

CITY OF LAKE CITY

Independent Auditors' Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings

June 30, 2005

CITY OF LAKE CITY

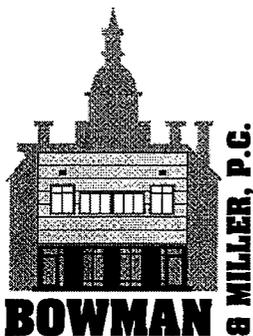
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CITY OF LAKE CITY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Merle Chamberlain	Mayor	Jan 2008
Tony Macke	Mayor Pro Tem	Jan 2006
Tamela Green	Council Member	Jan 2006
Scott Hicks	Council Member	Jan 2006
Gary Fahan	Council Member	Jan 2008
Richard Lamberty	Council Member	Jan 2008
Judy Hungate	Administrator/Clerk	Jan 2006
Lois Smith	Treasurer	Jan 2006
David Willis	Attorney	Jan 2006



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' 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 Lake City, Iowa, as of and for the year ended June 30, 2005, 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 Lake City's management. Our responsibility is to express opinions on these 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 and provisions 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.

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 Lake City, as of June 30, 2005, 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 September 29, 2005 on our consideration of the City of Lake City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations contracts 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 read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 20 through 22 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the City of Lake City's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2004 (which is not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the two years ended June 30, 2003 (none of which are presented herein) were audited by other auditors who expressed qualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 5 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 on our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bowman and Miller, P.C.

Marshalltown, Iowa
September 29, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Lake City 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, 2005. We encourage readers to consider this information in conjunction with the City's financial statements which follow.

2005 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 25.4%, or approximately \$312,300, from fiscal 2004 to fiscal 2005. Bond proceeds decreased \$341,500, miscellaneous receipts decreased approximately \$12,000 and intergovernmental receipts increased approximately \$98,300.
- Disbursements decreased 17.2%, or approximately \$204,000 in fiscal 2005 from fiscal 2004. Public Safety, Public Works and Culture and Recreation increased approximately \$123,000, \$12,000 and \$17,800, respectively, while General Government, Debt Service and Capital Projects decreased approximately \$3,000, \$46,000 and \$307,500, respectively.
- The City's total cash basis net assets decreased 19.4%, or approximately \$92,000 from June 30, 2004 to June 30, 2005. Of this amount, the assets of the governmental activities decreased approximately \$64,200 and the assets of the business type activities decreased by approximately \$27,800.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

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 accounting principles generally accepted in the United States of America. Therefore, when reviewing the financial information and discussion within this annual report, the reader 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 and decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, solid waste and storm sewer. 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, 3) the Debt Service Fund, 4) the Capital Projects Fund, and 5) the Permanent 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 statements for governmental funds include 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, solid waste, and storm sewer funds.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$99,767 to \$35,484. The analysis that follows focuses on the changes in cash balances for governmental activities.

	Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30,	
	2005	2004
Receipts:		
Program receipts:		
Charges for service	\$ 23,559	15,873
Operating grants, contributions and restricted interest	304,335	206,032
General receipts:		
Property tax	550,640	615,975
Unrestricted investment earnings	6,550	5,922
Bond proceeds	-	341,500
Other general receipts	33,450	45,546
Total receipts	<u>918,534</u>	<u>1,230,848</u>
Disbursements:		
Public safety	303,633	180,490
Public works	137,946	126,072
Culture and recreation	142,335	124,553
General government	112,907	116,052
Debt service	213,215	259,465
Capital projects	<u>72,781</u>	<u>380,347</u>
Total disbursements	<u>982,817</u>	<u>1,186,979</u>
Increase (decrease) in cash basis net assets	(64,283)	43,869
Cash basis net assets beginning of year	<u>99,767</u>	<u>55,898</u>
Cash basis net assets end of year	\$ <u>35,484</u>	<u>99,767</u>

The City's total receipts for governmental activities decreased by 25.37% or \$312,300. The total cost of all programs and services decreased by approximately \$204,000, or 17.2%, with no new programs added. The significant decrease in receipts was primarily the result of proceeds received from the issuance of general obligation bonds for street construction in the prior year.

