

**CITY OF BELLEVUE
BELLEVUE, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2006**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

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**CITY OF BELLEVUE
BELLEVUE, IOWA**

OFFICIALS

Name	Title	Term Expires
(Before January 2006 Election)		
Virgil Murray	Mayor	January 2008
Roger Michels	Council Member	January 2006
Willard Meyer	Council Member	January 2006
Michael Dempewolf	Council Member	January 2008
Frank Frieburg	Council Member	January 2006
Lucy Zeimet	Council Member	January 2008
Loras Herrig	Administrator	July 2006
Janet Callaghan	City Clerk	July 2006
Mark Lawson	Attorney	July 2006
(After January 2006 Election)		
Virgil Murray	Mayor	January 2008
Roger Michels	Council Member	January 2010
Willard Meyer	Council Member	January 2010
Michael Dempewolf (On military leave)	Council Member	January 2008
Nick Kilburg	Council Member	Filling in for Dempewolf
Frank Frieburg	Council Member	January 2010
Lucy Zeimet	Council Member	January 2008
Loras Herrig	Administrator	July 2007
Janet Callaghan	City Clerk	July 2007
Mark Lawson	Attorney	July 2007

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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Bellevue, 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 Bellevue'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 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 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Bellevue 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 report dated July 26, 2006, on our consideration of the City of Bellevue'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 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bellevue'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 four 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.

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
July 26, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Bellevue 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

- Receipts included \$546,571 in property tax, \$76,502 in TIF, \$144,020 in local option tax, \$196,755 in road use tax, and \$63,680 in interest.
- Disbursements increased 10.2% in Fiscal 2006 from Fiscal 2005, a total of \$431,816. Disbursements in governmental activities increased 20.9%, a total of \$318,530, while proprietary expenditures increased \$113,286 or 4.2%.
- The City's total cash basis net assets increased \$58,907 or 3.8% from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities decreased \$69,173 and the assets of the business type activities increased \$128,080.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental funds and proprietary 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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government and debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include water, sewer, electric, garbage, ambulance service, and cable television. 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, and 4) the Capital Projects 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 ten Enterprise Funds to provide separate information for the water, sewer, electric, garbage, ambulance, cable television, and customer deposits 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, from \$743,620 to \$674,447. 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,	
	2006	2005
Receipts and transfers:		
Program Receipts:		
Charges for services	57,647	45,611
Operating grants, contributions and restricted interest	277,432	285,575
Capital grants, contributions and restricted interest	88,765	205,415
General Receipts:		
Property tax	546,571	498,867
Tax increment financing	76,502	66,993
Local option sales tax	144,020	141,572
Unrestricted investment earnings	29,181	12,321
Note proceeds	200,000	0
Other general receipts	61,314	95,128
Transfers, net	290,243	280,459
Total receipts and transfers	<u>1,771,675</u>	<u>1,631,941</u>
Disbursements:		
Public safety	383,556	358,504
Public works	576,783	336,235
Culture and recreation	273,144	373,284
Community and economic development	10,055	12,630
General government	397,234	259,011
Debt service	200,076	182,654
Capital projects	0	0
Total disbursements	<u>1,840,848</u>	<u>1,522,318</u>
Increase (decrease) in cash basis net assets	(69,173)	109,623
Cash basis net assets beginning of year	743,620	629,531
Prior period adjustment	<u>0</u>	<u>4,466</u>
Cash basis net assets end of year	<u>674,447</u>	<u>743,620</u>

Total receipts for the City’s governmental activities increased by 8.6%, or \$139,734. The total cost of all programs and services increased by 20.9% or \$318,530. The increase in receipts was caused by a number of things. Property taxes increased almost \$50,000. This was the result of increased valuations from new construction and an increased tax rate. Interest on the city’s investments also generated an increase of almost \$17,000. The City also borrowed an additional \$200,000 for street improvements.

The increase in expenditures was also caused by a variety of different issues. The cost of public safety increased almost \$25,000 due to increased operating costs. The largest part of the increase came in public works with an additional expenditure of \$152,000 for street improvements. An additional increase of almost \$138,000 occurred in the general government area. This was the result of increased operating costs for legal, engineering, and professional fees. These increases are all directly related to growth in the City.

The cost of all governmental activities this year was \$1,840,848 compared to \$1,522,318 last year. This is the result of a dramatic increase in developer activity in the City of Bellevue. As explained previously these increased expenses range from professional fees to new street construction.

