



CITY OF WHEATLAND, IOWA

FINANCIAL STATEMENTS
June 30, 2011

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CITY OF WHEATLAND

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Virgil Noel	Mayor	December 31, 2013
Century Schnede	Mayor Pro Tem	December 31, 2013
Dave Patterson	Council Member	December 31, 2011
Kathy Rohling	Council Member	December 31, 2011
Patty Schulz	Council Member	December 31, 2011
Century Schnede	Council Member	December 31, 2013
Bob Steele	Council Member	December 31, 2013
Laurie Ganzer	City Clerk	Appointed
John Peavey	City Attorney	Appointed

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 Wheatland, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City of Wheatland, Iowa's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wheatland, Iowa's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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. The City of Wheatland, Iowa adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions during the year ended June 30, 2011. The statement changed the classifications of governmental fund balances and clarified the definitions of existing fund types. The adoption of this statement had no effect on the total amount of any of the City's governmental fund balances as of and for the year ended June 30, 2011.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Wheatland, Iowa as of June 30, 2011, 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 December 12, 2011 on our consideration of the City of Wheatland, Iowa's internal control over financial reporting and on 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 4 through 9 and 23 through 24 have been presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wheatland, Iowa's basic financial statements as a whole. The other supplemental information, included in Schedules 1 through 3, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Went, John & Foster, CAA PC

Clinton, Iowa
December 12, 2011

**CITY OF WHEATLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

The City of Wheatland, Iowa 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, 2011. We encourage readers to consider this information in conjunction with the City of Wheatland, Iowa's financial statements, which follow.

Because the City of Wheatland, Iowa 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.

2011 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City of Wheatland, Iowa's governmental funds increased primarily due to disbursements for fiscal year 2011 being less than anticipated.
- The cash basis net assets of the City of Wheatland, Iowa's business type activities increased primarily due to disbursements for fiscal year 2011 being less than anticipated.

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 of Wheatland, Iowa'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 funds and the City's indebtedness.

**CITY OF WHEATLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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 Statements

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, and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include water, sewer, garbage, and recycling. 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 Employee Benefits and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, garbage and recycling funds. The water utility, sewer utility and garbage funds are considered to be major funds of the City.

**CITY OF WHEATLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

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 increased from a year ago, increasing from \$300,645 to \$303,549. 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

	2011
Receipts:	
Program receipts:	
Charges for service	\$ 4,056
Operating grants, contributions, and restricted interest	74,147
Capital grants, contributions, and restricted interest	16,706
General receipts:	
Property tax	188,815
Local option sales tax	79,983
Unrestricted investment earnings	2,614
Miscellaneous	<u>7,582</u>
Total receipts	<u>373,903</u>
 Disbursements:	
Public safety	54,767
Public works	136,561
Culture and recreation	47,579
General government	80,604
Debt service	<u>43,768</u>
Total disbursements	<u>363,279</u>
 Change in cash basis net assets before transfers	 10,624
Transfers, net	<u>(7,720)</u>
Change in cash basis net assets	2,904
Cash basis net assets, beginning of year	<u>300,645</u>
Cash basis net assets, end of year	<u><u>\$ 303,549</u></u>

The cash basis net assets for the City of Wheatland, Iowa's governmental funds increased primarily due to disbursements for fiscal year 2011 being less than anticipated.

**CITY OF WHEATLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

Changes in Cash Basis Net Assets of Business Type Activities

	2011
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 69,048
Sewer	193,140
Garbage	42,697
Recycling	12,243
General receipts:	
Unrestricted investment earnings	1,333
Total receipts	318,461
 Disbursements:	
Water	75,839
Sewer	159,640
Garbage	45,923
Recycling	10,280
Total disbursements	291,682
 Change in cash basis net assets before transfers	 26,779
Transfers, net	7,720
Change in cash basis net assets	34,499
Cash basis net assets, beginning of year	150,922
Cash basis net assets, end of year	\$ 185,421

The cash basis net assets for the City of Wheatland, Iowa's business type activities increased primarily due to disbursements for fiscal year 2011 being less than anticipated.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Wheatland, Iowa completed the year, its governmental funds reported a combined fund balance of \$303,549, an increase of \$2,904 above last year's total of \$300,645. 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 by \$6,368 from the prior year bringing the ending cash balance to \$232,709. This increase was due to disbursements for fiscal year 2011 being less than anticipated.

