements for business type activities totaled \$1,489,803.

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/1021-0888-B00F.pdf>.

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CITY OF WELLMAN

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

JUNE 30, 2010

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City of Wellman

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2010)		
Ryan Miller	Mayor	Jan 2010
Fern Bontrager	Council Member	Jan 2010
Paul Douglas Powell	Council Member	Jan 2010
Steve Miller	Council Member	Jan 2012
Marc Pennington	Council Member	Jan 2012
Johnny Schwartz	Council Member	Jan 2012
Donna Wade	Clerk	Indefinite
Daniel Kitchen	Attorney	Indefinite
(After January 2010)		
Ryan Miller	Mayor	Jan 2014
Steve Miller	Council Member	Jan 2012
Marc Pennington	Council Member	Jan 2012
Johnny Schwartz	Council Member	Jan 2012
Fern Bontrager	Council Member	Jan 2014
Paul Douglas Powell	Council Member	Jan 2014
Donna Wade	Clerk	Indefinite
Daniel Kitchen	Attorney	Indefinite

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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 Wellman, 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 Wellman'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.

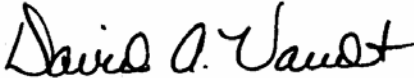
As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not 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.

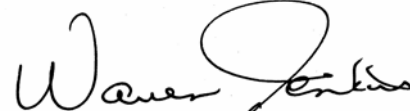
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the preceding paragraph, the financial statements referred to above present 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 Wellman 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 June 6, 2011 on our consideration of the City of Wellman'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 13 and 32 through 34 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 Wellman's basic financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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

June 6, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Because the City is not required to be audited annually, much of the information is not easily comparable to prior years. Comparative data has been provided if available.

2010 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased approximately \$688,000, due primarily to disbursements for project costs during fiscal year 2010 with receipts on hand at June 30, 2009.
- The cash basis net assets of the City's business type activities increased 62%, or approximately \$178,000, primarily due to increased utility rates.

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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, 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 the natural gas system, the waterworks, the sanitary sewer system and solid waste disposal. 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 Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statement provides 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.

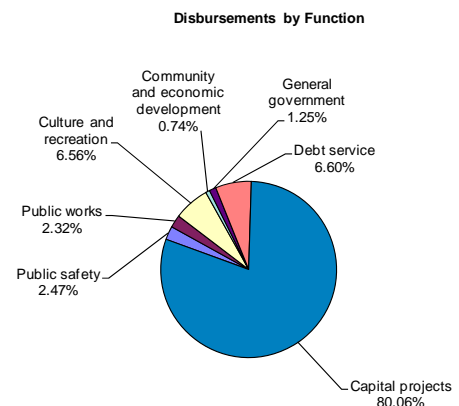
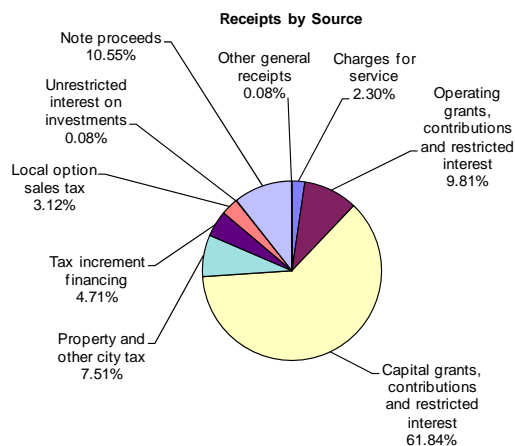
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains five Enterprise Funds to provide separate information for the gas, water, sewer, solid waste disposal and local access channel operations. The Water, Sewer and Gas Funds are considered to be major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$1,270,000 to approximately \$582,000. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		Year ended June 30, 2010
Receipts:		
Program receipts:		
Charges for service		\$ 87
Operating grants, contributions and restricted interest		371
Capital grants, contributions and restricted interest		2,340
General receipts:		
Property and other city tax		284
Tax increment financing		178
Local option sales tax		118
Unrestricted interest on investments		3
Note proceeds		399
Other general receipts		3
Total receipts		<u>3,783</u>
Disbursements:		
Public safety		111
Public works		104
Culture and recreation		294
Community and economic development		33
General government		56
Debt service		296
Capital projects		3,591
Total disbursements		<u>4,485</u>
Change in cash basis net assets before transfers		(702)
Transfers, net		<u>14</u>
Change in cash basis net assets		(688)
Cash basis net assets beginning of year		<u>1,270</u>
Cash basis net assets end of year		<u><u>\$ 582</u></u>



The cash basis net assets of the City's governmental funds decreased primarily due to a decrease in receipts and an increase in disbursements during fiscal year 2010. The decrease in receipts was primarily the result of proceeds from grants and bonds in fiscal year 2009 for various capital projects. USDA and Vision Iowa grants, Wellman Area Foundation and CDBG funds for the Parkside Activities Center project kept fiscal year 2010 receipts close to the fiscal year 2009 receipt level. The significant increase in disbursements was primarily due to the Parkside Activities Center capital project.

The City decreased property tax rates for fiscal year 2010 by approximately 1.6 percent due to an increase in assessed values and using some carryover funds in the special levies to reduce those rates. In the previous year, no carryover was available so these levy funds had to be fully funded by tax askings.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)	
	Year ended June 30, 2010
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 315
Sewer	272
Gas	687
Solid waste	61
Local access channel	5
Operating grants, contributions and restricted interest	4
General receipts:	
Unrestricted interest on investments	4
Note proceeds	322
Miscellaneous	12
Total receipts	<u>1,682</u>
Disbursements:	
Water	619
Sewer	197
Gas	611
Solid waste	57
Local access channel	6
Total disbursements	<u>1,490</u>
Change in cash basis net assets before transfers	192
Transfers, net	<u>(14)</u>
Change in cash basis net assets	178
Cash basis net assets beginning of year	<u>289</u>
Cash basis net assets end of year	<u>\$ 467</u>