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:		
Charge for services:		
Water	247,211	193,984
Electric	1,604,815	1,518,494
Sewer rental	403,193	384,196
Sanitation	245,666	238,250
Ambulance	70,667	57,423
Cable TV	412,299	409,156
Customer deposits	0	8,295
Operating grants, contributions and restricted interest	7,200	9,126
Capital grants, contributions and restricted interest	15,893	50,823
General receipts:		
Unrestricted interest on investments	34,499	15,658
Miscellaneous	49,649	46,117
Proceeds of debt	160,000	0
Total receipts	<u>3,251,092</u>	<u>2,931,522</u>
Disbursements and transfers:		
Water	107,233	133,875
Electric	1,332,152	1,376,054
Sewer rental	352,721	353,101
Electric – capital improvement	0	194,295
Sanitation	220,091	275,103
Ambulance	183,866	87,949

Changes in Cash Basis Net Assets of Business Type Activities (Continued)

	Year Ended June 30,	
	2006	2005
Cable TV	630,343	292,387
Customer's deposits	6,363	6,719
Transfers, net	<u>290,243</u>	<u>280,459</u>
Total disbursements and transfers	<u>3,123,012</u>	<u>2,999,942</u>
 Increase (decrease) in cash basis net assets	 128,080	 (68,420)
 Cash basis net assets beginning of year	 <u>799,758</u>	 <u>868,178</u>
 Cash basis net assets end of year	 <u><u>927,838</u></u>	 <u><u>799,758</u></u>

Total business type activities receipts for the fiscal year were \$3,251,092 compared to \$2,931,522 last year. The increase was due primarily to increased rates in the water and ambulance departments and increased sales in electric, wastewater, and sanitation. The increase in cable revenues resulted from the upgrade to the telecommunications system.

Total disbursements and transfers for the fiscal year were \$3,123,012 compared to \$2,999,942 last year. The increase was due primarily to the upgrade to the telecommunications system.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Bellevue completed the year, its governmental funds reported a combined fund balance of \$674,447, a decrease of \$69,173 from last year's total. The following are the major reasons for the changes in fund balances of the major funds from the previous year.

- The General Fund cash balance decreased as a result of increased operating expenses due to a dramatic growth in developer activity.
- The LOT Street Improvement Fund cash balance increased because major street projects were funded by the TIF fund. This fund will be utilized in Fiscal 2007 for other projects.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

- The Water Fund cash balance increased from \$107,488 to \$234,425. This resulted from increased rates. The increase was done in anticipation of major water repairs that will occur in the future.

- The Electric Fund cash balance increased from \$355,492 to \$487,618. Increased electric usage has improved the cash position which historically is low compared to previous years.
- The Sewer Fund cash balance increased from \$63,816 to \$94,146. This fund continues to grow slowly in anticipation of future repairs to an aging collection system.
- The Sanitation Fund cash balance increased from \$9,122 to \$18,403. The City recently purchased a new sanitation truck. This purchase depleted reserves and this fund will continue to grow in preparation for the next replacement cycle.
- The Cable TV Fund cash balance decreased from \$103,263 to \$(5,132). This fund will remain low as a massive rebuild is completed to the system in the next two years.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on June 5, 2006 to provide for additional disbursements for city projects.

DEBT ADMINISTRATION

At June 30, 2006, the city had \$1,974,098 in long-term debt, compared to \$1,893,648 last year, as shown below. The increase is the result of the new street improvement note.

Outstanding Debt at Year-end

	June 30,	
	2006	2005
General obligation notes	605,479	541,652
Urban renewal tax increment	0	14,288
Revenue bonds	1,200,000	1,145,000
Other obligations	168,619	192,708
Total	1,974,098	1,893,648

Normal payments were made on all existing notes.

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 \$605,479 is significantly below its constitutional debt limit of \$4,441,217.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Numerous issues were taken into account when adopting the budget for fiscal year 2007. Total revenues anticipated are \$8,072,071, an increase from 2006 where total actual revenues were \$4,732,524. Property tax revenue is expected to increase from \$546,571 to \$633,242. Expenditures are projected to total \$8,688,593. If all projections are realized, the City's cash balance is expected to decrease to \$1,264,151.

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 Loras Herrig, City Administrator, 106 N. Third Street, Bellevue IA 52031 or 563-872-4456.

