

CITY OF WAYLAND

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

JUNE 30, 2007

Table of Contents

	<u>Page</u>	
Officials	3	
Independent Auditor’s Report		5-6
Basic Financial Statements:	<u>Exhibit</u>	7
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	8
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	9
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	10
Notes to Financial Statements		11-19
Required Supplementary Information:		20
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		21
Notes to Required Supplementary Information – Budgetary Reporting		22
Other Supplementary Information:		23
	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances – Nonmajor Governmental Funds	1	24
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances – Nonmajor Proprietary Funds	2	25
Schedule of Indebtedness	3	26
Bond and Note Maturities	4	27
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 <u>Government Auditing Standards</u>		28-29
Schedule of Findings		30-34
Staff		35

City of Wayland

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Brad Roth	Mayor	December 31, 2009
Steve Alliman	Council Member	December 31, 2009
Kevin Fort	Council Member	December 31, 2007
Stacey Mast	Council Member	December 31, 2007
Greg Rich	Council Member	December 31, 2007
Melinda Ullery	Council Member	December 31, 2009
Beverly Conrad	City Clerk	Appointed
Michael Vance	City Attorney	Appointed
Terry Kaufman	Treasurer	Appointed

CITY OF WAYLAND



Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
Wayland, Iowa

I 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 Wayland, Iowa, as of and for the year ended June 30, 2007, 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 Wayland's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, 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 I 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. I believe that my audit provides a reasonable basis for my 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 accounting principles generally accepted in the United States of America. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2006.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2006, 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 Wayland as of June 30, 2007, 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, I have also issued my report dated November 1, 2007 on my consideration of the City of Wayland's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or 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 my audit.

Budgetary comparison information on page 21 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. I applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

The City of Wayland, Iowa has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wayland's basic financial statements. Other supplementary information included in Schedules 1 through 4 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 my audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Sincerely,

Ann M Menke

Ann M. Menke
Certified Public Accountant
Professional Corporation
November 1, 2007

BASIC FINANCIAL STATEMENTS

City of Wayland
Statement of Activities and Net Assets - Cash Basis
For the Year Ended June 30, 2007

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 100,448	\$ 31,169	\$ -	\$ -
Public works	139,124	39,400	78,761	-
Health and social services	400	-	-	-
Culture and recreation	23,818	1,900	-	-
Community and economic development	1,176	-	-	-
General government	64,576	-	-	-
Capital projects	151,279	-	-	117,462
Total governmental activities	<u>480,821</u>	<u>72,469</u>	<u>78,761</u>	<u>117,462</u>
Business type activities				
Water	201,570	178,120	-	-
Sewer	49,113	100,730	-	-
Gas	452,448	584,228	-	-
Debt Service	25,120	-	-	-
Total business type activities	<u>728,251</u>	<u>863,078</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,209,072</u>	<u>\$ 935,547</u>	<u>\$ 78,761</u>	<u>\$ 117,462</u>
General Receipts:				
Property tax levied for:				
General purposes				
Tax increment financing				
Local option sales tax				
Grants and contributions not restricted to specific purpose				
Unrestricted interest on investments				
Miscellaneous				
Bond proceeds				
Sale of asset				
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				
Unrestricted				
Total cash basis net assets				

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (69,279)	\$ -	\$ (69,279)
(20,963)	-	(20,963)
(400)	-	(400)
(21,918)	-	(21,918)
(1,176)	-	(1,176)
(64,576)	-	(64,576)
(33,817)	-	(33,817)
<u>(212,129)</u>	<u>-</u>	<u>(212,129)</u>
-	(23,450)	(23,450)
-	51,617	51,617
-	131,780	131,780
-	(25,120)	(25,120)
<u>-</u>	<u>134,827</u>	<u>134,827</u>
<u>(212,129)</u>	<u>134,827</u>	<u>(77,302)</u>
109,724	-	109,724
62,221	-	62,221
74,352	-	74,352
2,775	-	2,775
54,665	-	54,665
2,530	-	2,530
-	629	629
54,000	-	54,000
<u>(79,273)</u>	<u>79,273</u>	<u>-</u>
<u>280,994</u>	<u>79,902</u>	<u>360,896</u>
68,865	214,729	283,594
342,223	711,401	1,053,624
<u>\$ 411,088</u>	<u>\$ 926,130</u>	<u>\$ 1,337,218</u>
411,088	926,130	1,337,218
<u>\$ 411,088</u>	<u>\$ 926,130</u>	<u>\$ 1,337,218</u>

See notes to financial statements.