The City decreased property tax receipts for 2005 by an average of 10.6 percent.

Changes in Cash Basis Net Assets of Business Type Activities			
		Year ended June 30,	
		2005	2004
Receipts:			
Program receipts:			
Charges for service:			
Water	\$	137,584	139,342
Sewer		126,001	128,494
Solid waste		108,460	105,193
Storm sewer		9,472	
General receipts:			
Unrestricted interest on investments		132	140
Other general receipts		<u>12,749</u>	<u>7,649</u>
Total receipts		<u>394,398</u>	<u>380,818</u>
Disbursements:			
Water		167,707	158,900
Sewer		149,767	154,294
Solid waste		<u>104,721</u>	<u>100,867</u>
Total disbursements		<u>422,195</u>	<u>414,061</u>
Decrease in cash balance		(27,797)	(33,243)
Cash basis net assets beginning of year		<u>374,478</u>	<u>407,721</u>
Cash basis net assets end of year	\$	<u>346,681</u>	<u>374,478</u>

Total business type activities receipts for the fiscal year were \$394,400 compared to \$380,800 last year. The cash balance decreased by approximately \$27,800 due primarily to improvements to the water and sewer plants.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Lake City completed the year, its governmental funds reported a combined fund balance of \$35,484, a decrease of \$64,300 from last year's total of \$99,767. The following are the major reasons for the changes in fund balance of the major funds from the prior year.

- The General Fund cash balance decreased \$32,337 from the prior year to \$73,712. The decrease is primarily attributable to increased expenditures of approximately \$14,000 for fire and \$18,000 for swimming pool operations.
- The Road Use Tax Fund cash balance increased by \$13,962 from the prior year to \$117,321. The increase is primarily attributable to reduced expenditures for salaries and employee benefits.
- The Employee Retirement Fund cash balance increased \$17,514 from the prior year to \$38,895. The increase is due to an increase in property tax receipts.
- The deficit Debt Service Fund cash balance increased by \$10,765 to \$58,048 during the fiscal year. This change in the deficit is due to a decrease in property tax receipts of approximately \$53,700 and a reduction of bond and interest payments of approximately \$46,250.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$24,058 to \$125,430, due primarily to increased expenditures for repairs and improvements to the water plant.
- The Sewer Fund cash balance decreased by \$16,950 to \$149,852, due primarily to increased expenditures for salaries.
- The Solid Waste Fund cash balance increased by \$3,739 to \$61,927. Both receipts and expenditures increased approximately the same as compared with the prior year.
- The Storm Sewer Fund cash balance of \$9,472 was from receipts during its first year of operation.

BUDGETARY HIGHLIGHTS

Actual receipts exceeded the amount budgeted by \$182,277 and actual expenditures were \$131,247 less than the budgeted amount, resulting in \$51,030 available for use in future years.

DEBT ADMINISTRATION

At June 30, 2005, the City had \$1,013,355 in bonds and other long-term debt, compared to \$1,189,341 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2005	2004
General obligation bonds and notes	\$ 1,005,000	1,165,000
Fire truck lease	<u>8,355</u>	<u>24,341</u>
Total	\$ <u>1,013,355</u>	<u>1,189,341</u>

General obligation debt decreased by the amount of principal payments on the bonds, notes and fire truck lease.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The city’s outstanding general obligation debt of \$1,013,355 is below its constitutional debt limit of \$2,166,227.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

Lake City’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2006 budget, tax rates, and fees that will be charged for various City activities.

Amounts available for appropriation in the 2006 operating budget are \$1,589,442, an increase of 24.8% from the final 2005 budget.

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 Judy Hungate, City Administrator, 105 North Center Street, Lake City, Iowa.