BASIC FINANCIAL STATEMENTS

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs:	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	
Primary Government:								
Governmental Activities:								
Public safety	\$ 383,556	\$ 6,221	\$ 57,558	\$ 10,367	\$ (309,410)	\$ ---	\$ (309,410)	\$ ---
Public works	576,783	---	196,755	---	(380,028)	---	(380,028)	---
Culture and recreation	273,144	38,899	23,119	78,398	(132,728)	---	(132,728)	---
Community and economic development	10,055	---	---	---	(10,055)	---	(10,055)	---
General government	397,234	12,527	---	---	(384,707)	---	(384,707)	---
Debt service	200,076	---	---	---	(200,076)	---	(200,076)	---
Total Governmental Activities	\$ 1,840,848	\$ 57,647	\$ 277,432	\$ 88,765	\$ (1,417,004)	\$ ---	\$ (1,417,004)	\$ ---
Business Type Activities:								
Water	\$ 107,233	\$ 247,211	\$ ---	\$ ---	\$ ---	\$ 139,978	\$ 139,978	\$ ---
Electric	1,332,152	1,604,815	---	---	---	272,663	272,663	---
Sewer rental	352,721	403,193	---	---	---	50,472	50,472	---
Electric - capital equipment	---	---	---	---	---	---	---	---
Sanitation	220,091	245,666	---	---	---	25,575	25,575	---
Ambulance	183,866	70,667	7,200	15,893	---	(90,106)	(90,106)	---
Cable TV	630,343	412,299	---	---	---	(218,044)	(218,044)	---
Customer's deposits	6,363	---	---	---	---	(6,363)	(6,363)	---
Total Business Type Activities	\$ 2,832,769	\$ 2,983,851	\$ 7,200	\$ 15,893	\$ ---	\$ 174,175	\$ 174,175	\$ ---
Total Primary Government	\$ 4,673,617	\$ 3,041,498	\$ 284,632	\$ 104,658	\$ (1,417,004)	\$ 174,175	\$ (1,242,829)	\$ ---

See notes to financial statements.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs: (Continued) Component Unit:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
	Disbursements	-----			-----			Component Unit
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total	
BETA	\$ 358	\$ ---	\$ ---	\$ ---			\$ 358	
General Receipts:								
Property tax levied for:								
General purposes				\$ 486,767	\$ ---	\$ 486,767	\$ ---	
Tax increment financing				76,502	---	76,502	---	
Debt service				59,804	---	59,804	---	
Local option sales tax				144,020	---	144,020	---	
Other city tax				10,028	---	10,028	---	
Unrestricted interest on investments				29,181	34,499	63,680	6,462	
Interfund debt repayment				---	24,089	24,089	---	
Miscellaneous				14,286	25,560	39,846	25,985	
Proceeds of debt				200,000	160,000	360,000	---	
Sale of assets				37,000	---	37,000	---	
Transfers				290,243	(290,243)	---	---	
Total General Receipts and Transfers				\$ 1,347,831	\$ (46,095)	\$ 1,301,736	\$ 32,447	
Change in Cash Basis Net Assets				\$ (69,173)	\$ 128,080	\$ 58,907	\$ 32,089	
Cash Basis Net Assets Beginning of Year				743,620	799,758	1,543,378	46,784	
Cash Basis Net Assets End of Year				\$ 674,447	\$ 927,838	\$ 1,602,285	\$ 78,873	

See notes to financial statements.

CITY OF BELLEVUE
 BELLEVUE, IOWA

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets				
	Disbursements	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government			Component Unit
					Governmental Activities	Business Type Activities	Total	
Cash Basis Net Assets:								
Restricted:								
Streets				\$ 154,283	\$ ---	\$ 154,283	\$ ---	
Debt service				24,647	---	24,647	---	
Other purposes				2,000	---	2,000	---	
Unrestricted				493,517	927,838	1,421,355	78,873	
Total Cash Basis Net Assets				\$ 674,447	\$ 927,838	\$ 1,602,285	\$ 78,873	

See notes to financial statements.