City of Wayland
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Governmental Funds
As of and for the Year Ended June 30, 2007

	General	Capital Projects	Road Use Tax	Urban Renewal Tax Increment	Other Non Major Governmental Funds	Total
Receipts:						
Property tax	\$ 109,724	\$ -	\$ -	\$ -	\$ -	\$ 109,724
Tax increment financing	-	-	-	62,221	-	62,221
Other city taxes	74,352	-	-	-	-	74,352
Licenses and permits	1,795	-	-	-	-	1,795
Use of money and property	48,404	-	-	-	10,691	59,095
Intergovernmental	2,775	117,462	78,761	-	-	198,998
Charges for services	48,050	-	-	-	-	48,050
Miscellaneous	20,724	-	-	-	-	20,724
Total receipts	305,824	117,462	78,761	62,221	10,691	574,959
Disbursements:						
Operating:						
Public safety	100,448	-	-	-	-	100,448
Public works	78,848	-	60,276	-	-	139,124
Health and social services	400	-	-	-	-	400
Culture and recreation	23,818	-	-	-	-	23,818
Community and economic development	-	-	-	-	1,176	1,176
General government	64,576	-	-	-	-	64,576
Capital projects	-	107,419	-	-	43,860	151,279
Total disbursements	268,090	107,419	60,276	-	45,036	480,821
(Deficiency) excess of receipts						
(Under) over disbursements	37,734	10,043	18,485	62,221	(34,345)	94,138
Other financing sources (uses)						
Sale of capital assets	-	-	-	-	54,000	54,000
Operating transfers in	16,425	-	-	-	22,148	38,573
Operating transfers out	(39,288)	-	-	(61,970)	(16,588)	(117,846)
Total other financing sources	(22,863)	-	-	(61,970)	59,560	(25,273)
Net change in cash balances	14,871	10,043	18,485	251	25,215	68,865
Cash balances beginning of year	89,303	(23,413)	178,944	(21,819)	119,208	342,223
Cash balances end of year	\$ 104,174	\$ (13,370)	\$ 197,429	\$ (21,568)	\$ 144,423	\$ 411,088
Cash Basis Fund Balances						
Unreserved:						
General fund	\$ 104,174	\$ -	\$ -	\$ -	\$ -	\$ 104,174
Special revenue fund	-	-	197,429	(21,568)	5,452	181,313
Capital projects fund	-	(13,370)	-	-	138,971	125,601
Total cash basis fund balances	\$ 104,174	\$ (13,370)	\$ 197,429	\$ (21,568)	\$ 144,423	\$ 411,088

See notes to financial statements.

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

As of and for the Year Ended June 30, 2007

	Enterprise Funds				Total
	Water	Sewer	Gas	Other Non Major Proprietary Funds	
Operating receipts:					
Charges for services	\$ 175,005	\$ 100,730	\$ 578,578	8,765	\$ 863,078
Total receipts	<u>175,005</u>	<u>100,730</u>	<u>578,578</u>	<u>8,765</u>	<u>863,078</u>
Operating disbursements:					
Business type activities	198,628	49,113	447,258	8,132	703,131
Total operating disbursements	<u>198,628</u>	<u>49,113</u>	<u>447,258</u>	<u>8,132</u>	<u>703,131</u>
(Deficiency) excess of operating receipts (under) over operating disbursements	(23,623)	51,617	131,320	633	159,947
Non-operating receipts (disbursements)					
Debt service	-	-	-	(25,120)	(25,120)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,120)</u>	<u>(25,120)</u>
(Deficiency) excess of receipts (Under) over disbursements	(23,623)	51,617	131,320	(24,487)	134,827
Other financing sources (uses)					
Proceeds of long-term debt	-	-	-	629	629
Operating transfers in	3,943	2,466	126,039	24,478	156,926
Operating transfers out	<u>(22,950)</u>	<u>(35,908)</u>	<u>(18,765)</u>	<u>(30)</u>	<u>(77,653)</u>
Total other financing sources	<u>(19,007)</u>	<u>(33,442)</u>	<u>107,274</u>	<u>25,077</u>	<u>79,902</u>
Net change in cash balances	(42,630)	18,175	238,594	590	214,729
Cash balances beginning of year	<u>117,459</u>	<u>49,780</u>	<u>499,717</u>	<u>44,445</u>	<u>711,401</u>
Cash balances end of year	<u>\$ 74,829</u>	<u>\$ 67,955</u>	<u>\$ 738,311</u>	<u>\$ 45,035</u>	<u>\$ 926,130</u>
Cash Basis Fund Balances					
Unreserved	<u>74,829</u>	<u>67,955</u>	<u>738,311</u>	<u>\$ 45,035</u>	<u>\$ 926,130</u>
Total cash basis fund balances	<u>\$ 74,829</u>	<u>\$ 67,955</u>	<u>\$ 738,311</u>	<u>\$ 45,035</u>	<u>\$ 926,130</u>