The cash basis net assets of the City's business type activities increased 62%, or approximately \$178,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Wellman completed the year, its governmental funds reported a combined fund balance of \$582,498, a decrease of \$688,190 from last year's total of \$1,270,688. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$35,617 over the prior year to \$98,144. This increase was due to fewer disbursements in fiscal year 2010 than in fiscal year 2009.
- The Special Revenue, Road Use Tax Fund cash balance increased \$28,837 to \$48,469. This increase was attributable to an increase in road use tax receipts of \$7,500 in fiscal year 2010, as well as a decrease in disbursements in fiscal year 2010. In fiscal year 2009, a bridge project was underway which required transfers from the Road Use Tax Fund to help fund a portion of the project so disbursements were \$13,000 more in fiscal year 2009.
- The Special Revenue, Tax Increment Financing Fund cash balance increased \$34,423 to \$44,814. This increase was the result of not making an anticipated debt payment for the Parkside Activities Center until fiscal year 2011.
- The Debt Service Fund cash balance increased slightly to \$531. The increase was due to interest earned on property tax collections. The balance will be used to pay future debt service payments as they become due.
- The Capital Projects Fund had the most significant change in cash balance this past fiscal year, with a decrease of \$751,074 to \$138,119 at June 30, 2010 due to the ongoing construction and pending completion of the Parkside Activities Center.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased \$66,923 to \$116,183 at June 30, 2010. The increase is due to raising utility rates during fiscal year 2010. Efforts are being made to build a reserve as the City moves forward with the water treatment improvement project.
- The Sewer Fund cash balance increased \$61,001 to \$98,228. The increase is due to raising utility rates during fiscal year 2010 to build a reserve for the upcoming DNR required infiltration correction projects and needed improvements at the treatment plant.
- The Gas Fund cash balance increased \$56,892 to \$242,765, primarily due to a decrease in funding other projects from the Gas Fund and efforts to build a reserve, an important component in meeting winter gas bills.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on March 1, 2010 and resulted in an overall increase in operating disbursements of \$2,576,374, primarily to reflect continued project costs for the Parkside Activities Center and the North Park trail extension project. The \$1,171,932 budgeted increase in receipts was primarily due to various grants for the Parkside Activities Center Project and rentals/leases at the Center.

The City's receipts were \$500,372 less than budgeted receipts. Intergovernmental receipts were \$402,173 less, primarily due to grants funds received later than anticipated.

Total disbursements were \$916,255 less than budgeted. Disbursements in the capital projects and business type activities functions were \$544,886 and \$300,892, respectively, less than budgeted due to less progress on capital projects than anticipated.

Even with the budget amendment, the City exceeded the budgeted amount in the debt service function for the year ended June 30, 2010.

DEBT ADMINISTRATION

At June 30, 2010, the City had approximately \$3,552,000 of bonds and other long-term debt, compared to approximately \$3,446,000 last year, as shown below.

Outstanding Debt at Year-End		
(Expressed in Thousands)		
	June 30,	
	2010	2009
General obligation bonds/notes	\$ 2,141	2,338
Revenue bonds/notes	1,012	1,108
General obligation community center loan anticipation project notes	399	-
Interim water project note	366	-
Total	\$ 3,918	3,446

Debt increased approximately \$472,000 as a result of new debt issued in fiscal year 2010 for the Parkside Activities Center and water improvement projects. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of approximately \$2,540,000 is below its constitutional debt limit of approximately \$3.2 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees charged for various City activities. One of those factors is the economy. The City's population growth during 1999-2010 has been strong as has been local business activity.

Recession in the State and nation continues to moderate but must be factored in to budget expenditures.

These indicators were taken into account when adopting the budget for fiscal year 2011. The amount available for appropriation in the operating budget is \$5,360,994, a decrease of 10.31% from the final fiscal year 2010 budget. This is due primarily to completion of the Parkside Activities Center project. The receipt line items are comparative for the two years with the exception of "Intergovernmental" due to several grants received in fiscal year 2009/2010 for the Parkside Activities Center, North Park Trail extension and other projects. Total budgeted disbursements decreased 19.40% overall. There are no general government capital projects budgeted in fiscal year 2011 compared to \$3,590,743 in fiscal year 2010. This is offset somewhat in the total budget due to the proprietary water treatment project. The six general government disbursement functions all have increased a total of 8% for the fiscal year 2011 budget, due primarily to budgeting for disbursements at the Parkside Banquet Room. Debt service expenditures have stayed consistent.

The business type activities (gas, water, sewer, etc.) have only increased slightly in the fiscal year 2011 budget except for the \$2.6 million water treatment improvement capital project. Overall, there is a slight decrease in fiscal year 2011 over fiscal year 2010. Employees were given raises at various levels. The City has added no major new programs or initiatives to the fiscal year 2011 budget, with the exception of the water treatment improvement project.

If these estimates are realized, the City's budgeted cash balance at the end of fiscal year 2011 is expected to be \$822,308, an increase of \$273,804 from the estimated closing balance of fiscal year 2010 at the time the budget was adopted. The City realized a much greater actual ending balance at the close of the fiscal year, primarily due to proceeds of loans and grants which were carried over to the new fiscal year. With those funds being expended on capital projects, the closing fiscal year 2011 balance should be close to the budget estimate.

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 Donna Wade, City Clerk, 316 8th Avenue, PO Box 129, Wellman, Iowa, (319-646-2154) or by email: citywelm@netins.net.

City of Wellman

Basic Financial Statements

City of Wellman

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2010

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 110,614	1,870	802	-
Public works	103,712	243	140,534	12,812
Culture and recreation	293,963	62,794	137,706	2,096,530
Community and economic development	33,055	464	90,894	-
General government	56,261	16,014	-	-
Debt service	296,466	5,890	775	-
Capital projects	3,590,743	-	46	230,720
Total governmental activities	4,484,814	87,275	370,757	2,340,062
Business type activities:				
Water	619,132	314,622	-	-
Sewer	196,711	271,918	-	-
Gas	610,942	686,875	898	-
Solid waste	56,723	61,069	-	-
Local access channel	6,295	4,613	2,576	-
Total business type activities	1,489,803	1,339,097	3,474	-
Total	\$ 5,974,617	1,426,372	374,231	2,340,062
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Unrestricted interest on investments				
Note proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Nonexpendable:				
Permanent fund				
Expendable:				
Streets				
Tax increment financing				
Debt service				
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
(107,942)	-	(107,942)
49,877	-	49,877
2,003,067	-	2,003,067
58,303	-	58,303
(40,247)	-	(40,247)
(289,801)	-	(289,801)
(3,359,977)	-	(3,359,977)
(1,686,720)	-	(1,686,720)
-	(304,510)	(304,510)
-	75,207	75,207
-	76,831	76,831
-	4,346	4,346
-	894	894
-	(147,232)	(147,232)
(1,686,720)	(147,232)	(1,833,952)
259,003	-	259,003
24,918	-	24,918
177,571	-	177,571
117,772	-	117,772
3,390	4,189	7,579
399,000	322,346	721,346
3,008	12,436	15,444
14,063	(14,063)	-
998,725	324,908	1,323,633
(687,995)	177,676	(510,319)
1,270,493	289,343	1,559,836
\$ 582,498	467,019	1,049,517
\$ 38,697	-	38,697
48,469	-	48,469
44,814	-	44,814
531	963	1,494
138,119	-	138,119
213,724	-	213,724
98,144	466,056	564,200
\$ 582,498	467,019	1,049,517