CITY OF BELLEVUE
BELLEVUE, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	General	LOT - Street Improvement	Other Nonmajor Governmental Funds	Total
	-----	-----	-----	-----
Receipts:				
Property tax	\$ 400,851	\$ ---	\$ 145,720	\$ 546,571
Tax increment financing collections	---	---	76,502	76,502
Other city tax	72,010	72,010	---	144,020
Licenses and permits	11,327	---	---	11,327
Use of money and property	26,004	6,230	4,534	36,768
Intergovernmental	101,110	---	199,088	300,198
Charges for services	37,140	---	---	37,140
Miscellaneous	15,020	300	76,586	91,906
	-----	-----	-----	-----
Total Receipts	\$ 663,462	\$ 78,540	\$ 502,430	\$ 1,244,432
	-----	-----	-----	-----
Disbursements:				
Operating:				
Public safety	\$ 379,270	\$ ---	\$ 4,286	\$ 383,556
Public works	69,681	187,761	319,341	576,783
Culture and recreation	213,530	---	59,614	273,144
Community and economic development	10,055	---	---	10,055
General government	397,234	---	---	397,234
Debt service:				
Principal	---	---	139,550	139,550
Interest and fiscal charges	---	---	14,471	14,471
Developer agreements	---	---	46,055	46,055
	-----	-----	-----	-----
Total Disbursements	\$ 1,069,770	\$ 187,761	\$ 583,317	\$ 1,840,848
	-----	-----	-----	-----
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (406,308)	\$ (109,221)	\$ (80,887)	\$ (596,416)
	-----	-----	-----	-----
Other Financing Sources (Uses):				
Sale of capital assets	\$ ---	\$ 37,000	\$ ---	\$ 37,000
Proceeds of debt	---	200,000	---	200,000
Operating transfers in	377,609	---	45,104	422,713
Operating transfers out	(45,104)	---	(87,366)	(132,470)
	-----	-----	-----	-----
Total Other Financing Sources (Uses)	\$ 332,505	\$ 237,000	\$ (42,262)	\$ 527,243
	-----	-----	-----	-----
Net Change in Cash Balances	\$ (73,803)	\$ 127,779	\$ (123,149)	\$ (69,173)
	-----	-----	-----	-----
Cash Balances Beginning of Year	568,270	26,504	148,846	743,620
	-----	-----	-----	-----
Cash Balances End of Year	\$ 494,467	\$ 154,283	\$ 25,697	\$ 674,447
	=====	=====	=====	=====

See notes to financial statements.

EXHIBIT "B" (Continued)

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006**

	General	LOT Street Improvement	Other Nonmajor Governmental Funds	Total
	-----	-----	-----	-----
Cash Basis Fund Balances:				
Reserved:				
Other	\$ 2,000	\$ ---	\$ ---	\$ 2,000
Unreserved:				
Designated for:				
Tennis courts	10,000	---	---	10,000
Police squad car	13,635	---	---	13,635
Other	305	---	---	305
General fund	468,527	---	---	468,527
Special revenue funds	---	154,283	(22,156)	132,127
Debt service fund	---	---	24,647	24,647
Capital projects fund	---	---	23,206	23,206
	-----	-----	-----	-----
Total Cash Basis Fund Balances	\$ 494,467	\$ 154,283	\$ 25,697	\$ 674,447
	=====	=====	=====	=====

See notes to financial statements.

CITY OF BELLEVUE
BELLEVUE, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	Enterprise Funds					Other Nonmajor	
	Water	Electric	Sewer Rental	Sanitation	Cable TV	Enterprise Funds	Total
Operating Receipts:							
Use of money and property	\$ ---	\$ 3,518	\$ ---	\$ ---	\$ ---	\$ ---	\$ 3,518
Charges for services	247,211	1,601,297	403,193	245,666	412,299	70,667	2,980,333
Miscellaneous	2,295	5,508	443	8	3,622	13,684	25,560
Total Operating Receipts	\$ 249,506	\$1,610,323	\$ 403,636	\$ 245,674	\$ 415,921	\$ 84,351	\$3,009,411
Operating Disbursements:							
Business type activities	\$ 107,233	\$1,332,152	\$ 145,693	\$ 220,091	\$ 630,343	\$ 190,229	\$2,625,741
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	\$ 142,273	\$ 278,171	\$ 257,943	\$ 25,583	\$ (214,422)	\$ (105,878)	\$ 383,670
Non-Operating Receipts (Disbursements):							
Intergovernmental	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 7,200	\$ 7,200
Interest on investments	9,440	13,948	3,391	215	3,128	4,377	34,499
Contributions	---	---	---	---	---	15,893	15,893
Interfund debt repayment	---	---	---	---	---	24,089	24,089
Debt service:							
Principal	---	---	---	---	---	(140,000)	(140,000)
Interest and fiscal charges	---	---	---	---	---	(67,028)	(67,028)
Total Non-Operating Receipts Disbursements	\$ 9,440	\$ 13,948	\$ 3,391	\$ 215	\$ 3,128	\$ (155,469)	\$ (125,347)
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 151,713	\$ 292,119	\$ 261,334	\$ 25,798	\$ (211,294)	\$ (261,347)	\$ 258,323

See notes to financial statements.