See notes to financial statements.

City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wayland is a political subdivision of the State of Iowa located in Henry County. It was first incorporated in 1890 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, and gas utilities for its citizens. The population of Wayland was 945 according to the 2000 census.

A. Reporting Entity

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

Jointly Governed Organization

The City participates in a jointly governed organization that provides 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 board: Wayland Economic Development Board.

B. Basis of Presentation

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

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

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

City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor governmental or 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 that are not paid from other funds.

Special Revenue:

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

The Urban Renewal Tax Increment Fund is used to account for urban renewal project's financed by tax increment financing.

The Capital Projects Fund is used 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 waste water treatment and sanitary sewer system.

City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Gas Fund accounts for the operation and maintenance of the City's gas system.

C. Measurement Focus and Basis of Accounting

The City of Wayland 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 accounting principles generally accepted in the United States of America.

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, 2007, disbursements exceeded the amounts budgeted in the community and economic development function prior to adoption of the amended budget.

NOTE 2 – CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2007 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 did not have any funds invested in a security considered to be an investment by the Code of Iowa as of June 30, 2007.

**City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2007**

NOTE 2 – CASH AND POOLED INVESTMENTS (Continued)

Interest rate risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

NOTE 3– BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the revenue bonds are as follows:

Year Ending June 30,	Revenue Bonds				Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 10,000	\$ 2,409	\$ 6,000	\$ 4,030	\$ 16,000	\$ 6,439
2009	10,000	2,105	6,000	3,835	16,000	5,940
2010	11,000	1,799	6,000	3,640	17,000	5,439
2011	11,000	1,464	6,000	3,445	17,000	4,909
2012	12,000	1,129	6,000	3,256	18,000	4,385
2013 - 2017	25,000	1,159	35,000	13,000	60,000	14,159
2018 - 2022	0	0	41,000	6,986	41,000	6,986
2023 - 2024	<u>0</u>	<u>0</u>	<u>18,000</u>	<u>877</u>	<u>18,000</u>	<u>877</u>
Total	<u>\$ 79,000</u>	<u>\$ 10,065</u>	<u>\$ 124,000</u>	<u>\$ 39,069</u>	<u>\$ 203,000</u>	<u>\$ 49,134</u>

The resolutions providing for the issuance of the 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 future earnings of the funds.
- b. Sufficient monthly transfers shall be made to separate sewer revenue sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- c. Additional monthly transfers to a sewer reserve account within the Enterprise Funds shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.

City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 3– BONDS AND NOTES PAYABLE(Continued)

- d. All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in a sewer revenue surplus account within the Enterprise Funds. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for note and interest payments which the other accounts might be unable to make.

Sewer construction, water improvements, economic development, and urban renewal projects all have been funded by loans from the Gas Fund. The amounts transferred and balances owed the Gas Fund at June 30, 2007 are:

Fund	Transfer	Balance
Sewer	\$ 10,800	\$ 30,000
Water	20,950	146,250
Economic Development	16,588	100,100
Urban Renewal Tax Increment	<u>61,970</u>	<u>80,000</u>
	<u>\$ 110,308</u>	<u>\$ 356,350</u>

NOTE 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 3.7% of their annual covered salary and the City is required to contribute 5.75% 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, 2007 was \$15,253, equal to the required contribution for the year.