Basic Financial Statements

CITY OF LAKE CITY
Statement of Activities and Net Assets-Cash Basis
As of and for the year ended June 30, 2005

	<u>Disbursements</u>	<u>Program Receipts</u>	
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 303,633	-	119,738
Public works	137,946	-	151,908
Culture and recreation	142,335	19,341	28,444
General government	112,907	4,218	4,245
Debt service	213,215	-	-
Capital projects	72,781	-	-
Total governmental activities	<u>982,817</u>	<u>23,559</u>	<u>304,335</u>
Business type activities:			
Water	167,707	137,584	-
Sewer	149,767	126,001	-
Solid waste	104,721	108,460	-
Storm sewer	-	9,472	-
Total business type activities	<u>422,195</u>	<u>381,517</u>	<u>-</u>
Total	<u>\$ 1,405,012</u>	<u>405,076</u>	<u>304,335</u>
General receipts:			
Property tax levied for:			
General purposes			
Debt service			
Grants and contributions not restricted to specific purpose			
Unrestricted interest			
Miscellaneous			
Total general receipts			
Change in cash basis net assets			
Cash basis net assets beginning of years			
Cash basis net assets end of years			
Cash Basis Net Assets			
Restricted:			
Streets			
Debt service			
Unrestricted			
Total cash basis net assets			

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(183,895)	-	(183,895)
13,962	-	13,962
(94,550)	-	(94,550)
(104,444)	-	(104,444)
(213,215)	-	(213,215)
(72,781)	-	(72,781)
<u>(654,923)</u>	-	<u>(654,923)</u>
-	(30,123)	(30,123)
-	(23,766)	(23,766)
-	3,739	3,739
-	9,472	9,472
-	<u>(40,678)</u>	<u>(40,678)</u>
<u>(654,923)</u>	<u>(40,678)</u>	<u>(695,601)</u>
348,100	-	348,100
202,540	-	202,540
10,124	-	10,124
6,418	132	6,550
23,458	12,749	36,207
<u>590,640</u>	<u>12,881</u>	<u>603,521</u>
(64,283)	(27,797)	(92,080)
<u>99,767</u>	<u>374,478</u>	<u>474,245</u>
\$ <u>35,484</u>	<u>346,681</u>	<u>382,165</u>
\$ 117,321	-	117,321
(58,048)	-	(58,048)
(23,789)	346,681	322,892
\$ <u>35,484</u>	<u>346,681</u>	<u>382,165</u>

CITY OF LAKE CITY
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2005

	Special Revenue			
	General	Road Use Tax	Employee Retirement	Debt Service
Receipts:				
Property tax	\$ 266,264	-	81,836	202,540
Licenses and permits	4,218	-	-	-
Use of money and property	6,418	-	-	-
Intergovernmental	144,822	151,908	-	-
Charges for service	19,341	-	-	-
Miscellaneous	19,124	-	-	-
Total receipts	<u>460,187</u>	<u>151,908</u>	<u>81,836</u>	<u>202,540</u>
Disbursements:				
Operating:				
Public safety	303,633	-	-	-
Public works	-	137,946	-	-
Culture and recreation	140,306	-	-	-
General government	48,585	-	64,322	-
Debt service	-	-	-	213,215
Capital projects	-	-	-	-
Total disbursements	<u>492,524</u>	<u>137,946</u>	<u>64,322</u>	<u>213,215</u>
Net change in cash balances	(32,337)	13,962	17,514	(10,675)
Cash balances beginning of year	106,049	103,359	21,381	(47,373)
Cash balances end of year	<u>\$ 73,712</u>	<u>117,321</u>	<u>38,895</u>	<u>(58,048)</u>
Cash Basis Fund Balances				
Reserved:				
Debt service	-	-	-	(58,048)
Unreserved:				
General fund	73,712	-	-	-
Special revenue funds	-	117,321	38,895	-
Capital projects fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	<u>\$ 73,712</u>	<u>117,321</u>	<u>38,895</u>	<u>(58,048)</u>

Capital Projects	Other Nonmajor Governmental Funds	Total
-	-	550,640
-	-	4,218
-	934	7,352
-	-	296,730
-	-	19,341
14,309	6,820	40,253
14,309	7,754	918,534
-	-	303,633
-	-	137,946
-	2,029	142,335
-	-	112,907
-	-	213,215
72,781	-	72,781
72,781	2,029	982,817
(58,472)	5,725	(64,283)
(138,347)	54,698	99,767
(196,819)	60,423	35,484
-	-	(58,048)
-	-	73,712
-	-	156,216
(196,819)	-	(196,819)
-	60,423	60,423
(196,819)	60,423	35,484