City of Wellman

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

As of and for the year ended June 30, 2010

	Special Revenue			Debt Service
	General	Road Use Tax	Tax Increment Financing	
Receipts:				
Property tax	\$ 230,883	-	-	24,559
Tax increment financing	-	-	177,571	-
Local option sales tax	-	-	-	-
Other city tax	4,380	-	-	359
Licenses and permits	9,024	-	-	-
Use of money and property	1,594	-	558	216
Intergovernmental	31,854	123,133	-	-
Charges for service	555	-	-	-
Special assessments	-	-	-	-
Miscellaneous	13,601	-	-	-
Total receipts	291,891	123,133	178,129	25,134
Disbursements:				
Operating:				
Public safety	110,614	-	-	-
Public works	9,736	87,866	-	-
Culture and recreation	137,752	-	-	-
Community and economic development	3,232	-	29,788	-
General government	52,440	-	-	-
Debt service	7,406	-	113,918	24,936
Capital projects	-	-	-	-
Total disbursements	321,180	87,866	143,706	24,936
Excess (deficiency) of receipts over (under) disbursements	(29,289)	35,267	34,423	198
Other financing sources (uses):				
Note proceeds	-	-	-	-
Operating transfers in	64,906	-	-	-
Operating transfers out	-	(6,430)	-	-
Total other financing sources (uses)	64,906	(6,430)	-	-
Net change in cash balances	35,617	28,837	34,423	198
Cash balances beginning of year	62,527	19,632	10,391	333
Cash balances end of year	\$ 98,144	48,469	44,814	531
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	-	531
Unreserved:				
General fund	98,144	-	-	-
Special revenue funds	-	48,469	44,814	-
Capital projects fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 98,144	48,469	44,814	531

See notes to financial statements.

Capital Projects	Nonmajor	Total
-	23,331	278,773
-	-	177,571
-	117,772	117,772
-	409	5,148
-	-	9,024
2,308	16,698	21,374
2,104,035	365,809	2,624,831
-	31,552	32,107
-	5,890	5,890
3,000	94,471	111,072
<u>2,109,343</u>	<u>655,932</u>	<u>3,383,562</u>
-	-	110,614
-	6,111	103,713
-	156,211	293,963
-	35	33,055
-	3,821	56,261
-	150,206	296,466
3,547,412	43,331	3,590,743
<u>3,547,412</u>	<u>359,715</u>	<u>4,484,815</u>
<u>(1,438,069)</u>	<u>296,217</u>	<u>(1,101,253)</u>
399,000	-	399,000
287,995	3,812	356,713
-	(336,220)	(342,650)
<u>686,995</u>	<u>(332,408)</u>	<u>413,063</u>
(751,074)	(36,191)	(688,190)
889,193	288,612	1,270,688
<u>138,119</u>	<u>252,421</u>	<u>582,498</u>
-	-	531
-	-	98,144
-	213,724	307,007
138,119	-	138,119
-	38,697	38,697
<u>138,119</u>	<u>252,421</u>	<u>582,498</u>

City of Wellman

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

As of and for the year ended June 30, 2010

	Enterprise		
	Water	Sewer	Gas
Operating receipts:			
Charges for service	\$ 314,622	271,918	686,875
Miscellaneous	12,436	-	898
Total operating receipts	<u>327,058</u>	<u>271,918</u>	<u>687,773</u>
Operating disbursements:			
Business type activities	<u>174,970</u>	<u>153,078</u>	<u>610,942</u>
Excess of operating receipts over operating disbursements	<u>152,088</u>	<u>118,840</u>	<u>76,831</u>
Non-operating receipts (disbursements):			
Interest on investments	1,651	794	1,624
Note proceeds	322,346	-	-
Debt service	(106,901)	(36,903)	-
Capital outlay	(337,261)	(6,730)	-
Total non-operating receipts (disbursements)	<u>(120,165)</u>	<u>(42,839)</u>	<u>1,624</u>
Excess of receipts over disbursements	<u>31,923</u>	<u>76,001</u>	<u>78,455</u>
Other financing sources (uses):			
Operating transfers in	50,000	-	-
Operating transfers out	(15,000)	(15,000)	(21,563)
Total other financing sources (uses)	<u>35,000</u>	<u>(15,000)</u>	<u>(21,563)</u>
Net change in cash balances	66,923	61,001	56,892
Cash balances beginning of year	<u>49,260</u>	<u>37,227</u>	<u>185,873</u>
Cash balances end of year	<u>\$ 116,183</u>	<u>98,228</u>	<u>242,765</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ 869	94	-
Unreserved	<u>115,314</u>	<u>98,134</u>	<u>242,765</u>
Total cash basis fund balances	<u>\$ 116,183</u>	<u>98,228</u>	<u>242,765</u>

See notes to financial statements.

Nonmajor	Total
65,682	1,339,097
2,576	15,910
68,258	1,355,007
63,018	1,002,008
5,240	352,999
120	4,189
-	322,346
-	(143,804)
-	(343,991)
120	(161,260)
5,360	191,739
-	50,000
(12,500)	(64,063)
(12,500)	(14,063)
(7,140)	177,676
16,983	289,343
9,843	467,019
-	963
9,843	466,056
9,843	467,019

City of Wellman

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

The City of Wellman is a political subdivision of the State of Iowa located in Washington County. It was first incorporated in 1879 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 water, sewer, gas and solid waste utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Wellman 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 include the City of Wellman (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The Friends of the Wellman-Scofield Public Library is legally separate from the City but is so intertwined with the City, it is, in substance, the same as the City. The financial activities of the component unit have been blended as a Special Revenue Fund of the City.

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: Washington County Assessor's Conference Board, Washington County Emergency Management Commission, Washington County Landfill Association, Washington County Joint E-911 Service Board and Wellman Fire and Rescue Department.

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/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable 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 categories. 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.

Special Revenue:

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

The Tax Increment Financing Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

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

The City reports the following major proprietary funds:

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

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

The Gas Fund accounts for the operation and maintenance of the City's gas 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 amount budgeted in the debt service function.