CITY OF BELLEVUE
 BELLEVUE, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

	Enterprise Funds						Total
	Water	Electric	Sewer Rental	Sanitation	Cable TV	Other Nonmajor Enterprise Funds	
Other Financing Sources (Uses):							
Proceeds of debt	\$ ---	\$ ----	\$ ---	\$ ---	\$ 160,000	\$ ---	\$ 160,000
Operating transfers in	---	---	---	---	---	206,228	206,228
Operating transfers out	(24,776)	(159,993)	(231,004)	(16,517)	(57,101)	(7,080)	(496,471)
Total Other Financing Sources (Uses)	\$ (24,776)	\$ (159,993)	\$ (231,004)	\$ (16,517)	\$ 102,899	\$ 199,148	\$ (130,243)
Net Change in Cash Balances	\$ 126,937	\$ 132,126	\$ 30,330	\$ 9,281	\$ (108,395)	\$ (62,199)	\$ 128,080
Cash Balances Beginning of Year	107,488	355,492	63,816	9,122	103,263	160,577	799,758
Cash Balances End of Year	\$ 234,425	\$ 487,618	\$ 94,146	\$ 18,403	\$ (5,132)	\$ 98,378	\$ 927,838
Cash Basis Fund Balances:							
Unreserved Cash Basis Fund Balances	\$ 234,425	\$ 487,618	\$ 94,146	\$ 18,403	\$ (5,132)	\$ 98,378	\$ 927,838

See notes to financial statements.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 1 - Summary of Significant Accounting Policies:

The City of Bellevue is a political subdivision of the State of Iowa located in Jackson County. It was first incorporated in 1851 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, culture and recreation, community and economic development and general government services. The City also provides, water, sewer, electric, sanitation, and cable T.V. utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Bellevue, Iowa, has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Bellevue (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Bellevue Economic and Tourism Association (BETA) is presented in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. BETA is governed by a five-member board, two of which are appointed by the City Council. See Note 13 for additional information regarding BETA.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 1 - Summary of Significant Accounting Policies: (Continued)

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: Jackson County Assessor's Conference Board, Jackson County Joint E911 Service Board, Bellevue Economic Tourism Association, and East Central Intergovernmental Association.

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.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 1 - Summary of Significant Accounting Principles: (Continued)

B. Basis of Presentation (Continued)

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and proprietary funds are aggregated and reported as nonmajor funds in their respective financial statements.

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 Local Option Sales Tax – Street Improvement Fund is used for street improvements and associated costs.

The City reports the following major proprietary funds:

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

The Electric Fund accounts for the operation and maintenance of the City's electric system.

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

The Sanitation Fund is used to account for the operation and maintenance of the City's refuse collection services.

The Cable TV Fund is used to account for the operation and maintenance of the City's cable television system.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 1 - Summary of Significant Accounting Principles: (Continued)

C. Measurement Focus and Basis of Accounting

The City of Bellevue 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 in the public works, culture and recreation, and debt service functions.

Note 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.

CITY OF BELLEVUE
BELLEVUE, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 2 - Cash and Pooled Investments: (Continued)

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

Note 3 - Notes Payable:

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

Year Ending June 30	General Obligation Notes		Revenue Notes	
	Principal	Interest	Principal	Interest
2007	\$ 147,309	\$ 22,622	\$ 270,000	\$ 53,723
2008	148,234	17,187	115,000	44,320
2009	154,197	11,696	120,000	39,145
2010	90,247	6,116	125,000	33,625
2011	55,247	2,520	130,000	27,750
2012-2014	10,245	---	440,000	44,180
	<u>\$ 605,479</u>	<u>\$ 60,141</u>	<u>\$1,200,000</u>	<u>\$ 242,743</u>

Year Ending June 30	Other Obligations		Total	
	Principal	Interest	Principal	Interest
2007	\$ 24,089	\$ ---	\$ 441,398	\$ 76,345
2008	24,089	---	287,323	61,507
2009	24,089	---	298,286	50,841
2010	24,089	---	239,336	39,741
2011	24,089	---	209,336	30,270
2012-2014	48,174	---	498,419	44,180
	<u>\$ 168,619</u>	<u>\$ ---</u>	<u>\$1,974,098</u>	<u>\$ 302,884</u>

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 3 - Notes Payable: (Continued)

Following is a summary of the terms and conditions of the notes outstanding as of June 30, 2006.

Revenue Notes:

On February 1, 1999, the City entered into a loan agreement with Ruan Securities Corporation and provided for issuance of \$1,700,000 in Sewer Revenue Notes.