**CITY OF WHEATLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

- The Special Revenue, Road Use Tax Fund ended the fiscal year with a cash balance of \$55,929, a decrease of \$12,164 from the previous year. The decrease was the result of funds from the previous year being used to complete road repairs.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Utility Fund cash balance decreased \$5,535 to \$67,862, due primarily to disbursements being more than anticipated.
- The Enterprise, Sewer Utility Fund cash balance increased \$33,577 to \$92,180, due primarily to the SRF payment to the Iowa Finance Authority being recalculated to reflect the actual funds borrowed rather than the payment being set assuming the entire loan of \$2,000,000 being utilized.
- The Enterprise, Garbage Fund cash balance increased \$4,494 to \$15,810, due primarily to disbursements being less than anticipated.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget three times. The first amendment was approved on July 12, 2010 and resulted in an increase in operating disbursements related to road repairs estimated above the current budgeted amount. The second amendment was approved on December 13, 2010 to provide for additional disbursements related to the purchase of a generator and new computers for the library. The third amendment was approved on May 9, 2011 to provide for additional disbursements related to the repair of fencing around a creek and to refurbish a vehicle for the Fire Department.

The City's receipts were \$56,729 less than budgeted. This was primarily due to disbursements for fiscal year 2011 being less than anticipated.

Even with the budget amendments, total disbursements were \$55,673 less than the amended budget.

The City exceeded the amounts budgeted in the debt service function for the year ended June 30, 2011 due to additional funds being received from citizens that had outstanding assessments for the 2000 curb and gutter project. When funds are received from citizens due to the assessments those funds are applied directly to the principal of the loan on June 1 and December 1 each year.

**CITY OF WHEATLAND
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2011**

DEBT ADMINISTRATION

At June 30, 2011, the City had \$1,418,656 in bonds and other long-term debt outstanding, compared to \$1,513,161 last year, as shown below.

Outstanding Debt at Year-End

	Totals	
	<u>2011</u>	<u>2010</u>
Governmental		
General obligation	\$ 87,956	\$ 101,442
Truck	<u>50,700</u>	<u>64,827</u>
Subtotal	138,656	166,269
Business-type		
Sewer revenue	1,280,000	1,340,000
Water revenue	<u>-</u>	<u>6,892</u>
Subtotal	<u>1,280,000</u>	<u>1,346,892</u>
Total	<u>\$ 1,418,656</u>	<u>\$ 1,513,161</u>

The City continues to carry a general obligation bond rating of A3 assigned by national rating agencies to the City's debt since 1995. 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 of \$138,656 is below its constitutional debt limit of approximately \$1.5 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

City of Wheatland's elected and appointed officials and citizens considered many factors such as the economy and City needs when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities.

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 Laurie Ganzer, City Clerk, 205 East Jefferson Street, Wheatland, Iowa 52777.

BASIC FINANCIAL STATEMENTS

CITY OF WHEATLAND
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
As of and for the Year Ended June 30, 2011

		Program Receipts		
	Disbursements	Charges for Service and Sales	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions, and Restricted Interest
FUNCTIONS/PROGRAMS				
Governmental activities:				
Public safety	\$ 54,767	\$ 307	\$ -	\$ 16,706
Public works	136,561	-	74,147	-
Culture and recreation	47,579	-	-	-
Community and economic development	-	70	-	-
General government	80,604	3,679	-	-
Debt service	43,768	-	-	-
Total governmental activities	363,279	4,056	74,147	16,706
Business-type activities:				
Water	75,839	69,048	-	-
Sewer	159,640	193,140	-	-
Garbage	45,923	42,697	-	-
Recycling	10,280	12,243	-	-
Total business-type activities	291,682	317,128	-	-
Total	\$ 654,961	\$ 321,184	\$ 74,147	\$ 16,706

General receipts:
Property tax levied for:
 General purposes
Local option sales tax
Unrestricted investment earnings
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:
Expendable:
 Debt service
 Streets
 Other purposes
Unrestricted

