

CITY OF BELLE PLAINE

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

JUNE 30, 2006

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		4-5
Management's Discussion and Analysis		6-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	14-15
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	16-17
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C	18
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	19-20
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E	21
Notes to Financial Statements		22-27
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		29-30
Notes to Required Supplementary Information – Budgetary Reporting		31
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Governmental Funds	1	33-34
Statement of Cash Receipts, Disbursements and Changes in Cash Balances - Nonmajor Proprietary Funds	2	35
Schedule of Indebtedness	3	36-37
Bond and Note Maturities	4	38
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5	39
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		40-41
Schedule of Findings and Questioned Costs		42-45
Staff		46

City of Belle Plaine

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2006)		
Jim Daily	Mayor	Jan 2008
Harold Ealy	Mayor Pro tem	Jan 2008
Dick Wells	Council Member	Jan 2008
Bill Grieder	Council Member	Jan 2006
Marv DeRycke	Council Member	Jan 2006
Jim Kurovski	Council Member	Jan 2006
(After January 2006)		
Jim Daily	Mayor	Jan 2008
Harold Ealy	Mayor Pro tem	Jan 2008
Dick Wells	Council Member	Jan 2008
Steve Beck	Council Member	Jan 2010
Marv DeRycke	Council Member	Jan 2010
Jim Kurovski	Council Member	Jan 2010
Kaye Buch	Clerk/Treasurer	Indefinite
Larry Schlue	Attorney	Indefinite

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 Belle Plaine, Iowa, as of and for the year ended June 30, 2006, 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 Belle Plaine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

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 Belle Plaine as of June 30, 2006, 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 reports dated August 15, 2006 on our consideration of the City of Belle Plaine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 29 through 30 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Belle Plaine'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 three years ended June 30, 2005 (none of which are presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. 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 in 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.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

August 15, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Belle Plaine 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, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

- Revenues of the City of Belle Plaine's governmental activities remained relatively stable, only decreasing \$9,233, or less than half a percent, from fiscal 2005 to fiscal 2006. Property tax decreased \$44,985 and road use decreased \$87,053, but local option sales tax increased \$151,723.
- Disbursements increased in the areas of public safety, community & economic development, and debt service from June 30, 2005 to June 30, 2006. The increases were \$45,207, \$6,614, and \$74,512, respectively. Decreases were in public works, health and social service, culture & recreation, general government, and capital projects, by \$121,766, \$592, \$56,911, \$3,620, and \$98,788, respectively.
- The City's total cash basis net assets increased \$185,961 from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities increased \$214,271 and the assets of the business type activities decreased \$28,310.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the non-major 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 U.S. generally accepted accounting principles. 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 Statement

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system and garbage. 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 Urban Renewal Tax Increment, 3) the Debt Service Fund 4) the Capital Projects Funds and 5) the Permanent Funds. 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 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 three Enterprise Funds to provide separate information for the water, sewer and garbage funds, considered to be major funds of the City.

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

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

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 \$214,271 from a year ago, increasing from \$816,334 to \$1,030,605. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$115,648	78,228
Operating grants, contributions and restricted interest	411,143	436,059
Capital grants, contributions, and restricted interest	-	132,599
General receipts		
Property Tax	858,887	901,535
Unrestricted investment earnings	25,067	19,848
Local Option Sales Tax	299,037	147,314
Other general receipts	46,160	31,126
Transfers	-	<u>64,432</u>
Total receipts and transfers	<u>\$1,755,942</u>	<u>1,811,141</u>
Disbursements:		
Public safety	335,867	290,660
Public works	367,577	489,343
Health and social services	5,940	6,532
Culture and recreation	288,343	345,254
Community and economic development	6,614	-
General government	161,333	164,953
Debt service	328,431	253,919
Capital projects	47,566	<u>146,354</u>
Total disbursements	<u>1,541,671</u>	<u>1,697,015</u>
Increase (decrease) in cash basis net assets	214,271	114,126
Cash basis net assets beginning of year	<u>816,334</u>	<u>702,208</u>
Cash basis net assets end of year	<u>\$ 1,030,605</u>	<u>816,334</u>

The City's total receipts for governmental activities decreased \$55,199. The total cost of all programs and services decreased by \$155,344. The decrease in property taxes was the result of a decrease in tax askings. The tax rate was decreased from \$16.78 to \$15.61 per thousand valuation. The decrease of taxes for 2006 were expected due to a large increase in the local option sales tax portion attributed to property tax relief.