CITY OF LAKE CITY
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2005

	Enterprise Funds				Total
	Water	Sewer	Solid Waste	Storm Sewer	
Operating receipts:					
Use of money and property	\$ 132	-	-	-	132
Charges for service	137,584	126,001	108,460	9,472	381,517
Miscellaneous	5,933	6,816	-	-	12,749
Total operating receipts	<u>143,649</u>	<u>132,817</u>	<u>108,460</u>	<u>9,472</u>	<u>394,398</u>
Operating disbursements:					
Business type activities	167,707	149,767	104,721	-	422,195
Total operating disbursements	<u>167,707</u>	<u>149,767</u>	<u>104,721</u>	<u>-</u>	<u>422,195</u>
Excess (deficiency) of receipts over (under) disbursements	(24,058)	(16,950)	3,739	9,472	(27,797)
Cash balances beginning of year	<u>149,488</u>	<u>166,802</u>	<u>58,188</u>	<u>-</u>	<u>374,478</u>
Cash balances end of year	<u>\$ 125,430</u>	<u>149,852</u>	<u>61,927</u>	<u>9,472</u>	<u>346,681</u>
Cash Basis Fund Balances					
Unreserved	<u>\$ 125,430</u>	<u>149,852</u>	<u>61,927</u>	<u>9,472</u>	<u>346,681</u>

CITY OF LAKE CITY
Notes to Financial Statements
June 30, 2005

Note 1 – Summary of Significant Accounting Policies

The City of Lake City is a political subdivision of the State of Iowa located in Calhoun County. It was first incorporated in 1856 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 and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Lake City 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 of Lake City's financial statements include financial information of the Lake City Library Foundation, which is a component unit that meets the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City also 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. A City official is a member of the Carroll County Landfill Commission.

B. Basis of Presentation

Government-Wide Financial Statements – 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 services.

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

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

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

CITY OF LAKE CITY
Notes to Financial Statements (Continued)
June 30, 2005

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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 funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

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

The Employee Retirement Fund is used to account for property tax levied to finance the payment of employee benefits.

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

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

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

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste system.

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

CITY OF LAKE CITY
Notes to Financial Statements (Continued)
June 30, 2005

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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, 2005, disbursements exceeded the amounts budgeted in the public safety, general government, debt service and capital projects functions.

Note 2 – Cash and Pooled Investments

The City's deposits in banks at June 30, 2005 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.

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 – 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

CITY OF LAKE CITY
Notes to Financial Statements (Continued)
June 30, 2005

Note 3 – Pension and Retirement Benefits (Continued)

financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. For the year ended June 30, 2004, the contribution rates for police employees and the City were 5.93% and 8.9%, respectively, and for the year ended June 30, 2003, the contribution rates for police employees and the City were 6.04% and 9.07%, respectively. Contribution requirements are established by state statute. The City's contribution to IPERS for the years ended June 30, 2005, 2004 and 2003 were \$21,876, \$19,080 and \$20,755 respectively equal to the required contributions for each year.

Note 4 – Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending June 30,	Principal	Interest	Total
2006	\$ 165,000	44,422	209,422
2007	160,000	36,243	196,243
2008	165,000	29,430	194,430
2009	120,000	22,108	142,108
2010	125,000	16,972	141,972
2011	85,000	11,343	96,343
2012	85,000	7,917	92,917
2013	85,000	4,338	89,338
2014	15,000	645	15,645
Total	\$ 1,005,000	173,418	1,178,418

Note 5 – Lease Purchase Obligation

The City has entered into a capital lease with Ed M. Field Equipment Company, Inc. for the purchase of a fire truck body. The final lease payment of \$8,605 is due October 12, 2005. The following is the information relating to the lease:

Leased From	Interest Rate	Date		Principal Balance June 30, 2005	Item Leased
		Issued	Due		
Ed M. Field Equipment Company, Inc.	6.005%	10-12-1995	10-12-2005	\$8,355	Fire truck body