NOTE 5 – FRANKLIN TEMPLETON 403B EMPLOYER PLAN

The City of Wayland established a Franklin Templeton 403B Employer Plan in August, 1998 where all full time employees who have six months of service can contribute to a tax deferred plan. The City will provide matching contributions in an amount equal to 100% of the salary reduction up to the first 3% of such participant’s compensation. The amount the City paid for these contributions in the year ended June 30, 2007 was \$3,527.

City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 6 – RISK MANAGEMENT

The City of Wayland is a member of the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City of Wayland's annual contributions to the Pool for the year ended June 30, 2007 were \$23,732.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 6 – RISK MANAGEMENT (Continued)

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions. However, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City of Wayland also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 – COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use. Vacation benefits are paid upon termination, retirement, or death. Sick leave benefits are not paid upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2007, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 4,988
Sick leave	<u>13,175</u>
Total	<u>\$18,163</u>

This liability has been computed based on rates of pay in effect at June 30, 2007.

NOTE 8 – RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$9,831 during the year ended June 30, 2007.

**City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2007**

NOTE 9– INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

Transfer to	Transfer from	Amount
General	Enterprise Gas	<u>\$ 16,425</u>
Capital Projects E & H	General	17,148
	Enterprise	
	Water	2,000
	Sewer	1,000
	Gas	<u>2,000</u>
		22,148
Gas	General	15,731
	Urban Renewal Tax Increment	61,970
	Capital Projects	16,588
	Enterprise	
	Water	20,950
	Sewer	<u>10,800</u>
		126,039
Gas Deposits	Enterprise	
	Water Deposit	30
	Gas	<u>340</u>
		370
Water	General	<u>3,943</u>
Sewer	General	<u>2,466</u>
Sewer Improvements	Enterprise	
	Sewer	<u>4,104</u>
Sewer Sinking	Enterprise	
	Sewer	<u>20,004</u>
Total		<u>\$ 195,499</u>

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

City of Wayland
Notes to Financial Statements
For the Year Ended June 30, 2007

NOTE 10 – COMMITMENTS

On October 4, 2006, the City of Wayland entered into a 28E agreement with the Vision Iowa Board and the Waco Community School District for an all weather walking/running track. The City is to pay \$10,000 over a period of five years to the Waco All Weather Track Foundation for this shared use agreement. The City paid \$2,000 for these services in the year ended June 30, 2007. This agreement shall be in effect for ten years and automatically renew for an additional ten year period, unless sixty day notice prior to the renewal date is provided.

The City of Wayland entered into a 28E agreement with the City of Olds to supply them with police protection. The City of Olds agreed to pay an annual amount of \$8,970 for these services. This agreement may be terminated by either party upon thirty days notice given by the City of Olds and sixty days notice given by the City of Wayland.

The City of Wayland has entered into a 28E agreement with the Jefferson Township, Henry County to provide fire protection. The agreement provides for sharing operating expenses and joint use of equipment and facilities, so that fire protection and emergency services are provided efficiently to the citizens of the City of Wayland and Jefferson Township.

The City of Wayland has entered into a contract to provide transportation services with the Southeast Iowa Regional Planning Commission. The City of Wayland paid \$1,500 for these services in the year ended June 30, 2007. Cancellation of this contract may be initiated by either party through written notice to the other party at least thirty days prior to the date of cancellation.

NOTE 11 – DEFICIT FUND BALANCES

The CDBG-Housing Rehabilitation and Urban Renewal Tax Increment Financing had deficit fund balances of \$13,370 and \$21,568, respectively at June 30, 2007. The deficits will be corrected by December 31, 2007.

NOTE 12 – SUBSEQUENT EVENTS

September 5, 2007, the City of Wayland awarded a bid of \$193,761 to O.E.C., Inc of Iowa City for the East Railroad Street water main and sewer drainage project for 2007.

The City of Olds terminated the police protection agreement effective September 30, 2007.