The cost of all governmental activities this year was \$1,541,671 compared to \$1,697,015 last year. However, as shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only \$644,616 because some of the cost was paid by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$897,055). Debt service totaled \$328,431 compared to \$253,919 in 2005. The local option sales tax proceeds to be used for debt service came in much stronger than expected so the City made an additional principal payment of \$95,000 towards their Fire Center debt.

Changes in Cash Basis Net Assets of Business Type Activities

	<u>Year ended June 30</u>	
	<u>2006</u>	<u>2005</u>
Receipts:		
Program receipts:		
Charges for service		
Water	\$303,785	290,989
Sewer	209,747	199,949
Garbage	192,815	186,681
Operating grants, contributions and restricted interest	4,750	3,825
General receipts:		
Other general receipts	<u>21,558</u>	<u>22,185</u>
Total Receipts	732,655	703,629
Disbursements and transfers:		
Water	275,807	242,108
Sewer	280,516	226,113
Garbage	199,347	283,447
Meter Deposits	5,295	4,699
Transfers	<u>-</u>	<u>64,432</u>
Total disbursement & transfers	760,965	820,799
Change in cash basis net assets	(28,310)	(117,170)
Cash basis net assets beginning of year	<u>712,967</u>	<u>830,137</u>
Cash basis net assets end of year	<u>684,657</u>	<u>712,967</u>

Total business type activities receipts for the fiscal year were \$732,655 compared to \$703,629 last year. The cash balance decreased by \$28,310. Total disbursements for the fiscal year decreased by 8% to a total of \$59,834.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Belle Plaine completed this year, its governmental funds reported a combined fund balance of \$1,030,605, an increase of \$214,271 above last year's total of \$ 816,334. The following are the major reasons for the change in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$13,356 from the prior year. There was a decrease of property taxes (\$3,628) in the general fund. In the prior year the local option sales tax proceeds were deposited here but in the current year they are in their own Special Revenue fund.
- The Road Use Tax Fund cash balance held steady, decreasing \$1,773.
- The Local Option Sales Tax Fund is a new fund this year. All proceeds from the tax are deposited here, and expenditures from it are according to the parameters set forth by the resolution authorizing the imposition of the tax. They are for 55% property tax relief, 25% to debt relief, and 25% to the Belle Plaine Community Center, Belle Plaine library, and Belle Plaine fire department.

- The Debt Service Fund cash balance increased from \$3,233 to \$8,229. Strong revenues from the local option sales tax used for debt relief helped this fund.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$33,596 with a balance at the end of the year of \$354,895 due primarily to an increase in the sale of water and reductions in debt service payments over the prior year.
- The Sewer Fund cash balance decreased by \$55,663 with the balance of at the end of the year of (\$69,957), due an increase in sewer repair expenditures.
- The Garbage Fund cash balance decreased by (\$6,522) with a balance at the end of the year of \$50,567.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 15, 2006 with several additions/changes to the budget.

DEBT ADMINISTRATION

At June 30, 2006, the City has \$780,000 outstanding in bonds and other long-term debt, compared to \$1,078,478 last year as shown below.

Outstanding Debt at Year End

	<u>Year ended June 30,</u>	
	<u>2006</u>	<u>2005</u>
General obligation bonds	\$ 335,000	533,478
Urban renewal tax increment financing	430,000	515,000
Revenue notes	15,000	30,000
 Total	 <u>\$ 780,000</u>	 <u>1,078,478</u>

Debt was decreased because of paying off a debt during the year, plus making an additional principal payment on the bonds due to strong Local Option Sales Tax revenues over projections.

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 \$780,000 is significantly below its constitutional debt limit of \$4,360,292.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Belle Plaine's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates, and fees that will be charged for various Belle Plaine activities. One of those factors is the economy. The City's population increased according to the latest census by 44 people or 1.5%. Belle Plaine's population at the last census is 2,878. Unemployment in Belle Plaine (Benton County) now stands at 3.4 percent versus 4.7 percent a year ago. This compares with the State's unemployment rate of 3.6 percent and the national rate of 4.8 percent.