(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) Bonds and Notes Payable

Bonds Payable

Annual debt service requirements to maturity for general obligation bonds/notes, sewer revenue bonds and water revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds/Notes		Sewer Revenue Bonds		Water Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 203,485	90,016	25,000	11,800	75,188	26,969	303,673	128,785
2012	214,650	79,402	26,000	8,280	78,296	24,063	318,946	111,745
2013	224,921	70,980	27,000	7,500	81,482	21,037	333,403	99,517
2014	182,881	62,165	28,000	6,690	83,750	17,887	294,631	86,742
2015	183,696	50,182	29,000	5,850	87,103	14,652	299,799	70,684
2016-2020	817,000	170,001	166,000	15,300	305,554	26,669	1,288,554	211,970
2021-2023	314,000	26,577	-	-	-	-	314,000	26,577
Total	\$ 2,140,633	549,323	301,000	55,420	711,373	131,277	3,153,006	736,020

Sewer Revenue Bonds – The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$507,000 of sewer revenue bonds issued in March 2000. The bonds mature annually on July 1 and bear interest at 3.92% per annum (3.00% after October 2010), which is also due and payable every July 1. Proceeds from the bonds provided financing for the construction of improvements to the sewer utility. The bonds are payable solely from sewer customer net receipts and are payable through 2020. Annual principal and interest payments on the notes are expected to require less than 31% of net receipts. The total principal and interest remaining to be paid on the bonds is \$356,420. For the current year, principal and interest paid and total customer net receipts were \$36,740 and \$118,840, respectively.

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

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- (b) The City shall establish, impose, adjust and provide for the collection of rates to be charged to customers of the Utility including the City, to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the Utility, which include salaries, wages, cost of maintenance and operation, materials, supplies, insurance and all other items normally included under recognized accounting practices and to leave a balance of net revenues equal to at least 110% of the principal and interest on all of the bonds and any other parity obligations due in such fiscal year as they become due.

- (c) Sufficient monthly transfers shall be made to a sewer sinking fund for the purpose of making the above payments when due.

The City has not made the required monthly transfers to the sewer sinking fund.

Water Revenue Notes – On March 22, 2004, the City issued a \$875,000 water revenue note to pay the cost of the City's water main installation project. The note matures annually on June 1 through 2019 and bears interest at 3.75% per annum, which is due and payable every June 1. During the year ended June 30, 2010, principal and interest paid was \$77,864.

On July 26, 2006, the City issued \$193,000 of water revenue notes to pay the cost of constructing improvements and extensions to the Municipal Waterworks System. The notes mature each June 1 through 2016 and bear interest at 4.2% per annum, which is due and payable every June 1. During the year ended June 30, 2010, principal and interest paid was \$24,133.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the water revenue notes issued. The notes are payable solely from water customer net receipts and are payable through 2019. Annual principal and interest payments on the bonds are expected to require 67% of net receipts. The total principal and interest remaining to be paid on the notes is \$842,650. For the current year, principal and interest paid and total customer net receipts were \$101,997 and \$152,088, respectively.

The resolutions providing for the issuance of the water revenue notes include 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 funds.
- (b) The City shall establish, impose, adjust and provide for the collection of rates to be charged to customers of the Utility, including the City, to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the Utility, which include salaries, wages, cost of maintenance and operation, materials, supplies, insurance and all other items normally included under recognized accounting practices and to leave a balance of net revenues at least sufficient to pay the principal and interest on the note and any other parity obligations outstanding as they become due.

General Obligation Community Center Loan Anticipation Project Note

On September 11, 2009, the City entered into a loan anticipation note for \$399,000 to be used to pay costs of constructing, furnishing and equipping a municipal community/recreation/child care center. The note bears 3.4% per annum interest. The note, along with interest of \$1,673, was paid in full on July 16, 2010 after receiving USDA rural development loan proceeds.

Interim Water Project Note

On February 11, 2009, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank, N.A. for issuance of an interest free interim project note of \$530,000. The principal on the note is payable at maturity on February 11, 2012. The note was issued pursuant to the provisions of Chapter 384.24A of the Code of Iowa for the purpose of paying the costs of planning and designing improvements and extensions to the municipal water system. The City receives drawdowns from the Trustee for costs as they are incurred. At

June 30, 2010, the City had drawn \$366,398 of the \$530,000 authorized. Wells Fargo Bank, N.A. has the remaining funds held in trust, which the City will request as the project progresses.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2010 was \$36,739, equal to the required contribution for the year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 12 active and no retired members in the plan. Retired participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$393 for single coverage and \$871 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2010, the City contributed \$53,102 and plan members eligible for benefits contributed \$6,097 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, sick leave and compensatory time hours for subsequent use. Employees separated from City employment are paid for unused vacation leave and compensatory time earned. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2010, primarily relating to the General Fund is as follows:

Type of Benefit	Amount
Vacation	\$ 29,500
Compensatory time	1,500
Total	\$ 31,000

This liability has been computed based on rates of pay in effect at June 30, 2010.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local Option Sales Tax	\$ 7,406
	Enterprise:	
	Water	15,000
	Sewer	15,000
	Gas	15,000
	Local Access Channel	12,500
		<u>64,906</u>
Special Revenue:	Special Revenue:	
Parks	Riverboat Municipal Grant	1,812
Senior Dining	Local Option Sales Tax	2,000
		<u>3,812</u>
Capital Projects	Special Revenue:	
	Road Use Tax	6,430
	Community Block Grant Sunrise	230,766
	Riverboat Municipal Grant	36,736
	Parkside Activity Center	7,500
	Enterprise:	
	Gas	6,563
		<u>287,995</u>
Enterprise:	Special Revenue:	
Water	Local Option Sales Tax	50,000
Total		<u>\$ 406,713</u>

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

(8) 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.

(9) Construction Contracts

The City entered into various contracts totaling \$5,576,964 for construction of the Parkside Activity Center, Reverse Osmosis Water Treatment Plant, the Trail and Trail expansion projects. At June 30, 2010, \$176,250 remains unpaid and will be paid as work on the projects progresses. The projects will be funded through local/state and federal grants, bond/note proceeds, donations and local sources, as necessary.

(10) Development Agreements

Stone Gates Estates Project - The City entered into a development agreement during the year ended June 30, 2002 to assist in urban renewal projects. The City agreed to provide the developer property tax increment payments in a total amount not exceeding \$61,200 in exchange for public improvement infrastructure constructed by the developer as set forth in the urban renewal plans.

In accordance with the development agreement, the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of ten years beginning with the tax year in which incremental property tax on the completed value of the improvements is first paid. During the year ended June 30, 2010, the City paid the developer \$10,626 under this agreement.