REQUIRED SUPPLEMENTARY INFORMATION

City of Wayland
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, 2007

	Governmental Funds Actual	Proprietary Funds Actual	Net
Receipts			
Property tax	\$ 109,724	\$ -	\$ 109,724
Tax increment financing collections	62,221	-	62,221
Other city taxes	74,352	-	74,352
Licenses and permits	1,795	-	1,795
Use of money and property	59,095	-	59,095
Intergovernmental	198,998	-	198,998
Charges for services	48,050	863,078	911,128
Miscellaneous	20,724	-	20,724
Total receipts	<u>574,959</u>	<u>863,078</u>	<u>1,438,037</u>
Disbursements			
Public safety	100,448	-	100,448
Public works	139,124	-	139,124
Health and social services	400	-	400
Culture and recreation	23,818	-	23,818
Community and economic development	1,176	-	1,176
General government	64,576	-	64,576
Capital projects	151,279	-	151,279
Business type activities	-	728,251	728,251
Total disbursements	<u>480,821</u>	<u>728,251</u>	<u>1,209,072</u>
Excess of receipts over disbursements	94,138	134,827	228,965
Other financing sources, net	<u>(25,273)</u>	<u>79,902</u>	<u>54,629</u>
Excess of receipts and other financing sources over disbursements and other financing uses	68,865	214,729	283,594
Balance, beginning of year	<u>342,223</u>	<u>711,401</u>	<u>1,053,624</u>
Balance, end of year	<u>\$ 411,088</u>	<u>\$ 926,130</u>	<u>\$ 1,337,218</u>

Budgeted Amounts		Final to Net Variance
Original	Final	
\$ 106,018	\$ 106,018	\$ 3,706
141,261	61,970	251
77,399	77,399	(3,047)
1,340	675	1,120
34,000	35,461	23,634
286,451	279,856	(80,858)
1,121,423	1,041,571	(130,443)
19,000	21,500	(776)
<u>1,786,892</u>	<u>1,624,450</u>	<u>(186,413)</u>
109,236	110,836	10,388
262,289	153,189	14,065
25	800	400
29,146	28,762	4,944
600	1,700	524
60,936	71,036	6,460
393,248	330,692	179,413
987,612	1,006,593	278,342
<u>1,843,092</u>	<u>1,703,608</u>	<u>494,536</u>
(56,200)	(79,158)	308,123
-	56,530	1,901
(56,200)	(22,628)	306,222
<u>1,103,153</u>	<u>1,053,625</u>	<u>(1)</u>
<u>\$1,046,953</u>	<u>\$1,030,997</u>	<u>\$ 306,221</u>

See accompanying independent auditor's report.

City of Wayland
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2007

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 Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, Permanent Funds, and Proprietary 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 decreased budgeted disbursements by \$139,484. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the community and economic development fund prior to adoption of the amended budget.

OTHER SUPPLEMENTARY INFORMATION

City of Wayland
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the Year Ended June 30, 2007

	Special Revenue	Capital Projects	
	Community Beautification	Equipment And Housing	Total
Receipts:			
Use of money	\$ -	\$ 10,691	\$ 10,691
Total receipts	-	10,691	10,691
Disbursements:			
Operating:			
Community and economic development	1,176	-	1,176
Capital projects	-	43,860	43,860
Total disbursements	1,176	43,860	45,036
(Deficiency) excess of receipts			
(Under) over disbursements	(1,176)	(33,169)	(34,345)
Other financing sources (uses)			
Sale of capital assets	34,000	20,000	54,000
Operating transfers in	-	22,148	22,148
Operating transfers out	-	(16,588)	(16,588)
Total other financing sources	34,000	25,560	59,560
Net change in cash balances	32,824	(7,609)	25,215
Cash balances beginning of year	(27,372)	146,580	119,208
Cash balances end of year	\$ 5,452	\$ 138,971	\$ 144,423
Cash Basis Fund Balances			
Unreserved:			
Special revenue fund	\$ 5,452	\$ -	\$ 5,452
Capital projects fund	-	138,971	138,971
Total cash basis fund balances	\$ 5,452	\$ 138,971	\$ 144,423

See accompanying independent auditor's report.

City of Wayland
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Nonmajor Proprietary Funds
As of and for the Year Ended June 30, 2007