These indicators were taken into account when adopting the budget for fiscal year 2007. Amounts available for appropriation in the operating budget are \$2,488,597, an increase of

\$38,259 over the final 2006 budget. Property tax (benefiting from increases in assessed valuations) and proceeds from the local option sales tax within the county/city are expected to help with maintaining the budget. The City will use these increases in receipts to finance programs we currently offer. Budgeted disbursements are expected to increase by \$214,539 because of a capital project at the airport. The City has added no major new programs or initiatives to the 2007 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase by approximately \$80,690 by the close of the 2007 fiscal year.

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 Kaye Buch, City Clerk, 1207 8th Avenue, Belle Plaine, Iowa 52208.

City of Belle Plaine

Basic Financial Statements

City of Belle Plaine
Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2006

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 335,867	21,369	28,088	-
Public works	367,577	4,447	271,782	-
Health and social services	5,940	12,000	1,725	-
Culture and recreation	288,343	38,519	66,254	-
Community and economic development	6,614	28,728	43,294	-
General government	161,333	10,585	-	-
Debt service	328,431	-	-	-
Capital projects	47,566	-	-	-
Total governmental activities	1,541,671	115,648	411,143	-
Business type activities:				
Water	275,807	303,785	-	-
Sewer	280,516	209,747	-	-
Garbage	199,347	192,815	-	-
Meter Deposits	5,295	4,750	-	-
Total business type activities	760,965	711,097	-	-
Total	\$ 2,302,636	826,745	411,143	-

General Receipts:
 Property tax levied for:
 General purposes
 Tax increment financing
 Debt service
 Local option sales tax
 Unrestricted interest on investments
 Miscellaneous

Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year, as restated

Cash basis net assets end of year

Cash Basis Net Assets

Restricted:
 Streets
 Urban renewal projects
 Debt Service
 Other purposes
 Unrestricted

Total cash basis net assets

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(286,410)	-	(286,410)
(91,348)	-	(91,348)
7,785	-	7,785
(183,570)	-	(183,570)
65,408	-	65,408
(150,748)	-	(150,748)
(328,431)	-	(328,431)
(47,566)	-	(47,566)
<u>(1,014,880)</u>	<u>-</u>	<u>(1,014,880)</u>
-	27,978	27,978
-	(70,769)	(70,769)
-	(6,532)	(6,532)
-	(545)	(545)
<u>-</u>	<u>(49,868)</u>	<u>(49,868)</u>
<u>(1,014,880)</u>	<u>(49,868)</u>	<u>(1,064,748)</u>
639,620	-	639,620
113,268	-	113,268
105,999	-	105,999
299,037	-	299,037
25,067	16,356	41,423
46,160	5,202	51,362
-	-	-
<u>1,229,151</u>	<u>21,558</u>	<u>1,250,709</u>
214,271	(28,310)	185,961
<u>816,334</u>	<u>712,967</u>	<u>1,529,301</u>
<u>\$ 1,030,605</u>	<u>684,657</u>	<u>1,715,262</u>
10,012	-	10,012
10,840	-	10,840
8,229	26,746	34,975
783,635	-	783,635
217,889	657,911	875,800
<u>\$ 1,030,605</u>	<u>684,657</u>	<u>1,715,262</u>