Total cash basis net assets

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (37,754)	\$ -	\$ (37,754)
(62,414)	-	(62,414)
(47,579)	-	(47,579)
70	-	70
(76,925)	-	(76,925)
(43,768)	-	(43,768)
<u>(268,370)</u>	<u>-</u>	<u>(268,370)</u>
-	(6,791)	(6,791)
-	33,500	33,500
-	(3,226)	(3,226)
-	1,963	1,963
<u>-</u>	<u>25,446</u>	<u>25,446</u>
<u>(268,370)</u>	<u>25,446</u>	<u>(242,924)</u>
188,815	-	188,815
79,983	-	79,983
2,614	1,333	3,947
7,582	-	7,582
(7,720)	7,720	-
<u>271,274</u>	<u>9,053</u>	<u>280,327</u>
2,904	34,499	37,403
<u>300,645</u>	<u>150,922</u>	<u>451,567</u>
<u>\$ 303,549</u>	<u>\$ 185,421</u>	<u>\$ 488,970</u>
\$ 12,690	\$ -	\$ 12,690
55,929	-	55,929
2,221	-	2,221
<u>232,709</u>	<u>185,421</u>	<u>418,130</u>
<u>\$ 303,549</u>	<u>\$ 185,421</u>	<u>\$ 488,970</u>

The accompanying notes are an integral part of the financial statements.

CITY OF WHEATLAND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2011

EXHIBIT B

	<u>General</u>	<u>Special Revenue</u> <u>Road Use Tax</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
RECEIPTS				
Property taxes	\$ 140,802	\$ -	\$ 48,013	\$ 188,815
Other city taxes	79,983	-	-	79,983
Licenses and permits	1,818	-	-	1,818
Use of money and property	4,307	657	-	4,964
Intergovernmental	16,706	74,147	-	90,853
Charges for services	5,997	-	-	5,997
Miscellaneous	1,473	-	-	1,473
Total receipts	251,086	74,804	48,013	373,903
DISBURSEMENTS				
Operating:				
Public safety	54,721	-	46	54,767
Public works	45,095	86,968	4,498	136,561
Culture and recreation	44,785	-	2,794	47,579
General government	75,561	-	5,043	80,604
Debt service	16,836	-	26,932	43,768
Total disbursements	236,998	86,968	39,313	363,279
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	14,088	(12,164)	8,700	10,624
OTHER FINANCING USES				
Transfers out	(7,720)	-	-	(7,720)
NET CHANGE IN CASH BALANCES	6,368	(12,164)	8,700	2,904
CASH BALANCES BEGINNING OF YEAR	226,341	68,093	6,211	300,645
CASH BALANCES END OF YEAR	\$ 232,709	\$ 55,929	\$ 14,911	\$ 303,549
CASH BASIS FUND BALANCES				
Restricted for:				
Debt service	\$ -	\$ -	\$ 12,690	\$ 12,690
Streets	-	55,929	-	55,929
Other purposes	-	-	2,221	2,221
Unassigned	232,709	-	-	232,709
Total cash basis fund balances	\$ 232,709	\$ 55,929	\$ 14,911	\$ 303,549

The accompanying notes are an integral part of the financial statements.

CITY OF WHEATLAND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
As of and for the Year Ended June 30, 2011

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Garbage</u>	<u>Nonmajor Proprietary Funds - Recycling</u>	<u>Total</u>
OPERATING RECEIPTS					
Charges for services	\$ 69,048	\$ 193,140	\$ 42,697	\$ 12,243	\$ 317,128
OPERATING DISBURSEMENTS					
Business-type activities:					
Water	75,839	-	-	-	75,839
Sewer	-	56,091	-	-	56,091
Garbage	-	-	45,923	-	45,923
Recycling	-	-	-	10,280	10,280
Total operating disbursements	<u>75,839</u>	<u>56,091</u>	<u>45,923</u>	<u>10,280</u>	<u>188,133</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER) OPERATING DISBURSEMENTS	<u>(6,791)</u>	<u>137,049</u>	<u>(3,226)</u>	<u>1,963</u>	<u>128,995</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS)					
Interest on investments	1,256	77	-	-	1,333
Debt service	-	(103,549)	-	-	(103,549)
Net non-operating receipts(disbursements)	<u>1,256</u>	<u>(103,472)</u>	<u>-</u>	<u>-</u>	<u>(102,216)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(5,535)</u>	<u>33,577</u>	<u>(3,226)</u>	<u>1,963</u>	<u>26,779</u>
Operating transfers in	<u>-</u>	<u>-</u>	<u>7,720</u>	<u>-</u>	<u>7,720</u>
NET CHANGE IN CASH BALANCES	<u>(5,535)</u>	<u>33,577</u>	<u>4,494</u>	<u>1,963</u>	<u>34,499</u>
CASH BALANCES BEGINNING OF YEAR	<u>73,397</u>	<u>58,603</u>	<u>11,316</u>	<u>7,606</u>	<u>150,922</u>
CASH BALANCES END OF YEAR	<u>\$ 67,862</u>	<u>\$ 92,180</u>	<u>\$ 15,810</u>	<u>\$ 9,569</u>	<u>\$ 185,421</u>
CASH BASIS FUND BALANCES					
Unrestricted	<u>\$ 67,862</u>	<u>\$ 92,180</u>	<u>\$ 15,810</u>	<u>\$ 9,569</u>	<u>\$ 185,421</u>