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 of the Sanitary Sewer System and the note holders hold a lien on the future earnings of the fund.
- (b) Net revenues of the Utility will be collected in a sinking fund for the purpose of making the note principal and interest payments when due.

On December 5, 2005, the City entered into a loan agreement with Bellevue State Bank and provided for issuance of \$750,000 in Telecommunications Utility Revenue Notes. As of June 30, 2006, \$80,000 had been advanced under this note.

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 of the Cable TV System and the note holders hold a lien on the future earnings of the fund.

On December 5, 2005, the City entered into a loan agreement with Iowa Bank and provided for issuance of \$750,000 in Telecommunications Utility Revenue Notes. As of June 30, 2006, \$80,000 had been advanced under this note.

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 of the Cable TV System and the note holders hold a lien on the future earnings of the fund.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 3 - Notes Payable: (Continued)

General Obligation Notes:

On May 10, 1999, the City entered into a loan agreement with Bellevue State Bank and provided for issuance of \$200,000 in General Obligation Corporate Purpose Notes.

On January 1, 2000, the City entered into a loan agreement with Bankers Trust and provided for issuance of \$400,000 in General Obligation Sewer Improvement Notes.

On July 23, 2001, the City entered into a loan agreement with Maquoketa Valley Electric Cooperative and provided for issuance of \$102,467 in General Obligation Corporate Purpose Notes.

On December 29, 2003, the City entered into a loan agreement with Bellevue State Bank and provided for issuance of \$200,000 in General Obligation Community/Senior Center Notes.

On August 15, 2005, the City entered into a loan agreement with Bellevue State Bank and provided for issuance of \$200,000 in General Obligation Street Improvement Notes.

Other Obligations:

On February 1, 2004, the City of Bellevue entered into an agreement to repay the Electric Capital Improvement Fund \$240,886 expended for municipal water and sewer improvements for an area annexed on the northerly city limits of Bellevue. This amount will be repaid in annual installments of \$24,089 with the final payment due June 1, 2014.

Note 4 - Pension and Retirement Benefits:

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

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 4 - Pension and Retirement Benefits: (Continued)

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, 2005, the contribution rates for police employees and the City were 6.16% and 9.23%, respectively, and for the year ended 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 \$54,224, \$51,592, and \$48,286, respectively, equal to the required contributions for each year.

Note 5 - Development Agreements:

The City has entered into various development agreements for urban renewal projects. The agreements require the City to rebate the incremental tax paid by the developer in exchange for the construction of buildings, housing, and certain infrastructure by the developers. The obligations under several of the agreements are not subject to annual appropriation by the City Council; however, the amount of the City's obligation cannot be determined.

These agreements require the City to rebate all of the incremental tax for a period not to exceed 10 years with no predetermined maximum amount to be paid. The City has rebated a total of \$184,715 of incremental tax under these agreements. Of this amount, \$44,903 was paid during the current year. The obligation under the other agreement is subject to annual appropriation by the City Council. The total to be paid by the City under this agreement is not to exceed \$28,808. Payments of \$1,152 had been paid on this agreement at June 30, 2006.

These agreements are not a general obligation of the City. However, the amount payable in the succeeding year is subject to the constitutional debt limitation of the City.

Note 6 - 28 E Agreements:

Communications Services -

On May 23, 1983, the City entered into a 28E Agreement with the City of Maquoketa. The agreement is for the purpose of providing the City of Bellevue with communication services for law enforcement and community protection purposes.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 6 - 28 E Agreements: (Continued)

Community Protection Services -

On May 27, 1986, the City entered into a 28E Agreement with the Cities of Maquoketa, Preston, and Sabula. The agreement is for the purpose of providing more efficient law enforcement protection.

On April 24, 1990, the City entered into a 28E Agreement with Jackson County. The agreement is for the purpose of providing more efficient law enforcement protection.

On April 28, 1999, the City entered into a 28E Agreement with the Bellevue Rural Fire Agency of Jackson County. The agreement is for the purpose of providing more efficient fire protection.

Landfill Operation -

In 1971 the City entered into a 28E Agreement with other Jackson County communities. The agreement is for the purpose of providing more efficient landfill operations.

Contract Law Enforcement -

In 2006, the City renewed its 28E Agreement with the Corp. of Engineers to provide increased law enforcement services during the period of May 12 - September 15, 2006 for the Pleasant Creek Recreation Area, Mississippi River Project.