City of Belle Plaine

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

As of and for the year ended June 30, 2006

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Debt Service
Receipts:				
Property tax	\$ 474,594	-	-	105,999
Tax increment financing collections	-	-	-	-
Other city tax	-	-	299,037	-
Licenses and permits	10,585	-	-	-
Use of money and property	24,921	-	-	-
Intergovernmental	238	244,206	-	-
Charges for service	64,335	-	-	-
Special assessments	6,829	-	-	-
Miscellaneous	30,764	-	-	-
Total receipts	612,266	244,206	299,037	105,999
Disbursements:				
Operating:				
Public safety	231,124	-	31,558	-
Public works	21,731	245,979	15,000	-
Health and social services	-	-	-	-
Culture and recreation	194,287	-	27,395	-
Community and economic development	2,715	-	3,000	-
General government	145,119	-	-	-
Debt service	-	-	95,000	233,431
Capital projects	-	-	-	-
Total disbursements	594,976	245,979	171,953	233,431
Excess (deficiency) of receipts over (under) disbursements	17,290	(1,773)	127,084	(127,432)
Other financing sources (uses):				
Operating transfers in	14,559	-	74,676	143,268
Operating transfers out	(45,205)	-	(30,000)	(10,840)
Total other financing sources (uses)	(30,646)	-	44,676	132,428
Net change in cash balances	(13,356)	(1,773)	171,760	4,996
Cash balances beginning of year	144,773	11,785	29,472	3,233
Cash balances end of year	\$ 131,417	10,012	201,232	8,229
Cash Basis Fund Balances				
Reserved:				
Debt service	\$ -	-	-	8,229
Unreserved:				
General fund	131,417	-	-	-
Special revenue funds	-	10,012	201,232	-
Capital projects fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 131,417	10,012	201,232	8,229

See notes to financial statements

Other Nonmajor Governmental Funds	Total
165,026	745,619
113,268	113,268
-	299,037
-	10,585
11,284	36,205
-	244,444
40,728	105,063
-	6,829
164,128	194,892
<u>494,434</u>	<u>1,755,942</u>
73,185	335,867
84,867	367,577
5,940	5,940
66,661	288,343
899	6,614
16,214	161,333
-	328,431
47,566	47,566
<u>295,332</u>	<u>1,541,671</u>
<u>199,102</u>	<u>214,271</u>
10,840	243,343
(157,298)	(243,343)
<u>(146,458)</u>	<u>-</u>
52,644	214,271
<u>627,071</u>	<u>816,334</u>
<u>679,715</u>	<u>1,030,605</u>
-	8,229
-	131,417
83,368	294,612
13,944	13,944
582,403	582,403
<u>679,715</u>	<u>1,030,605</u>

City of Belle Plaine

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2006

Total governmental funds cash balances (page 17)	\$1,030,605
The city does not have an internal service fund. Therefore there are no reconciling items.	-
Cash basis net assets of governmental activities (page 15)	<u><u>\$1,030,605</u></u>
Net change in cash balances (page 17)	\$ 214,271
The city does not have an internal service fund. Therefore there are no reconciling items.	-
Change in cash balance of governmental activities (page 15)	<u><u>\$ 214,271</u></u>

See notes to financial statements

City of Belle Plaine

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

As of and for the year ended June 30, 2006

	Enterprise Funds		
	Water	Sewer	Garbage
Operating receipts:			
Use of money and property	\$ 2,642	12,890	-
Charges for service	303,785	209,747	192,815
Miscellaneous	2,976	2,216	10
Total operating receipts	<u>309,403</u>	<u>224,853</u>	<u>192,825</u>
Operating disbursements:			
Business type activities	<u>259,097</u>	<u>280,516</u>	<u>199,347</u>
Total operating disbursements	<u>259,097</u>	<u>280,516</u>	<u>199,347</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>50,306</u>	<u>(55,663)</u>	<u>(6,522)</u>
Non-operating receipts (disbursements):			
Miscellaneous	-	-	-
Debt service	<u>(16,710)</u>	<u>-</u>	<u>-</u>
Total non-operating receipts (disbursements)	<u>(16,710)</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>33,596</u>	<u>(55,663)</u>	<u>(6,522)</u>
Operating transfers in/(out)			<u>-</u>
Net change in cash balances	<u>33,596</u>	<u>(55,663)</u>	<u>(6,522)</u>
Cash balances beginning of year	<u>321,299</u>	<u>(14,294)</u>	<u>57,089</u>
Cash balances end of year	<u>\$ 354,895</u>	<u>(69,957)</u>	<u>50,567</u>
Cash Basis Fund Balances			
Reserved for debt service	\$ -	-	-
Unreserved	<u>354,895</u>	<u>(69,957)</u>	<u>50,567</u>
Total cash basis fund balances	<u>\$ 354,895</u>	<u>(69,957)</u>	<u>50,567</u>