	Sewer Improvements	Sewer Sinking	Water Deposits	Gas Deposits	Total
Operating receipts:					
Charges for service	\$ -	\$ -	\$ 3,115	5,650	\$ 8,765
Total receipts	-	-	3,115	5,650	8,765
Operating disbursements:					
Business type activities	-	-	2,942	5,190	8,132
Total operating disbursements	-	-	2,942	5,190	8,132
(Deficiency) excess of operating receipts (under) over operating disbursements	-	-	173	460	633
Non-operating receipts (disbursements)					
Debt service	-	(25,120)	-	-	(25,120)
Total disbursements	-	(25,120)	-	-	(25,120)
(Deficiency) excess of receipts (Under) over disbursements	-	(25,120)	173	460	(24,487)
Other financing sources (uses)					
Proceeds of long-term debt	629	-	-	-	629
Operating transfers in	4,104	20,004	-	370	24,478
Operating transfers out	-	-	(30)	-	(30)
Total other financing sources	4,733	20,004	(30)	370	25,077
Net change in cash balances	4,733	(5,116)	143	830	590
Cash balances beginning of year	15,884	7,205	7,307	14,049	44,445
Cash balances end of year	<u>\$ 20,617</u>	<u>\$ 2,089</u>	<u>\$ 7,450</u>	<u>\$ 14,879</u>	<u>\$ 45,035</u>
Cash Basis Fund Balances					
Unreserved	<u>\$ 20,617</u>	<u>\$ 2,089</u>	<u>\$ 7,450</u>	<u>\$ 14,879</u>	<u>\$ 45,035</u>
Total cash basis fund balances	<u>\$ 20,617</u>	<u>\$ 2,089</u>	<u>\$ 7,450</u>	<u>\$ 14,879</u>	<u>\$ 45,035</u>

See accompanying independent auditor's report.

City of Wayland
Schedule of Indebtedness
For the Year Ended June 30, 2007

	Revenue Bonds		
	Sewer Construction	Sewer Construction	Total
Date of issue	July 21, 1994	July 7, 2004	
Interest rates	3.00%	3.00%	
Amount originally issued	\$ 183,000	\$ 147,000	\$ 330,000
Balance, beginning of year	89,000	131,371	220,371
Issued during year	-	629	629
Redeemed during year	<u>10,000</u>	<u>8,000</u>	<u>18,000</u>
Balance, end of year	<u><u>\$ 79,000</u></u>	<u><u>\$ 124,000</u></u>	<u><u>\$ 203,000</u></u>
Interest paid	2,715	4,406	7,121
Interest due and unpaid	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

City of Wayland
Bond and Note Maturities
For the Year Ended June 30, 2007

Revenue Bonds					
Sewer Construction Issued Jul. 21, 1994			Sewer Construction Issued Jul. 7, 2004		
Year Ending June 30,	Interest Rates	Amount	Interest Rates	Amount	Total
2008	3.00%	10,000	3.00%	6,000	16,000
2009	3.00%	10,000	3.00%	6,000	16,000
2010	3.00%	11,000	3.00%	6,000	17,000
2011	3.00%	11,000	3.00%	6,000	17,000
2012	3.00%	12,000	3.00%	6,000	18,000
2013	3.00%	12,000	3.00%	7,000	19,000
2014	3.00%	13,000	3.00%	7,000	20,000
2015		-	3.00%	7,000	7,000
2016		-	3.00%	7,000	7,000
2017		-	3.00%	7,000	7,000
2018		-	3.00%	8,000	8,000
2019		-	3.00%	8,000	8,000
2020		-	3.00%	8,000	8,000
2021		-	3.00%	8,000	8,000
2022		-	3.00%	9,000	9,000
2023		-	3.00%	9,000	9,000
2024		-	3.00%	9,000	9,000
Total		<u>\$ 79,000</u>		<u>\$124,000</u>	<u>\$203,000</u>

See accompanying independent auditor's report.



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
Wayland, Iowa

I have audited the accompanying financial statements of the governmental activities, business type activities, each major fund and the aggregate remaining fund information of the City of Wayland, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued my report thereon dated November 1, 2007. My report expressed qualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America 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 my audit, I considered the City of Wayland's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of the City of Wayland's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of Wayland's internal control over financial reporting.

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

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

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe items 2007-I-A, 2007-I-B and 2007-I-C are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wayland's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my 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 Wayland's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of Wayland's responses and, accordingly, I 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 Wayland and other parties to whom the City of Wayland may report including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Sincerely,

Ann M Menke

Ann M. Menke
Certified Public Accountant
November 1, 2007

**City of Wayland
Schedule of Findings
For the Year Ended June 30, 2007**

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

2007-I-A

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

1. Accounting system – performing all general accounting functions and custody of assets.
2. Cash – preparing bank account reconciliations, initiating cash receipts and disbursement functions and handling and recording cash.
3. Investments – detailed record keeping, custody of investments and reconciling earnings.
4. Long term debt – recording and reconciling.
5. Receipts – collecting, depositing, journalizing, reconciling, and posting.
6. Utility receipts – billing, collecting, depositing, and posting.
7. Disbursements – check writing, reconciling, and posting.
8. Payroll – preparation, distribution, and posting.
9. Financial reporting – preparing, reconciling, and distributing.