CITY OF LAKE CITY
Notes to Financial Statements (Continued)
June 30, 2005

Note 5 – Lease Purchase Obligation (Continued)

The following is a schedule by years of future minimum lease payments under this lease:

Year Ending June 30	
2006	\$ 8,605
Total minimum lease payments	8,605
Less: Amount representing interest	<u>250</u>
Present value of net minimum payments	<u>\$ 8,355</u>

Note 6 – Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours 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 liability for earned vacation and sick leave termination payments payable to employees at June 30, 2005, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 15,021
Sick leave	<u>78,007</u>
Total	<u>\$ 93,028</u>

Note 7 – Risk Management

The City of City of Lake City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 331.301 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 509 members from 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 and inland marine. 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

CITY OF LAKE CITY
Notes to Financial Statements (Continued)
June 30, 2005

Note 7 – Risk Management (Continued)

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 expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2005 were \$34,325.

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 \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in the aggregate per year. For members requiring specific coverage from \$2,000,000 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.

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. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2005, no liability has been recorded in the City's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance 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 claim 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 also carries commercial insurance purchased from other insurers for coverage associated with workers compensation and employee blanket bond in the amount of \$500,000 and \$100,000, respectively. 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.

CITY OF LAKE CITY
Notes to Financial Statements (Continued)
June 30, 2005

Note 8 – Deficit Fund Balance

The Debt Service Fund had a deficit fund balance of \$58,048 at June 30, 2005. The deficit balance is a result of omitting bond issues from the budget of the current and prior year. The deficit should be eliminated by increasing the debt service levy. Also, the Capital Projects Fund had a deficit balance of \$196,819 at June 30, 2005. The deficit balance is a result of not funding the construction of the fire station in a prior year and excess costs over bond proceeds on the latest street construction project.

CITY OF LAKE CITY
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, 2005

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 550,640	-
Other city tax	-	-
Licenses and permits	4,218	-
Use of money and property	7,352	132
Intergovernmental	296,730	-
Charges for services	19,341	381,517
Miscellaneous	40,253	12,749
Total receipts	918,534	394,398
Disbursements:		
Public safety	303,633	-
Public works	137,946	-
Culture and recreation	142,335	-
General government	112,907	-
Debt service	213,215	-
Capital projects	72,781	-
Business type activities	-	422,195
Total disbursements	982,817	422,195
Excess (deficiency) of receipts over (under) disbursements	(64,283)	(27,797)
Balances beginning of year	99,767	374,478
Balances end of year	\$ 35,484	346,681

Total	Budgeted Amounts		Final to Net Variance
	Original	Final	
550,640	512,169	512,169	38,471
-	32,457	32,457	(32,457)
4,218	3,035	3,035	1,183
7,484	7,550	7,550	(66)
296,730	173,394	173,394	123,336
400,858	397,000	397,000	3,858
53,002	5,050	5,050	47,952
<u>1,312,932</u>	<u>1,130,655</u>	<u>1,130,655</u>	<u>182,277</u>
303,633	204,641	204,641	(98,992)
137,946	179,000	179,000	41,054
142,335	143,093	143,093	758
112,907	103,850	103,850	(9,057)
213,215	199,506	199,506	(13,709)
72,781	10,000	10,000	(62,781)
422,195	433,675	433,675	11,480
<u>1,405,012</u>	<u>1,273,765</u>	<u>1,273,765</u>	<u>(131,247)</u>
(92,080)	(143,110)	(143,110)	51,030
<u>474,245</u>	<u>343,010</u>	<u>343,010</u>	<u>131,235</u>
<u>382,165</u>	<u>199,900</u>	<u>199,900</u>	<u>182,265</u>

CITY OF LAKE CITY

Notes to Required Supplementary Information – Budgetary Reporting June 30, 2005

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 and Fiduciary 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 or fund type. 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 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 ended June 30, 2005, disbursements exceeded the amounts budgeted in the public safety, general government, debt service and capital projects functions.