See notes to financial statements

Sewer Replacement	Other Nonmajor Proprietary Funds	Total
824	-	16,356
-	4,750	711,097
-	-	5,202
824	4,750	732,655
-	5,295	744,255
-	5,295	744,255
824	(545)	(11,600)
-	-	-
-	-	(16,710)
-	-	(16,710)
824	(545)	(28,310)
-	-	-
824	(545)	(28,310)
316,416	32,457	712,967
317,240	31,912	684,657
-	26,746	26,746
317,240	5,166	657,911
317,240	31,912	684,657

City of Belle Plaine

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Proprietary Funds

As of and for the year ended June 30, 2006

Total enterprise funds cash balances (page 20)	\$ 684,657
-------------------------------------------------------	------------

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Cash basis net assets of business type activities (page 15)	<u>\$ 684,657</u>
--------------------------------------------------------------------	-------------------

Net change in cash balances (page 20)	\$ (28,310)
----------------------------------------------	-------------

The city does not have an internal service fund.
Therefore there are no reconciling items.

-

Change in cash balance of business type activities (page 15)	<u>\$ (28,310)</u>
---------------------------------------------------------------------	--------------------

See notes to financial statements

City of Belle Plaine

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

The City of Belle Plaine is a political subdivision of the State of Iowa located in Benton County. It was first incorporated in 1868 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, and garbage utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Benton County Joint E911 Service Board, Benton County Emergency Operations Commissions, Kirkwood Community College Community Education Agreement, and Williamsburg-Marengo-Belle Plaine Drug Task Force Agreement

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.

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 Local Option Sales Tax Fund is used to account for all local option sales taxes collected and expended by the City.

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

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 Garbage fund accounts for the City's contract with Waste Management, Inc. for garbage and recycling pick up.

The Sewer Replacement Fund is utilized as a savings fund for future sewer repair and replacement.

The City also reports the following additional proprietary funds:

A Water Revenue Bond Sinking Fund is utilized per debt covenants on Revenue Bonds.

A Meter Deposits Fund is utilized to account for customer deposits for water and sewer services.

C. Measurement Focus and Basis of Accounting

The City of Belle Plaine 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.

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, 2006 disbursements exceeded the amounts budgeted for the public works and community and economic development functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2006 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.

At June 30, 2006, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Certificates of deposit	\$ 869,260	\$ 869,260	Various Dates

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, urban renewal tax increment financing revenue bonds and revenue notes are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 165,000	37,473	15,000	863	180,000	38,336
2008	170,000	30,922			170,000	30,922
2009	180,000	23,827			180,000	23,827
2010	185,000	15,988			185,000	15,988
2011	65,000	2,665			65,000	2,665
Total	\$ 765,000	110,875	15,000	863	780,000	111,738

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The resolutions providing for the issuance of the revenue notes include the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) An additional annual transfer of \$16,000 to a sewer replacement reserve account within the Enterprise Fund shall be made until a specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.

(4) Lease Purchase Agreements

The City entered into a lease purchase agreement during the year with John Grieder Motors, Inc. for a police squad car. The lease purchase arrangement is for two years, with \$10,113 being paid each year during the fiscal years ended June 30, 2005 and 2006, with a \$1 buyout at the end of the lease period. This lease agreement was fulfilled during the fiscal year.

(5) Pension and Retirement Benefits

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

information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered 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 8.907%, respectively. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$31,220, \$31,378, and \$34,303, respectively, equal to the required contributions for each year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours. Vacation leave is for subsequent use or for payment upon termination, retirement or death. Unused sick leave is forfeited upon termination, retirement, or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2006, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	<u>\$ 18,976</u>

This liability has been computed based on rates of pay in effect at June 30, 2006.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

Transfer to	Transfer from	Amount
General	Trust & Agency Library Improvement	\$ 14,559
Special Revenue LOST	Trust & Agency Accrual	\$ 29,471
Urban Renewal TIF	General Debt Service	\$ 45,205 \$ 10,840
Debt Service	Special Revenue TIF LOST	\$113,268 \$ 30,000

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

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$10,801 during the year ended June 30, 2006.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Deficit Fund Balance

The Sewer Fund had a deficit balance of \$69,957 at June 30, 2006. The Council is aware of the deficit balance and is working to cure it.