Allen Leichty Project - The City entered into a development agreement during the year ended June 30, 2008 to assist in urban renewal projects. The City agreed to provide the developer property tax increment payments in a total amount not exceeding \$68,000 in exchange for public improvement infrastructure constructed by the developer as set forth in the urban renewal plans.

In accordance with the development agreement, the incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of ten years beginning with the tax year in which incremental property tax on the completed value of the improvements is first paid. During the year ended June 30, 2010, the City did not make any payments under this agreement.

Downtown Development Grants - The City provides grants to local businesses to assist in urban renewal projects within the downtown area. The grants are given out on a reimbursement basis in increments usually not to exceed \$2,500 per applicant. The grant applicants must be approved by the City Council and must provide a match to receive the reimbursement. These grants were listed as certified tax increment financing (TIF) debt on the annual TIF certification. During the year, \$14,216 in grants were provided to local businesses.

(11) Subsequent Events

On November 1, 2010, the City entered into an agreement with the Iowa Finance Authority and the Iowa Department of Natural Resources for the issuance of a water revenue bond of up to \$2,200,000 for the purpose of paying a portion of the cost of constructing improvements and extensions to the municipal waterworks system of the City.

On March 7, 2011, the City approved a \$1,700,000 general obligation corporate purpose agreement for the purpose of paying the costs of constructing street, waterworks system, sanitary sewer and storm sewer improvements.

City of Wellman

Required Supplementary Information

City of Wellman

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds Not Required to be Budgeted
Receipts:			
Property tax	\$ 278,773	-	-
Tax increment financing	177,571	-	-
Other city tax	122,920	-	-
Licenses and permits	9,024	-	-
Use of money and property	21,374	4,189	-
Intergovernmental	2,624,831	-	-
Charges for service	32,107	1,339,097	-
Special assessments	5,890	-	-
Miscellaneous	111,072	15,910	1,113
Total receipts	<u>3,383,562</u>	<u>1,359,196</u>	<u>1,113</u>
Disbursements:			
Public safety	110,614	-	-
Public works	103,713	-	-
Culture and recreation	293,963	-	353
Community and economic development	33,055	-	-
General government	56,261	-	-
Debt service	296,466	-	-
Capital projects	3,590,743	-	-
Business type activities	-	1,489,803	-
Total disbursements	<u>4,484,815</u>	<u>1,489,803</u>	<u>353</u>
Excess (deficiency) of receipts over (under) disbursements	(1,101,253)	(130,607)	760
Other financing sources (uses), net	413,063	308,283	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(688,190)	177,676	760
Balances beginning of year	1,270,688	289,343	1,387
Balances end of year	<u>\$ 582,498</u>	<u>467,019</u>	<u>2,147</u>

See accompanying independent auditor's report

Total	Budgeted Amounts		Final to
	Original	Final	Total Variance
278,773	296,317	296,317	(17,544)
177,571	178,400	178,400	(829)
122,920	133,583	133,583	(10,663)
9,024	1,600	1,600	7,424
25,563	7,489	23,153	2,410
2,624,831	1,982,502	3,027,004	(402,173)
1,371,204	1,440,114	1,484,615	(113,411)
5,890	4,000	4,500	1,390
125,869	26,080	92,845	33,024
<u>4,741,645</u>	<u>4,070,085</u>	<u>5,242,017</u>	<u>(500,372)</u>
110,614	108,749	110,645	31
103,713	103,789	112,728	9,015
293,610	283,889	311,050	17,440
33,055	147,662	147,967	114,912
56,261	64,805	64,805	8,544
296,466	202,187	217,001	(79,465)
3,590,743	1,749,467	4,135,629	544,886
1,489,803	1,653,598	1,790,695	300,892
<u>5,974,265</u>	<u>4,314,146</u>	<u>6,890,520</u>	<u>916,255</u>
(1,232,620)	(244,061)	(1,648,503)	415,883
<u>721,346</u>	<u>265,000</u>	<u>780,515</u>	<u>(59,169)</u>
(511,274)	20,939	(867,988)	356,714
<u>1,558,644</u>	<u>527,565</u>	<u>1,559,836</u>	<u>(1,192)</u>
<u>1,047,370</u>	<u>548,504</u>	<u>691,848</u>	<u>355,522</u>

City of Wellman

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2010

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

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

Formal and legal budgetary control is based upon eight major classes of disbursements known as functions, not by fund. These eight functions are: public safety, public works, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent 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 \$2,576,374. The budget amendment reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amount budgeted in the debt service function.

Other Supplementary Information

City of Wellman

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

As of and for the year ended June 30, 2010

	Employee Benefits	Community Block Grant Sunrise	Street Assessments	Local Option Sales Tax	I Jobs Road Funding	Special Library
Receipts:						
Property tax	\$ 23,331	-	-	-	-	-
Local option sales tax	-	-	-	117,772	-	-
Other city tax	409	-	-	-	-	-
Use of money and property	57	46	154	545	27	247
Intergovernmental	-	230,720	-	-	6,084	1,690
Charges for service	-	-	-	-	-	1,514
Special assessments	-	-	5,890	-	-	-
Miscellaneous	-	-	-	-	-	1,862
Total receipts	23,797	230,766	6,044	118,317	6,111	5,313
Disbursements:						
Operating:						
Public works	-	-	-	-	6,111	-
Culture and recreation	23,483	-	-	-	-	5,419
Community and economic development	-	-	-	-	-	-
General government	3,821	-	-	-	-	-
Debt service	-	-	19,000	35,678	-	-
Capital projects	-	-	-	43,331	-	-
Total disbursements	27,304	-	19,000	79,009	6,111	5,419
Excess (deficiency) of receipts over (under) disbursements	(3,507)	230,766	(12,956)	39,308	-	(106)
Other financing sources (uses):						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	(230,766)	-	(59,406)	-	-
Total other financing sources (uses)	-	(230,766)	-	(59,406)	-	-
Net change in cash balances	(3,507)	-	(12,956)	(20,098)	-	(106)
Cash balances beginning of year	9,424	-	14,518	74,491	-	42,821
Cash balances end of year	\$ 5,917	-	1,562	54,393	-	42,715
Cash Basis Fund Balances						
Unreserved:						
Special revenue funds	\$ 5,917	-	1,562	54,393	-	42,715
Permanent fund	-	-	-	-	-	-
Total cash basis fund balances	\$ 5,917	-	1,562	54,393	-	42,715

See accompanying independent auditor's report.