The accompanying notes are an integral part of the financial statements.

CITY OF WHEATLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

For financial reporting purposes, the City of Wheatland has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Clinton County Crimestoppers, Clinton County Joint E911 Service Board, and Clinton County Area Solid Waste Agency.

B. Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of activities and net assets) report 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 support.

CITY OF WHEATLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

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 that are 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 funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

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

CITY OF WHEATLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the City reports the following major proprietary funds:

The Sewer Utility Fund is used to account for the operation and maintenance of governmental facilities and sewer service that is supported by user charges.

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

The Garbage Fund is used to account for the operation and maintenance of the City's system of garbage collection and disposal.

C. Measurement Focus and Basis of Accounting

The City of Wheatland 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 the 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.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from nonoperating 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 nonoperating receipts and disbursements.

CITY OF WHEATLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplemental Information.

F. Subsequent Events

Management has evaluated subsequent events through December 12, 2011, the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS

The City's deposits in banks at June 30, 2011 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.

**CITY OF WHEATLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 3 - BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bond, sewer revenue bond, and note payable are as follows:

Year Ending June 30,	General Obligation Bond		Sewer Revenue Bond	
	Principal	Interest	Principal	Interest
2012	\$ 21,000	\$ 4,976	\$ 62,000	\$ 41,600
2013	23,000	4,130	64,000	39,585
2014	24,000	2,711	66,000	37,505
2015	19,956	1,231	69,000	35,360
2016	-	-	71,000	33,118
2017 - 2021	-	-	389,000	129,578
2022 - 2026	-	-	458,000	62,012
2027	-	-	101,000	3,283
Total	<u>\$ 87,956</u>	<u>\$ 13,048</u>	<u>\$1,280,000</u>	<u>\$ 382,041</u>

Year Ending June 30,	Truck Note		Total	
	Principal	Interest	Principal	Interest
2012	\$ 14,796	\$ 2,040	\$ 97,796	\$ 48,616
2013	15,497	1,339	102,497	45,054
2014	16,231	605	106,231	40,821
2015	4,176	32	93,132	36,623
2016	-	-	71,000	33,118
2017 - 2021	-	-	389,000	129,578
2022 - 2026	-	-	458,000	62,012
2027	-	-	101,000	3,283
Total	<u>\$ 50,700</u>	<u>\$ 4,016</u>	<u>\$ 1,418,656</u>	<u>\$ 399,105</u>

Sewer Revenue Bond

The City has pledged future sewer customer receipts, net of specified operating expenses, to repay the sewer revenue bond issued September 2006. Proceeds from the bond provided financing for improvements to the City's sewer system. The bond is payable solely from sewer customer net revenues and are payable through 2027. Total principal and interest remaining to be paid on the note is \$1,662,041.

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

CITY OF WHEATLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE 3 - BONDS AND NOTES PAYABLE (CONTINUED)

- 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 fund.
- b. The City shall establish, impose, adjust and provide for the collections 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 and to leave a balance of net revenues equal to at least 110% of the principal of and interest on all of the bonds and any other Parity Obligations due in such fiscal year, as the same becomes due.
- c. Sufficient monthly transfers shall be made to a sewer revenue bond sinking account for the purpose of making principal and interest payments when due.

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 supplemental 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 4.50% of their annual covered salary and the City is required to contribute 6.95% 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, 2011 was \$8,906, equal to the required contributions for the year.

NOTE 5 - COMPENSATED ABSENCES

City employees accumulate earned but unused vacation hours and personal days for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate maximum liability for earned compensated absences payable to employees at June 30, 2011, primarily relating to the General Fund, was \$3,264. This liability has been computed based on rates of pay as of June 30, 2011.