Required Supplementary Information

City of Belle Plaine

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, 2006

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 745,619	-	-
Tax increment financing collections	113,268	-	-
Other city tax	299,037	-	-
Licenses and permits	10,585	-	-
Use of money and property	36,205	16,356	-
Intergovernmental	244,444	-	-
Charges for service	105,063	711,097	-
Special assessments	6,829	-	-
Miscellaneous	194,892	5,202	-
Total receipts	1,755,942	732,655	-
Disbursements:			
Public safety	335,867	-	-
Public works	367,577	-	-
Health and social services	5,940	-	-
Culture and recreation	288,343	-	-
Community and economic development	6,614	-	-
General government	161,333	-	-
Debt service	328,431	-	-
Capital projects	47,566	-	-
Business type activities	-	744,255	-
Total disbursements	1,541,671	744,255	-
Excess (deficiency) of receipts over (under) disbursements	214,271	(11,600)	-
Other financing sources (uses), net	-	(16,710)	-
Excess of receipts and other financing sources over disbursements and other financing uses	214,271	(28,310)	-
Balances beginning of year	816,334	712,967	-
Balances end of year	\$ 1,030,605	684,657	-

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
745,619	715,170	715,170	30,449
113,268	100,000	100,000	13,268
299,037	181,556	276,556	22,481
10,585	5,550	5,550	5,035
52,561	45,200	45,200	7,361
244,444	256,144	519,644	(275,200)
816,160	765,983	768,983	47,177
6,829	2,000	2,000	4,829
200,094	127,552	209,194	(9,100)
<u>2,488,597</u>	<u>2,199,155</u>	<u>2,642,297</u>	<u>(153,700)</u>
335,867	364,783	371,113	35,246
367,577	323,919	346,175	(21,402)
5,940	29,500	29,500	23,560
288,343	279,313	305,097	16,754
6,614	3,250	4,150	(2,464)
161,333	165,895	165,895	4,562
328,431	233,541	328,541	110
47,566	10,000	278,525	230,959
744,255	753,683	859,468	115,213
<u>2,285,926</u>	<u>2,163,884</u>	<u>2,688,464</u>	<u>402,538</u>
202,671	35,271	(46,167)	248,838
<u>(16,710)</u>	<u>-</u>	<u>81,438</u>	<u>(98,148)</u>
185,961	35,271	35,271	150,690
<u>1,529,301</u>	<u>1,562,345</u>	<u>1,562,345</u>	<u>(33,044)</u>
<u>1,715,262</u>	<u>1,597,616</u>	<u>1,597,616</u>	<u>117,646</u>

City of Belle Plaine

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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, one budget amendment increased budgeted disbursements by \$524,580. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public works and community and economic development functions.

Other Supplementary Information

City of Belle Plaine

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

As of and for the year ended June 30, 2006

	Special Revenue		Capital Projects	Medical
	Urban Renewal Tax Increment	Employee Benefits	Four Corners Industrial Center	
Receipts:				
Property tax	\$ -	165,026	-	-
Tax increment financing	113,268	-	-	-
Other city tax	-	-	-	-
Use of money and property	-	-	146	1,725
Intergovernmental	-	-	-	-
Charges for services	-	-	-	12,000
Special assessments	-	-	-	-
Miscellaneous	-	7,249	29,719	-
Total receipts	113,268	172,275	29,865	13,725
Disbursements:				
Operating:				
Public safety	-	52,820	-	-
Public works	-	48,865	-	-
Health and social services	-	-	-	5,940
Culture and recreation	-	16,088	-	-
Community and economic developemnt	-	-	-	-
General government	-	16,214	-	-
Capital projects	-	-	47,566	-
Total disbursements	-	133,987	47,566	5,940
Excess (deficiency) of receipts over (under) disbursements	113,268	38,288	(17,701)	7,785
Other financing sources:				
Operating transfers in/(out)	(102,428)	-	-	-
Net change in cash balances	10,840	38,288	(17,701)	7,785
Cash balances beginning of year	-	34,240	31,645	73,864
Cash balances end of year	\$ 10,840	72,528	13,944	81,649
Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	\$ 10,840	72,528	-	-
Capital projects fund	-	-	13,944	-
Permanent fund	-	-	-	81,649
Total cash basis fund balances	\$ 10,840	72,528	13,944	81,649