Revenue							Permanent		
Friends of Wellman-Scofield Library	Riverboat Municipal Grant	Parks	Skate Rink	Parkside Activity Center	Senior Dining	Housing Improvement	Library Trust	Total	
-	-	-	-	-	-	-	-	23,331	
-	-	-	-	-	-	-	-	117,772	
-	-	-	-	-	-	-	-	409	
-	636	21	382	11,958	1,514	147	964	16,698	
-	83,711	-	-	-	43,604	-	-	365,809	
-	-	-	30,038	-	-	-	-	31,552	
-	-	-	-	-	-	-	-	5,890	
1,113	-	-	17,057	59,601	9,384	5,454	-	94,471	
1,113	84,347	21	47,477	71,559	54,502	5,601	964	655,932	
-	-	-	-	-	-	-	-	6,111	
353	15,965	-	46,054	3,732	61,205	-	-	156,211	
-	-	-	-	-	-	35	-	35	
-	-	-	-	-	-	-	-	3,821	
-	90,000	-	-	5,528	-	-	-	150,206	
-	-	-	-	-	-	-	-	43,331	
353	105,965	-	46,054	9,260	61,205	35	-	359,715	
760	(21,618)	21	1,423	62,299	(6,703)	5,566	964	296,217	
-	-	1,812	-	-	2,000	-	-	3,812	
-	(38,548)	-	-	(7,500)	-	-	-	(336,220)	
-	(38,548)	1,812	-	(7,500)	2,000	-	-	(332,408)	
760	(60,166)	1,833	1,423	54,799	(4,703)	5,566	964	(36,191)	
1,387	69,329	1,426	9,919	-	12,830	14,734	37,733	288,612	
2,147	9,163	3,259	11,342	54,799	8,127	20,300	38,697	252,421	
2,147	9,163	3,259	11,342	54,799	8,127	20,300	-	213,724	
-	-	-	-	-	-	-	38,697	38,697	
2,147	9,163	3,259	11,342	54,799	8,127	20,300	38,697	252,421	

Schedule 2

City of Wellman

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

As of and for the year ended June 30, 2010

	Enterprise		
	Solid Waste	Local Access Channel	Total
Operating receipts:			
Charges for service	\$ 61,069	4,613	65,682
Miscellaneous	-	2,576	2,576
Total operating receipts	61,069	7,189	68,258
Operating disbursements:			
Business type activities	56,723	6,295	63,018
Excess of operating receipts over operating disbursements	4,346	894	5,240
Non-operating receipts:			
Interest on investments	16	104	120
Excess (deficiency) of receipts over (under) disbursements	4,362	998	5,360
Other financing uses:			
Operating transfers out	-	(12,500)	(12,500)
Net change in cash balances	4,362	(11,502)	(7,140)
Cash balances beginning of year	542	16,441	16,983
Cash balances end of year	\$ 4,904	4,939	9,843
Cash Basis Fund Balances			
Unreserved	\$ 4,904	4,939	9,843

See accompanying independent auditor's report.

City of Wellman

City of Wellman
Schedule of Indebtedness
June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds/notes:			
Sewer improvement bonds	Mar 6, 2000	3.92%	\$ 507,000
Sewer improvement note	Sep 1, 2000	5.75	247,100
Sewer improvement notes	Feb 5, 2001	4.30	325,000
General corporate purpose note	Aug 17, 2005	4.65	133,000
Street improvement notes	Sep 15, 2006	4.55	500,000
Equipment acquisition note	Sep 22, 2008	4.00	30,000
General corporate purpose bonds	Oct 1, 2008	2.75-4.50	1,185,000
Water improvement note	Nov 25, 2008	4.00	20,000
Total			
Revenue bonds/notes:			
Sewer revenue bonds	Mar 6, 2000	3.92%	\$ 507,000
Water revenue note	Mar 22, 2004	3.75	875,000
Water revenue note	Jul 26, 2006	4.20	193,000
Total			
General obligation community center loan anticipation project notes	Sep 11, 2009	3.40%	\$ 399,000
Interim water project note	Feb 11, 2009	-	\$ 520,000

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
325,000	-	24,000	301,000	12,740
119,945	-	18,115	101,830	6,821
188,000	-	15,000	173,000	8,084
86,099	-	12,770	73,329	4,004
419,000	-	27,000	392,000	19,065
27,125	-	6,384	20,741	1,022
1,155,000	-	90,000	1,065,000	50,806
17,960	-	4,227	13,733	677
\$ 2,338,129	-	197,496	2,140,633	103,219
325,000	-	24,000	301,000	12,740
639,368	-	53,995	585,373	23,869
144,000	-	18,000	126,000	6,133
\$ 1,108,368	-	95,995	1,012,373	42,742
-	399,000	-	399,000	-
44,052	322,346	-	366,398	-

City of Wellman
Bond and Note Maturities
June 30, 2010

Year Ending June 30,	Sewer Improvement Bond Issued Mar 6, 2000		Sewer Improvement Note Issued Sep 1, 2000		Sewer Improvement Notes Issued Feb 5, 2001		General Obligation General Corporate Purpose Issued Aug 15, 2005	
	Interest		Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount
2011	3.00%	\$ 25,000	5.75%	\$ 19,081	4.30%	\$ 17,000	4.65%	\$ 13,364
2012	3.00	26,000	5.75	20,178	4.30	18,000	4.65	13,986
2013	3.00	27,000	5.75	21,338	4.30	19,000	4.65	14,635
2014	3.00	28,000	5.75	22,565	4.30	20,000	4.65	15,316
2015	3.00	29,000	5.75	18,668	4.30	21,000	4.65	16,028
2016	3.00	31,000	-	-	4.30	22,000	-	-
2017	3.00	32,000	-	-	4.30	22,000	-	-
2018	3.00	33,000	-	-	4.30	23,000	-	-
2019	3.00	34,000	-	-	4.30	11,000	-	-
2020	3.00	36,000	-	-	-	-	-	-
2021	-	-	-	-	-	-	-	-
2022	-	-	-	-	-	-	-	-
2023	-	-	-	-	-	-	-	-
Total		<u>\$ 301,000</u>		<u>\$ 101,830</u>		<u>\$ 173,000</u>		<u>\$ 73,329</u>

Year Ending June 30,	Revenue Bonds/Notes						Total
	Sewer Revenue Bonds Issued Mar 6, 2000		Water Revenue Note Issued Mar 22, 2004		Water Revenue Note Issued Jul 26, 2006		
	Interest		Interest		Interest		
	Rates	Amount	Rates	Amount	Rates	Amount	
2011	3.00%	\$ 25,000	3.75%	\$ 56,188	4.20%	\$ 19,000	100,188
2012	3.00	26,000	3.75	58,296	4.20	20,000	104,296
2013	3.00	27,000	3.75	60,482	4.20	21,000	108,482
2014	3.00	28,000	3.75	62,750	4.20	21,000	111,750
2015	3.00	29,000	3.75	65,103	4.20	22,000	116,103
2016	3.00	31,000	3.75	67,544	4.20	23,000	121,544
2017	3.00	32,000	3.75	70,077	-	-	102,077
2018	3.00	33,000	3.75	72,705	-	-	105,705
2019	3.00	34,000	3.75	72,228	-	-	106,228
2020	3.00	36,000	-	-	-	-	36,000
Total		<u>\$ 301,000</u>		<u>\$ 585,373</u>		<u>\$ 126,000</u>	<u>\$ 1,012,373</u>

See accompanying independent auditor's report.