City employees also accumulate sick leave hours for subsequent use. These accumulations are not recognized as disbursements by the City until used or paid. Upon termination, retirement, or death, these accumulations are forfeited by the employee.

**CITY OF WHEATLAND
NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

NOTE 6 - INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Garbage	\$ 7,720	\$ -
General	-	7,720

NOTE 7 - RISK MANAGEMENT

The City of Wheatland 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 the past fiscal year.

This information is an integral part of the accompanying financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF WHEATLAND
BUDGETARY COMPARISON SCHEDULE OF
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
Year Ended June 30, 2011**

	Governmental Fund Types <u>Actual</u>	Proprietary Fund Type <u>Actual</u>	<u>Net</u>	<u>Budgeted Amounts</u>		Final to Actual Variance - Positive (Negative)
				<u>Original</u>	<u>Final</u>	
RECEIPTS						
Property taxes	\$ 188,815	\$ -	\$ 188,815	\$ 184,617	\$ 184,617	\$ 4,198
Other city taxes	79,983	-	79,983	83,080	83,080	(3,097)
Licenses and permits	1,818	-	1,818	2,125	2,125	(307)
Use of money and property	4,964	1,333	6,297	42,765	89,465	(83,168)
Intergovernmental	90,853	-	90,853	87,610	87,613	3,240
Charges for services	5,997	317,128	323,125	302,093	302,093	21,032
Miscellaneous	1,473	-	1,473	100	100	1,373
Total receipts	<u>373,903</u>	<u>318,461</u>	<u>692,364</u>	<u>702,390</u>	<u>749,093</u>	<u>(56,729)</u>
DISBURSEMENTS						
Public safety	54,767	-	54,767	69,592	89,292	34,525
Public works	136,561	-	136,561	139,123	144,123	7,562
Culture and recreation	47,579	-	47,579	40,624	47,624	45
Community and economic development	-	-	-	1,000	1,000	1,000
General government	80,604	-	80,604	71,137	86,137	5,533
Debt service	43,768	-	43,768	-	-	(43,768)
Business-type activities	-	291,682	291,682	342,458	342,458	50,776
Total disbursements	<u>363,279</u>	<u>291,682</u>	<u>654,961</u>	<u>663,934</u>	<u>710,634</u>	<u>55,673</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	10,624	26,779	37,403	38,456	38,459	(1,056)
OTHER FINANCING SOURCES (USES), NET	<u>(7,720)</u>	<u>7,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF RECEIPTS AND OTHER FINANCING SOURCES OVER DISBURSEMENTS AND OTHER FINANCING USES	2,904	34,499	37,403	38,456	38,459	(1,056)
BALANCES BEGINNING OF YEAR	<u>300,645</u>	<u>150,922</u>	<u>451,567</u>	<u>529,356</u>	<u>529,356</u>	<u>(77,789)</u>
BALANCES END OF YEAR	<u>\$ 303,549</u>	<u>\$ 185,421</u>	<u>\$ 488,970</u>	<u>\$ 567,812</u>	<u>\$ 567,815</u>	<u>\$ (78,845)</u>

CITY OF WHEATLAND
NOTES TO REQUIRED SUPPLEMENTAL INFORMATION -
BUDGETARY REPORTING
June 30, 2011

The budgetary comparison is presented as Required Supplemental 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 comparison 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 nine major classes of disbursements known as functions, not by fund or fund type. These nine 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, Special Revenue Funds, Debt Service Funds, Capital Projects Funds, Permanent Fund and 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, three budget amendments increased budgeted disbursements by \$46,700. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amount budgeted in the debt service function.

OTHER SUPPLEMENTAL INFORMATION

CITY OF WHEATLAND
COMBINING SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2011

	<u>Special Revenue</u>		
	<u>Employee Benefits</u>	<u>Debt Service</u>	<u>Total</u>
RECEIPTS			
Property taxes	\$ 11,989	\$ 36,024	\$ 48,013
DISBURSEMENTS			
Public safety	46	-	46
Public works	4,498	-	4,498
Culture and recreation	2,794	-	2,794
General government	5,043	-	5,043
Debt service	-	26,932	26,932
Total disbursements	<u>12,381</u>	<u>26,932</u>	<u>39,313</u>
NET CHANGE IN CASH BALANCES	(392)	9,092	8,700
CASH BALANCES BEGINNING OF YEAR	<u>2,613</u>	<u>3,598</u>	<u>6,211</u>
CASH BALANCES END OF YEAR	<u>\$ 2,221</u>	<u>\$ 12,690</u>	<u>\$ 14,911</u>
CASH BASIS FUND BALANCES			
Restricted for:			
Debt service	\$ -	\$ 12,690	\$ 12,690
Other purposes	2,221	-	2,221
Total cash basis fund balances	<u>\$ 2,221</u>	<u>\$ 12,690</u>	<u>\$ 14,911</u>