See accompanying independent auditor's report

Permanent				
Equipment Accruals	Library Improvements	Community Center	Economic Development	Total
-	-	-	-	165,026
-	-	-	-	113,268
-	-	-	-	-
-	7,669	1,744	-	11,284
-	-	-	-	-
-	-	2,695	26,033	40,728
-	-	-	-	-
66,269	19,341	41,550	-	164,128
66,269	27,010	45,989	26,033	494,434
20,365	-	-	-	73,185
36,002	-	-	-	84,867
-	-	-	-	5,940
19,513	13,203	17,857	-	66,661
-	-	-	899	899
-	-	-	-	16,214
-	-	-	-	47,566
75,880	13,203	17,857	899	295,332
(9,611)	13,807	28,132	25,134	199,102
(29,471)	(14,559)	-	-	(146,458)
(39,082)	(752)	28,132	25,134	52,644
228,130	227,754	26,429	5,009	627,071
189,048	227,002	54,561	30,143	679,715
-	-	-	-	83,368
-	-	-	-	13,944
189,048	227,002	54,561	30,143	582,403
189,048	227,002	54,561	30,143	679,715

City of Belle Plaine

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

As of and for the year ended June 30, 2006

	Enterprise		
	Water Revenue Bond Sinking	Meter Deposits	Total
Operating receipts:			
Use of money and property	\$ -	-	-
Charges for service	-	4,750	4,750
Miscellaneous	-	-	-
Total operating receipts	-	4,750	4,750
Operating disbursements:			
Business type activities	-	5,295	5,295
Total operating disbursements	-	5,295	5,295
Excess (deficiency) of operating receipts over (under) operating disbursements	-	(545)	(545)
Operating transfers in/(out)	-	-	-
Net change in cash balances	-	(545)	(545)
Cash balances beginning of year	26,746	5,711	32,457
Cash balances end of year	\$ 26,746	5,166	31,912
Cash Basis Fund Balances			
Reserved for debt service	\$ 26,746	-	26,746
Unreserved	-	5,166	5,166
Total cash basis fund balances	\$ 26,746	5,166	31,912

See accompanying independent auditor's report

Schedule 3

City of Belle Plaine

Schedule of Indebtedness

Year ended June 30, 2006

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Municipal Building Project - Fire Center	Oct 1, 1995	4.75 - 6.25	\$ 1,023,000
Fire Truck	Apr 20, 2000	5.49	63,700
General Obligation Refunding Notes	Jun 10, 2004	2.0 - 4.10	605,000
Revenue notes:			
Sewer (State Revolving Funds)	Feb 1, 1997	4.85 - 5.75	\$ 135,000

See accompanying independent auditor's report

Schedule 3

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 505,000	-	170,000	335,000	25,963	-
28,478	-	28,478	-	1,563	-
515,000	-	85,000	430,000	17,428	-
\$ 1,048,478	-	283,478	765,000	44,953	-
\$ 30,000	-	15,000	15,000	1,710	-

City of Belle Plaine

Bond and Note Maturities

June 30, 2006

Year Ending June 30,	General Obligation Bonds					Total
	Municipal Building Project - Fire Center		Refunding Notes			
	Issued Oct 1, 1995		Issued Jun 10, 2004			
	Interest Rates	Amount				
2007	5.00	\$ 80,000	3.00	\$ 85,000		165,000
2008	5.10	80,000	3.35	90,000		170,000
2009	5.20	85,000	3.60	95,000		180,000
2010	5.25	90,000	3.80	95,000		185,000
2011			4.10	65,000		65,000
Total		\$ 335,000		430,000		765,000

Year Ending June 30,	Revenue Notes	
	Sewer	
	Issued Feb 1, 1997	
Interest Rates	Amount	
2007	5.75	15,000
Total		\$ 15,000