Recommendation – I realize that with a limited number of office employees, segregation of duties is difficult. However, the City should continue to review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel. Evidence of independent reviews should be indicated by initials of the independent reviewer.

Response – We will consider this.

Conclusion – Response accepted.

2007-I-B

Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits.

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

Response – These procedures will be implemented as recommended.

Conclusion – Response accepted.

**City of Wayland
Schedule of Findings
For the Year Ended June 30, 2007**

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES: (Continued)

2007-I-C

Financial Reporting – The City established, through referendum, a local sales and services tax effective January 1, 2006. The City recorded the local option sales tax revenue collections in the General Fund rather than establishing a Special Revenue Fund.

Recommendation – The City should establish a separate Special Revenue Fund for the local option sales tax revenues and record the related transactions in the fund.

Response – We will establish a separate Special Revenue Fund and record the related transactions in this fund.

Conclusion – Response accepted.

2007-I-D

Credit Cards – The city has credit cards available for use by city employees while on city business. The City has not adopted a formal written policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.

Recommendation – The City should adopt a formal written policy regulating the use of credit cards. The policy at a minimum should address who controls credit cards, who is authorized to use credit cards and for what purpose, as well as the types of supporting documentation required to substantiate charges.

Response – We presently have unwritten guidelines, however, we have not established a formal written policy detailing specifics on the use of City credit cards. We will review procedures and guidelines and establish a written policy.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

**City of Wayland
Schedule of Findings
For the Year Ended June 30, 2007**

Part II: Other Findings Related to Statutory Reporting:

2007-II-A

Certified Budget – Disbursements during the year ended June 30, 2007, exceeded the amounts budgeted in the community and economic development fund prior to adopting a budget amendment on May 16, 2007. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.20 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

2007-II-B

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

Paid to	Purpose	Amount
Main Street Grocery	Pop and food for City employees	\$80

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

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

Response – We will comply with this recommendation.

Conclusion – Response accepted.

2007-II-C

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

**City of Wayland
Schedule of Findings
For the Year Ended June 30, 2007**

Part IV Other Findings Related to Statutory Reporting: (Continued)

2007-II-D

Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Brad Roth, Mayor, Owner of Brad's Implement	Snow Blade/Supplies	\$9,831

A portion of the transactions with Brad's Implement do not appear to represent a conflict of interest since they were entered into through competitive bidding. The mayor sold this business June 30, 2007 and it has ceased to be an issue.

2007-II-E

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 insure that the coverage is adequate for current operations.

2007-II-F

Council Meetings – No transactions were found that I believe should have been approved in the Council minutes but were not.

2007-II-G

Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

2007-II-H

Revenue Bonds/Notes – The City is in compliance with all requirements of the revenue bond and note resolutions.

**City of Wayland
Schedule of Findings
For the Year Ended June 30, 2007**

Part IV Other Findings Related to Statutory Reporting: (Continued)

2007-II-I

Financial Condition – The CDBG – Housing Rehabilitation and Urban Renewal Tax Increment Funds had deficit balances at June 30, 2007 of \$13,370 and \$21,568, respectively.

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

Response – We will consider transferring funds to clear up these deficit balances if funding does not become available.

Conclusion – Response accepted.

2006-II-J

Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City retains cancelled checks through electronic image, but does not obtain an image of the back of each cancelled check as required.

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

Response – We will contact our banks about printing both sides of the checks from now on.

Conclusion – Response accepted.

2007-II-K

Local Option Tax – The City recorded local option tax collections in the General Fund rather than establishing a separate Special Revenue Fund as required by the Code of Iowa.

Recommendation – The City should establish a separate Special Revenue Fund for local option tax revenues and record the related transactions in the fund.

Response – We will establish a separate Special Revenue Fund and record the related transactions in this fund.

Conclusion – Response accepted.

City of Wayland

Audit Staff

The audit was performed by:

Ann M. Menke, CPA

Carol Ross, CPA

Betty Thomas, CPA

Toni Ramsey, Staff Auditor

Kristy Steffensmeier, Staff Auditor