Other Supplementary Information

CITY OF LAKE CITY
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2005

	Permanent		Total
	Cemetery Perpetual Care	Lake City Library Foundation	
Receipts:			
Use of money and property	\$ 245	689	934
Miscellaneous	150	6,670	6,820
Total receipts	395	7,359	7,754
Disbursements:			
Operating:			
Culture and recreation	-	2,029	2,029
Total disbursements	-	2,029	2,029
Net change in cash balances	395	5,330	5,725
Cash balances beginning of year	16,466	38,232	54,698
Cash balances end of year	\$ 16,861	43,562	60,423
Cash Basis Fund Balances			
Unreserved:			
Permanent fund	\$ 16,861	43,562	60,423
Total cash basis fund balances	\$ 16,861	43,562	60,423

CITY OF LAKE CITY
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Capital Projects Fund
As of and for the year ended June 30, 2005

	Fire Station	Street Construction	Other	Total
Receipts:				
Miscellaneous	\$ -	3,854	10,455	14,309
Total receipts	<u>-</u>	<u>3,854</u>	<u>10,455</u>	<u>14,309</u>
Disbursements:				
Capital projects	-	62,326	10,455	72,781
Total disbursements	<u>-</u>	<u>62,326</u>	<u>10,455</u>	<u>72,781</u>
Excess (deficiency) of receipts over (under) disbursements	<u>-</u>	<u>(58,472)</u>	<u>-</u>	<u>(58,472)</u>
Cash balances beginning of year	<u>(102,010)</u>	<u>(36,337)</u>	<u>-</u>	<u>(138,347)</u>
Cash balances end of year	<u><u>\$ (102,010)</u></u>	<u><u>(94,809)</u></u>	<u><u>-</u></u>	<u><u>(196,819)</u></u>
Cash Basis Fund Balances				
Unreserved:				
Capital projects fund	<u>\$ (102,010)</u>	<u>(94,809)</u>	<u>-</u>	<u>(196,819)</u>
Total cash basis fund balances	<u><u>\$ (102,010)</u></u>	<u><u>(94,809)</u></u>	<u><u>-</u></u>	<u><u>(196,819)</u></u>

CITY OF LAKE CITY
Schedule of Indebtedness
Year Ended June 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Street improvement	07-01-96	4.90 - 5.50 %	\$ 300,000
Street improvement	05-01-98	4.15 - 4.70	330,000
Street improvement	05-01-00	5.00 - 5.70	350,000
Municipal building	09-01-02	2.25 - 4.70	300,000
Street improvement	05-01-04	2.70 - 4.30	350,000
Total			
Fire truck lease	10-12-95	6.005	\$ 128,000

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
125,000	-	60,000	65,000	6,845	-
210,000	-	40,000	170,000	9,737	-
230,000	-	35,000	195,000	12,675	-
250,000	-	25,000	225,000	10,248	-
350,000	-	-	350,000	13,710	-
\$ 1,165,000	-	160,000	1,005,000	53,215	-
\$ 24,341	-	15,986	8,355	1,225	-

CITY OF LAKE CITY
Bond and Note Maturities
June 30, 2005

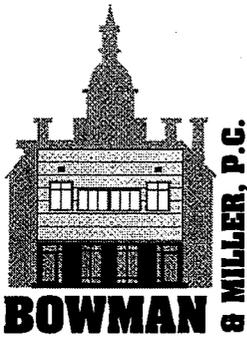
<u>Year</u> <u>Ending</u> <u>June 30,</u>	General Obligation Bonds and Notes			
	Street Improvement		Street Improvement	
	Issued July 1, 1996		Issued May 1, 1998	
	Interest		Interest	
Rates	Amount	Rates	Amount	
2006	5.50%	\$ 65,000	4.60%	\$ 40,000
2007	-	-	4.65%	65,000
2008	-	-	4.70%	65,000
2009	-	-	-	-
2010	-	-	-	-
2011	-	-	-	-
2012	-	-	-	-
2013	-	-	-	-
2014	-	-	-	-
Total		\$ 65,000		\$ 170,000