Bonds/Notes									
Street Improvement Notes		Equipment Acquisition Note		General Corporate Purpose Bonds		Water Improvement Note			
Issued Sep 10, 2006		Issued Sep 22, 2008		Issued Oct 1, 2008		Issued Nov 25, 2008			
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total	
4.55%	\$ 28,000	4.00%	\$ 6,642	3.25%	\$ 90,000	4.00%	\$ 4,398	203,485	
4.55	30,000	4.00	6,911	3.40	95,000	4.00	4,575	214,650	
4.55	31,000	4.00	7,188	3.55	100,000	4.00	4,760	224,921	
4.55	32,000	4.00	-	3.70	65,000		-	182,881	
4.55	34,000		-	3.85	65,000		-	183,696	
4.55	35,000		-	4.00	70,000		-	158,000	
4.55	37,000		-	4.10	75,000		-	166,000	
4.55	39,000		-	4.20	75,000		-	170,000	
4.55	40,000		-	4.30	80,000		-	165,000	
4.55	42,000		-	4.35	80,000		-	158,000	
4.55	44,000		-	4.40	85,000		-	129,000	
	-		-	4.45	90,000		-	90,000	
	-		-	4.50	95,000		-	95,000	
	<u>\$ 392,000</u>		<u>\$ 20,741</u>		<u>\$ 1,065,000</u>		<u>\$ 13,733</u>	<u>2,140,633</u>	

Schedule 5

City of Wellman
Schedule of Expenditures of Federal Awards
Year ended June 30, 2010

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture: Community Facilities Loans and Grants	10.766	16-92-426005352	<u>\$ 830,571</u>
Indirect:			
U.S. Department of Housing and Urban Development: Iowa Department of Economic Development: Community Development Block Grants/State's Program	14.228	05-CF-037	<u>230,720</u>
U.S. Department of Transportation Iowa Department of Economic Transportation Highway Planning and Construction	20.205	8J-92-8222 (601)	<u>12,812</u>
U.S. Department of Education Iowa Department of Education: ARRA - State Fiscal Stabilization Fund (SFSF) Government Services, Recovery Act	84.397	S397A090016A	<u>1,663</u>
U.S. Department of Homeland Security: Iowa Department of Public Defense: Homeland Security and Emergency Management Division: Hazard Mitigation Grant	97.039	DR-1688-0013-01	<u>757</u>
Total indirect			<u>245,952</u>
Total			<u><u>\$ 1,076,523</u></u>

Basis of Presentation – The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Wellman and is presented in conformity with an other comprehensive basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE

STATE OF IOWA

David A. Vaudt, CPA

Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Wellman, 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 June 6, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 Wellman'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 Wellman's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Wellman'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 and Questioned Costs, 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 the 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 Wellman's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 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 Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-10 through II-F-10 to be significant deficiencies.

Compliance and Other Matters

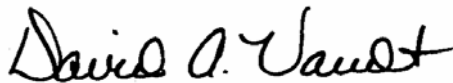
As part of obtaining reasonable assurance about whether the City of Wellman's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material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

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 Wellman's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Wellman'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 Wellman and other parties to whom the City of Wellman may report, including federal awarding agencies and pass-through entities, 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 Wellman 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

June 6, 2011

**Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over Compliance in Accordance
with OMB Circular A-133**

City of Wellman



OFFICE OF AUDITOR OF STATE
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Independent Auditor's Report on Compliance
with Requirements That Could Have a Direct and Material Effect
on Each Major Program and on Internal Control over compliance in Accordance
with OMB Circular A-133

To the Officials of the City of Wellman:

Compliance

We have audited the City of Wellman, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Wellman's major federal program for the year ended June 30, 2010. The City of Wellman's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Wellman's management. Our responsibility is to express an opinion on the City of Wellman's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Wellman's compliance with those requirements.

In our opinion, the City of Wellman complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

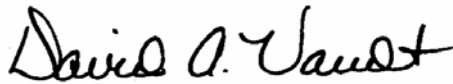
The management of the City of Wellman is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Wellman's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Wellman's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

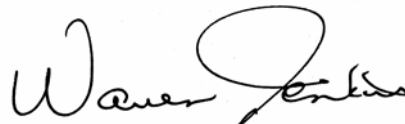
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

The City of Wellman's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusion on the City's response, we did not audit the City of Wellman's response and, accordingly, we express no opinion on it.

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 Wellman's and other parties to whom the City of Wellman may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

June 6, 2011

City of Wellman

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Qualified opinions were issued on the financial statements which 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.
- (b) Material weaknesses and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed an audit finding which is required to be reported in accordance with Office of Management and Budget circular A-133, Section .510(a).
- (g) The major program was CFDA Number 10.766 – Community Facilities Loans and Grants.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Wellman did not qualify as a low-risk auditee.

City of Wellman

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-10 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. One person had control over each of the following areas for the City:

- (1) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (2) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (3) Payroll – recordkeeping, preparation and distribution.
- (4) Utilities – billing, collecting, depositing, posting and reconciling.
- (5) Investing – recordkeeping, investing, custody of investments and reconciling earnings.
- (6) Cash – handling, reconciling and recording.
- (7) Debt – recordkeeping, compliance and debt payment processing.
- (8) Computer system – performing all general accounting functions and controlling all data input and output, including entering utility rates or payroll rates into the computer system.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response and Corrective Action Plan – We agree that working in a small office in close proximity to each other makes segregation of duties challenging. However, we will take even additional steps to ensure government funds are well protected. The City Administrator will conduct random spot checks on receipts and disbursements to ensure they reconcile with postings and deposits, he will conduct spot checks on the cash drawer, and he will conduct spot checks on both payroll and utility rates (checking that the rates entered into the system are the current Council approved rates and then confirming those rates were applied to utility billing or payroll as appropriate). Daily receipts will be reconciled by a second employee. Financial/billing internal control procedures are being written/updated. These procedures will be implemented by October 1, 2011.