See accompanying independent auditor's report

City of Belle Plaine

Schedule of Receipts by Source and Disbursements By Function
All Governmental Funds

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts:			
Property tax	\$ 745,619	790,604	775,342
Tax increment financing	113,268	108,739	102,655
Other city tax	299,037	148,016	867
Licenses and permits	10,585	10,056	6,490
Use of money and property	36,205	28,542	29,740
Intergovernmental	244,444	351,415	261,038
Charges for service	105,063	68,172	69,554
Special assessments	6,829	1,490	3,411
Miscellaneous	194,892	239,675	221,998
	<u>1,755,942</u>	<u>1,746,709</u>	<u>1,471,095</u>
Total			
Disbursements:			
Operating:			
Public safety	335,867	290,660	321,695
Public works	367,577	489,343	274,544
Health and social services	5,940	6,532	9,424
Culture and recreation	288,343	345,254	262,247
Community and economic development	6,614	-	17,569
General government	161,333	164,953	170,272
Debt service	328,431	253,919	862,480
Capital projects	47,566	146,354	160,931
	<u>\$ 1,541,671</u>	<u>1,697,015</u>	<u>2,079,162</u>
Total			

See accompanying independent auditor's report

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters

Based on an Audit of Financial Statements Performed in Accordance with Government Auditing
Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Belle Plaine, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated August 15, 2006. 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 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 Belle Plaine'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 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 Belle Plaine'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 and Questioned Costs.

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-06 is a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Belle Plaine's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 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. Prior year statutory comments have been resolved.

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 Belle Plaine and other parties to whom the City of Belle Plaine may report. 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 Belle Plaine 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.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

August 15, 2006

City of Belle Plaine
Schedule of Findings and Questioned Costs
Year ended June 30, 2006

Part I: Summary of the Independent Auditor's 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 U.S. generally accepted accounting principles.
- (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.
- (d) The City of Belle Plaine was not granted federal funds in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2006.

City of Belle Plaine

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

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

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

City of Belle Plaine

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part III: Other Findings Related to Statutory Reporting:

III-A-06 Certified Budget – Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the public works and community and economic development 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 – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-06 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

III-C-06 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted. However, an employee was reimbursed for mileage at a rate that was higher than the maximum rate allowed by the IRS. Chapter 70A.9 of the Code of Iowa states in part that an employee is entitled to be paid for expenses for the use of an auto in an amount which may be the maximum allowable under federal Internal Revenue Service rules per mile.

Recommendation – The City should annually review the IRS mileage rates for reimbursement.

Response – The City will reimburse employees in an amount not to exceed the federal mileage reimbursement rate.

Conclusion – Response accepted.

III-D-06 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Bill Grieder, Council Member, father owns John Grieder Motors, Inc.	Police car purchase and maintenance	\$ 2,376
Richard Allen, City Employee, Owner of R.A. Tree Service	Tree removal	8,425

City of Belle Plaine

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

In accordance with Chapter 362.5(5) of the Code of Iowa, both transactions do not appear to represent a conflict of interest since the remuneration of employment will not be directly affected as a result of the contract, and the duties of employment do not directly involved the procurement or preparation of any part of the contract.

- III-E-06 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-F -06 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-06 Deposits and Investments – No instances of non-compliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment provisions were noted.
- III-H-06 Revenue Bonds and Notes – The City has complied with the revenue bond and note resolutions.
- III-I-06 Payment of General Obligation Bonds – Certain General Obligation bonds were paid from the Special Revenue, Local Option Sales Tax Fund. Chapter 384.4 of the Code of Iowa states in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund.”

Recommendation – The City should transfer from the Special Revenue, Local Option Sales Tax Fund to the Debt Service Fund for future funding contributions. Payments of the bonds should then be disbursed from the Debt Service Fund.

Response – We will transfer in the future as recommended.

Conclusion – Response accepted.

- III-J-06 Financial Condition – The Sewer Fund had a deficit balance at June 30, 2006 of \$69,957.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The Council is aware of this deficit and is working to cure it.

Conclusion – Response accepted.

City of Belle Plaine

Staff

This audit was performed by:

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Gina Trimble, CPA, Manager