**CITY OF WHEATLAND
SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2011**

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Amount Originally Issued</u>	<u>Balance, Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance, End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
General obligation bonds: Series 2006	March 1, 2000	6.00%	\$ 410,000	\$ 101,442	\$ -	\$ 13,486	\$ 87,956	\$ 6,072	\$ -
Revenue bonds:									
Sewer Revenue	September 20, 2006	3.00%	\$ 1,604,000	\$ 1,340,000	\$ -	\$ 60,000	\$ 1,280,000	\$ 43,549	\$ -
Water Revenue	December 20, 1995	5.25%	145,000	6,892	-	6,892	-	195	-
Total			\$ 1,749,000	\$ 1,346,892	\$ -	\$ 66,892	\$ 1,280,000	\$ 43,744	\$ -
Notes:									
Fire Truck	July 29, 2009	4.55%	\$ 75,000	\$ 64,827	\$ -	\$ 14,127	\$ 50,700	\$ 2,710	\$ -

**CITY OF WHEATLAND
BOND AND NOTE MATURITIES
June 30, 2011**

Year Ending June 30,	General Obligation Notes								
	Sewer Revenue Issued September 20, 2006			General Obligation Issued March 1, 2000			Fire Truck Issued July 29, 2009		
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest
2012	3.000%	\$ 62,000	\$ 41,600	6.000%	\$ 21,000	\$ 4,976	\$ -	\$ 14,796	\$ 2,040
2013	3.000%	64,000	39,585	6.000%	23,000	4,130	4.550%	15,497	1,339
2014	3.000%	66,000	37,505	6.000%	24,000	2,711	4.550%	16,231	605
2015	3.000%	69,000	35,360	6.000%	19,956	1,231	4.550%	4,176	32
2016	3.000%	71,000	33,118		-	-		-	-
2017	3.000%	73,000	30,810		-	-		-	-
2018	3.000%	75,000	28,438		-	-		-	-
2019	3.000%	78,000	26,000		-	-		-	-
2020	3.000%	80,000	23,465		-	-		-	-
2021	3.000%	83,000	20,865		-	-		-	-
2022	3.000%	86,000	18,168		-	-		-	-
2023	3.000%	89,000	15,373		-	-		-	-
2024	3.000%	91,000	12,480		-	-		-	-
2025	3.000%	94,000	9,523		-	-		-	-
2026	3.000%	98,000	6,468		-	-		-	-
2027	3.000%	101,000	3,283		-	-		-	-
TOTAL		\$ 1,280,000	\$ 382,041		\$ 87,956	\$ 13,048		\$ 50,700	\$ 4,016



**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 Wheatland, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City of Wheatland, Iowa's basic financial statements listed in the table of contents, and have issued our report thereon dated December 12, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with 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 our audit, we considered the City of Wheatland, Iowa'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 an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses, and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Responses as items II-A-11 and II-B-11 that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Wheatland, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance 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 III of the accompanying Schedule of Findings and Responses.

Comments involving statutory and other legal matters about the City of Wheatland, Iowa's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City of Wheatland, Iowa. 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 Wheatland, Iowa's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Responses. While we have expressed our conclusions on the City of Wheatland, Iowa's responses, we did not audit the City of Wheatland, Iowa'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 Wheatland, Iowa and other parties to whom the City of Wheatland, Iowa 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.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Wheatland, Iowa 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.



Clinton, Iowa
December 12, 2011

**CITY OF WHEATLAND
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

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

Financial Statements

Type of auditor's report issued: Unqualified opinion - cash basis

Internal control over financial reporting:

- Material weakness(es) identified? yes x no
- Significant deficiency(s) identified that are not
 considered to be material weaknesses? x yes none reported
- Noncompliance material to financial statements noted? yes x no

**CITY OF WHEATLAND
SCHEDULE OF FINDINGS AND RESPONSES
As of and for the Year Ended June 30, 2011**

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-11 Financial Statement Preparation

Criteria:

The City engages Winkel, Parker & Foster, CPA PC to assist in preparing its financial statements and accompanying disclosures. However, as independent auditors, Winkel, Parker & Foster, CPA PC cannot be considered part of the entity's internal control system. To establish proper internal control over the preparation of its financial statements, including disclosures, the entity should design and implement a comprehensive review procedure to ensure that the financial statements, including disclosures, are complete and accurate.