Note 7 - 28 D Agreement:

Drug Task Force -

In 1997, the City entered into a 28D Agreement with various Jackson County and Jones County law enforcement agencies. The purpose of the agreement is to recognize the guidelines, terms and conditions set forth in the Iowa Code Chapter 28D relating to the interchange of federal, state, and local government employees in regards to the above 28E Drug Task Force Agreement.

CITY OF BELLEVUE
BELLEVUE, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 8 - Compensated Absences:

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. Sick leave and personal leave accumulates but is not payable 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 leave termination payments payable to employees at June 30, 2006, primarily relating to the General and Utility Funds, is as follows:

Type of Benefit -----	Amount -----
Vacation	\$ 55,524 =====

The liability has been computed based on rates of pay as of June 30, 2006.

Note 9 - Interfund Transfers:

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

Transfer to -----	Transfer from -----	Amount -----
General	Special Revenue:	
	Employee Benefits	\$ 87,366
	Enterprise:	
	Water	24,776
	Electric	159,993
	Sewer Rental	24,776
	Sanitation	16,517
	Ambulance	7,080
	Cable TV	57,101

		\$ 377,609

Debt Service	General	\$ 45,104
Enterprise:	Enterprise:	
Sewer Capital	Sewer Rental	206,228

Total		\$ 628,941
		=====

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 9 - Interfund Transfers: (Continued)

Transfers are used to (1) move resources from the fund that statute or budget requires to collect them to the fund that statute or budget requires to disburse them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) move "in lieu of tax" payments from the enterprise funds.

Note 10 - Risk Management:

The City of Bellevue is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2006 were \$94,294.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 10 - Risk Management: (Continued)

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$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. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

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

Note 11 - Construction in Progress:

The City entered into two contracts totaling \$1,452,580 for street projects. No payments had been made as of June 30, 2006.

CITY OF BELLEVUE
BELLEVUE, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

Note 12 - Deficit Fund Balance:

The Special Revenue, TIF District Fund had a deficit balance of \$92,691 at June 30, 2006. The deficit balance is a result of costs incurred prior to receipt of property taxes.

The Proprietary, Cable TV Fund had a deficit balance of \$5,132 at June 30, 2006. The deficit balance is a result of a project to upgrade the telecommunications system.

Note 13 - Component Unit:

The Bellevue Economic and Tourism Association (BETA) is a component unit of the City of Bellevue. Following is a summary of the terms and conditions of BETA's loans:

Loans to various community businesses:

	Balance Beginning of Year	New Loans	Payments Received	Balance End of Year
	-----	-----	-----	-----
John Herrig	\$ 90,000	\$ ---	\$ 10,000	\$ 80,000
Whathelps, Inc.	65,984	9,403	5,873	69,514
Potter's Mill	30,599	---	10,112	20,487
	-----	-----	-----	-----
	\$ 186,583	\$ 9,403	\$ 25,985	\$ 170,001
	=====	=====	=====	=====

John Herrig - dated December 1, 2004, interest and principal in the amount of \$5,534 at 3% is due semi-annually beginning June 1, 2005, until December 1, 2009, when the interest rate and payment amount will be adjusted, secured by a real estate mortgage. Final payment is due December 1, 2014.

\$ 80,000
 =====

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006**

Note 13 - Component Unit: (Continued)

Whathelps, Inc. - dated July 1, 2005, interest at 3.00%, principal and interest payments in the amount of \$996 are due monthly beginning August 1, 2005 until July 1, 2012, secured by personal guarantees. Accrued interest of \$9,403 was added to the balance of the loan when it was refinanced July 1, 2005. \$ 69,514

=====

Daryll and Carolyn Eggers, D/B/A Potter's Mill - dated March 18, 2002, interest at 3.75% and will be adjusted annually. Principal and interest payments of \$10,724 are due the 18th day of each March, unsecured. Final payment is due March 18, 2007. \$ 20,487

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**REQUIRED
SUPPLEMENTARY
INFORMATION**