Street Improvement Issued May 1, 2000		Municipal Building Issued Sep 1, 2002		Street Improvement Issued May 1, 2004		Total
Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
5.40%	\$ 35,000	3.50%	\$ 25,000	-	\$ -	165,000
5.45%	35,000	3.75%	25,000	2.70%	35,000	160,000
5.50%	40,000	4.00%	25,000	3.05%	35,000	165,000
5.60%	40,000	4.15%	30,000	3.30%	50,000	120,000
5.70%	45,000	4.30%	30,000	3.55%	50,000	125,000
-	-	4.45%	30,000	3.80%	55,000	85,000
-	-	4.60%	30,000	4.00%	55,000	85,000
-	-	4.70%	30,000	4.15%	55,000	85,000
-	-	-	-	4.30%	15,000	15,000
	<u>\$ 195,000</u>		<u>\$ 225,000</u>		<u>\$ 350,000</u>	<u>1,005,000</u>

CITY OF LAKE CITY
Schedule of Receipts By Source and Disbursements by Function-
All Governmental Funds
For the Last Three Years

	2005	2004	2003
Receipts:			
Property tax	\$ 550,640	615,975	613,131
Intergovernmental	296,730	179,138	201,028
Licenses and permits	4,218	4,138	3,772
Use of money and property	7,352	7,415	10,280
Charges for services	19,341	15,873	19,603
Bond proceeds	-	341,500	293,000
Miscellaneous	40,253	66,809	26,312
Total	\$ 918,534	1,230,848	1,167,126
Disbursements:			
Operating:			
Public safety	\$ 303,633	180,490	218,242
Public works	137,946	126,072	132,233
Culture and recreation	142,335	124,553	127,450
General government	112,907	116,052	103,158
Debt service	213,215	259,465	278,387
Capital projects	72,781	380,347	141,144
Total	\$ 982,817	1,186,979	1,000,614

Information for 2002 is unavailable.



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report on
Internal Control over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Governmental 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 Lake City, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated September 29, 2005. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental 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 Lake City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Lake City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-05 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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 Lake City and other parties to whom the City of Lake City 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 Lake City 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.

Bowman and Miller, P.C.

Marshalltown, Iowa
September 29, 2005

CITY OF LAKE CITY
Schedule of Findings
Year Ended June 30, 2005

Part I: Summary of the Independent Auditors' Results:

- (a) An unqualified opinion was issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF LAKE CITY
Schedule of Findings (Continued)
Year Ended June 30, 2005

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-05 Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted one person has control over each of the following areas:

- (1) Cash receipts - collecting, depositing, journalizing, and posting
- (2) Payroll preparation and distribution.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its operating procedures to obtain the maximum internal control possible under the circumstances. In instances where it is not possible to segregate duties the City should utilize administrative personnel to provide additional internal control through review of financial transactions and report.

Response – The noted areas will be reviewed to identify duties that could be handled by other personnel or council members.

Conclusion – Response accepted.

Part III: Other Findings Related to Statutory Reporting:

III-A-05 Official Depositories – A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year.

III-B-05 Certified Budget – Disbursements during the year ended June 30, 2005, exceeded the amounts budgeted in the public safety, general government, debt service and capital projects functions. 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 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Improvements to fund balance reports are being made to help the City monitor balances in a more timely and accurate manner.

Conclusion – Response accepted.

III-C-05 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 24, 1979.

CITY OF LAKE CITY
Schedule of Findings (Continued)
Year Ended June 30, 2005

- III-D-05 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-E-05 Business Transactions – During the year ended June 30, 2005, there were no business transactions between the City and City officials or employees were noted.
- III-F-05 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.
- III-G-05 Council Minutes – No transactions were found that we believe should have been approved in the council minutes but were not.
- III-H-05 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.
- III-I-05 Financial Condition – The City had deficit balances in the Debt Service and Capital Projects Funds.

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

Response – We will seek solutions to these deficits.

Conclusion – Response accepted.

CITY OF LAKE CITY

Staff

This audit was performed by:

Bowman & Miller, P.C.
Certified Public Accountants
Marshalltown, IA 50158

Personnel:

James R. Bowman, CPA, Manager

Lowen K. Poock, PC