Conclusion – Response accepted.

City of Wellman

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

II-B-10 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled each month.

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

Response – The City Clerk will set up a reconciliation spreadsheet to do this and submit to the Council with the monthly financial statement for review/approval. This will be implemented by July 1, 2011.

Conclusion – Response accepted.

II-C-10 Computer System – During our review of internal control, the existing control activities in the City's computer system were evaluated 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 system were noted:

- (1) The computer system did not have a timeout or lockout function and a screensaver with password is not used as a compensating control.
- (2) There is no password policy.
- (3) The City does not have a written disaster recovery plan which addresses the following items:
 - a. Identification of critical applications.
 - b. Identification of staff responsibilities.
 - c. Identification of steps for recovery of any operating systems for City operations.
 - d. Identification of computer equipment needed for temporary processing.
 - e. Identification of business location(s) which could be used to process critical applications in the event of an emergency, including any applicable written agreements for the use of the locations.
 - f. Requirement to keep a copy of the disaster recovery plan off site.
 - g. Requirement to keep system backups current and off site.
 - h. An inventory of all hardware and components (e.g.: make, model numbers, serial numbers, etc.).
 - i. An inventory of all software applications (e.g.: operating system and software applications, release versions and vendor names).
 - j. A requirement copies of all user documentation and policy and procedures manuals be located off site.

City of Wellman

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

- k. A requirement extra stocks of paper supplies, such as checks, warrants, purchase orders, etc., be located off site.
- l. Requirements outlining the frequency and guidelines for testing the disaster recovery plan to identify issues and document the results of testing.

Recommendation – The City should develop written policies addressing the above items in order to improve the City’s control over computer based financial systems. Also, a written disaster recovery plan should be developed and tested periodically.

Response – Currently, all computers have a lockout function installed. The City will adopt a password policy by October 1, 2011. Disaster recovery policies and procedures will be updated and written to address the recommendations.

Conclusion – Response accepted.

II-D-10 Cable Franchise Fees – Cable franchise fees are to be deposited in the General Fund according to chapter 384.3A of the Code of Iowa. The City deposited cable franchise fees into an Enterprise Fund.

Recommendation – The City should deposit all franchise fees into the General Fund as required by chapter 384.3A of the Code of Iowa

Response – The City implemented this requirement prior to the audit (but after the audit year). This is currently in place.

Conclusion – Response accepted.

II-E-10 Timesheets – City employees are required to complete timesheets. Timesheets, except for public works employees, lack employee and supervisory approval.

Recommendation – Timesheets should be signed by the employee and supervisor.

Response – All timesheets are currently signed by both employee and supervisor.

Conclusion – Response accepted.

II-F-10 Compensated Absences – A listing of compensated absences is generated at year end. However, there is not an independent review of the listing.

Recommendation – The listing should be reviewed, initialed and dated by an independent reviewer.

Response – The City Administrator will review and initial the list of compensated absences annually.

Conclusion – Response accepted.

City of Wellman

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Wellman

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 10.766: Community Facilities Loans & Grants
Pass-through Agency Number: 16-92-42600532
Federal Award Year: 2010
U.S. Department of Agriculture

III-A-10 Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit and record-keeping for receipts, including those related to federal programs. See item II-A-10.

City of Wellman

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - Disbursements during the year ended June 30, 2010 exceeded the amount budgeted in the debt service function. 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 - In the future the City will review budget disbursements by function and will make appropriate amendments.

Conclusion - Response accepted.

IV-B-10 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.

IV-C-10 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-10 Business Transactions - No business transactions between the City and City officials or employees were noted.

IV-E-10 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.

IV-F-10 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-10 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted.

IV-H-10 Revenue Bonds and Notes - The following instances of non-compliance with the water and sewer revenue bond and note requirements were noted:

- The City's March 2000 sewer revenue bond resolution, Section 8, requires "minimum amounts to be set aside into the Sinking Fund." The City did not make the required monthly transfers to the Sewer Revenue Bond Sinking Fund.
- Section 6 of the March 2000 sewer revenue bond resolution requires all users of the system, including the City, be charged for use. All City departments are not charged for sewer usage.

City of Wellman

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

- Section 5 of the March 2004 water revenue note resolution requires all users of the system, including the City, be charged for use. All City departments are not charged for water usage.
- The City's July 2006 water revenue note resolution, Section 7, requires a "minimum amount to be set aside into the Sinking Fund." The City did not make the required monthly transfers to the Water Revenue Note Sinking Fund.
- Section 5 of the July 2006 water revenue note resolution requires all users of the system, including the City, be charged for use. All City departments are not charged for water usage.

Recommendation – The City should consult bond/note counsel to determine the disposition of these matters. The City should establish procedures to ensure all City departments are charged for water and sewer usage.

Response – The City will make monthly transfers to the Sinking Funds. All City departments will be charged for water and sewer use.

Conclusion – Response accepted.

- IV-I-10 Payment of General Obligation Bonds/Notes – Chapter 384.4 of the Code of Iowa states, in part, "Money's pledged or available to service general obligation bonds, and received from sources other than property taxes, must be deposited in the debt service fund." The City paid general obligation debt from funds other than the Debt Service Fund for seven general obligation issuances.

Recommendation – The City should transfer funds to the Debt Service Fund to pay the general obligation debt in the future.

Response – Proceeds used to pay general obligation debt will be transferred to the Debt Service Fund prior to payment to the creditor.

Conclusion – Response accepted.

- IV-J-10 Developer Agreements – The following instances of non-compliance with the developer agreements were noted:

Obligations under the Allen Leichty developer agreement shall be payable solely from a subfund (the "Allen Leichty Subfund"). The City has not established a subfund.

Obligations under the Donald Gingerich developer agreement shall be payable solely from a subfund (the "Stone Gates Estates Subfund"). The City has not established a subfund.

Recommendation – The City should establish the subfunds stipulated in the developer agreements.

Response – Sub funds are being set up as specified.

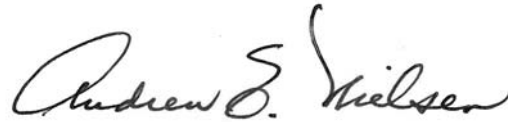
Conclusion – Response accepted.

City of Wellman

Staff

This audit was performed by:

Deborah J. Moser CPA, Manager
Scott P. Boisen, Senior Auditor II
Kassi D. Adams, Assistant Auditor

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

Andrew E. Nielsen, CPA
Deputy Auditor of State