Condition:

The City has not implemented procedures, to the degree necessary, to perform a comprehensive review of the City's financial statements and related disclosures to provide a high level of assurance that potential omissions or other errors that are less than material, but more than inconsequential, would be identified and corrected.

Effect:

Management or employees in the normal course of performing their assigned functions may not prevent or detect and correct financial statement misstatements and disclosure omissions in a timely manner.

Cause:

The entity has relied on independent auditors to some degree to provide assurance that the financial statements, including disclosures, are not materially misstated.

Recommendation:

Management should perform a comprehensive review of the financial statements to ensure that the financial statements, including disclosures, are complete and accurate.

Response:

Management will perform a comprehensive review of the financial statements to ensure that the financial statements, including disclosures, are complete and accurate.

Conclusion:

Response accepted.

**CITY OF WHEATLAND
SCHEDULE OF FINDINGS AND RESPONSES
As of and for the Year Ended June 30, 2011**

Part II: Findings Related to the Financial Statements (continued):

INTERNAL CONTROL DEFICIENCIES (CONTINUED):

II-B-11 Segregation of Duties

Criteria:

Internal controls should be in place to reduce to a relatively low risk the likelihood a material misstatement to the financial statements could occur and not be detected and corrected in a timely period by employees in the normal course of performing their assigned functions. A good system of internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

Condition:

Currently, there is only one individual with accounting and financial duties. Therefore, at any time they have the ability to initiate, authorize and record transactions with no formal review process in place. As a result, all of those aspects of internal control which rely upon an adequate segregation of duties are, for all practical purposes, missing.

Effect:

As a result of this condition, there is a higher risk that errors or irregularities could occur and not be detected and corrected within a timely period.

Cause:

The entity has a limited number of personnel performing accounting functions.

Recommendation:

The City should be aware of the lack of segregation of duties and regularly review controls which could be put in place to mitigate the risk that misstatements could occur and not be detected and corrected on a timely basis. We also recommend that the City have a member of management or the City Council review journal entries and supporting documentation on a monthly basis. The reviewer should then sign and date the entries as an indication of approval.

Response:

The City concurs with the recommendations; however, believes the supervision by the Mayor and members of the City Council are considered mitigating factors in the lack of segregation of duties condition. The City recognizes that it would not be cost effective to hire additional personnel to maximize the segregation of accounting duties due to the size of the City. The City is aware of the condition and will continue to monitor and implement compensating controls.

Conclusion:

Response acknowledged. The City should segregate duties to the extent possible with existing personnel.

**CITY OF WHEATLAND
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

Part II: Findings Related to the Financial Statements (continued):

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

**CITY OF WHEATLAND
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011**

Part III: Other Findings Related to Required Statutory Reporting:

III-A-11 Certified budget - Expenditures for the year ended June 30, 2011, 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 - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

III-B-11 Questionable disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-11 Travel expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-11 Business transactions - Business transactions between the City and City officials are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Virgil Noel, Mayor, Owner of Wheatland Repair Center	Repairs and Maintenance	\$ 4,680

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the Mayor do not appear to represent a conflict of interest since individual transactions were less than the \$1,500 limit requiring competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

III-E-11 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 the coverage is adequate for current operations.

III-F-11 Council minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-11 Deposits and investments - We noted 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.

CITY OF WHEATLAND
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2011

Part III: Other Findings Related to Required Statutory Reporting (continued):

III-H-11 Revenue bonds and notes - No instances of non-compliance with the revenue bond and note resolutions were noted.

III-I-11 Financial condition - No instances of deficit balances were noted.

III-J-11 Annual Financial Report - The Annual Financial Report was filed by December 1 as required by Chapter 384.22 of the Code of Iowa. However, the Annual Financial Report does not agree in total to the financial statements and there are several variances in the receipts and disbursements line items.

Recommendation - The City should contact the Auditor of State to determine what corrections are necessary.

Response - We will contact the Auditor of State to determine the necessary corrections.

Conclusion - Response accepted.