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**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	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Receipts:						
Property tax	\$ 546,571	\$ ---	\$ 546,571	\$ 540,692	\$ 540,692	\$ 5,879
Tax increment financing collections	76,502	---	76,502	74,685	74,685	1,817
Other city tax	144,020	---	144,020	179,991	179,991	(35,971)
Licenses and permits	11,327	---	11,327	9,100	9,100	2,227
Use of money and property	36,768	38,017	74,785	22,150	22,150	52,635
Intergovernmental	300,198	7,200	307,398	245,133	245,133	62,265
Charges for services	37,140	2,980,333	3,017,473	2,878,491	3,378,491	(361,018)
Miscellaneous	91,906	65,542	157,448	---	---	157,448
Total Receipts	\$ 1,244,432	\$ 3,091,092	\$ 4,335,524	\$ 3,950,242	\$ 4,450,242	\$ (114,718)
Disbursements:						
Public safety	\$ 383,556	\$ ---	\$ 383,556	\$ 509,490	\$ 632,796	\$ 249,240
Public works	576,783	---	576,783	344,714	444,714	(132,069)
Culture and recreation	273,144	---	273,144	267,022	267,022	(6,122)
Community and economic development	10,055	---	10,055	12,000	14,000	3,945
General government	397,234	---	397,234	280,220	580,220	182,986
Debt service	200,076	---	200,076	133,820	183,820	(16,256)
Capital projects	---	---	---	---	500,000	500,000
Business type activities	---	2,832,769	2,832,769	2,480,494	3,580,494	747,725
Total Disbursements	\$ 1,840,848	\$ 2,832,769	\$ 4,673,617	\$ 4,027,760	\$ 6,203,066	\$ 1,529,449

See accompanying independent auditor's report.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**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	Net	Budgeted Amounts		Final to Net Variance
				Original	Final	
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (596,416)	\$ 258,323	\$ (338,093)	\$ (77,518)	\$(1,752,824)	\$ 1,414,731
Other Financing Sources (Uses), Net	527,243	(130,243)	397,000	---	1,500,000	(1,103,000)
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	\$ (69,173)	\$ 128,080	\$ 58,907	\$ (77,518)	\$ (252,824)	\$ 311,731
Balances Beginning of Year	743,620	799,758	1,543,378	1,373,331	2,746,662	(1,203,284)
Balances End of Year	\$ 674,447	\$ 927,838	\$ 1,602,285	\$ 1,295,813	\$ 2,493,838	\$ (891,553)

See accompanying independent auditor's report.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**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 ended June 30, 2006, disbursements exceeded the amounts budgeted in the public works, culture and recreation, and debt service functions.

**OTHER
SUPPLEMENTARY
INFORMATION**

CITY OF BELLEVUE
BELLEVUE, IOWA

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	
	Road Use Tax	Employee Benefits	TIF District	Fire Department Gift Fund	Debt Service	Park Improvement	Total
Receipts:							
Property tax	\$ ---	\$ 85,916	\$ ---	\$ ---	\$ 59,804	\$ ---	\$ 145,720
Tax increment financing collections	---	---	76,502	---	---	---	76,502
Use of money and property	---	1,450	---	252	2,407	425	4,534
Intergovernmental	196,755	---	---	---	2,333	---	199,088
Miscellaneous	---	---	---	37,838	---	38,748	76,586
Total Receipts	\$ 196,755	\$ 87,366	\$ 76,502	\$ 38,090	\$ 64,544	\$ 39,173	\$ 502,430
Disbursements:							
Operating:							
Public safety	\$ ---	\$ ---	\$ ---	\$ 4,286	\$ ---	\$ ---	\$ 4,286
Public works	230,633	---	88,708	---	---	---	319,341
Culture and recreation	---	---	---	---	---	59,614	59,614
Debt service:							
Principal	---	---	14,288	---	125,262	---	139,550
Interest and fiscal charges	---	---	297	---	14,174	---	14,471
Developer agreements	---	---	46,055	---	---	---	46,055
Total Disbursements	\$ 230,633	\$ ---	\$ 149,348	\$ 4,286	\$ 139,436	\$ 59,614	\$ 583,317
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (33,878)	\$ 87,366	\$ (72,846)	\$ 33,804	\$ (74,892)	\$ (20,441)	\$ (80,887)
Other Financing Sources (Uses):							
Operating transfers in	\$ ---	\$ ---	\$ ---	\$ ---	\$ 45,104	\$ ---	\$ 45,104
Operating transfers out	---	(87,366)	---	---	---	---	(87,366)
Total Other Financing Sources (Uses)	\$ ---	\$ (87,366)	\$ ---	\$ ---	\$ 45,104	\$ ---	\$ (42,262)

See accompanying independent auditor's report.

CITY OF BELLEVUE
BELLEVUE, IOWA

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	
	Road Use Tax	Employee Benefits	TIF District	Fire Department Gift Fund	Debt Service	Park Improvement	Total
Net Change in Cash Balances	\$ (33,878)	\$ ---	\$ (72,846)	\$ 33,804	\$ (29,788)	\$ (20,441)	\$ (123,149)
Cash Balances Beginning of Year	69,663	---	(19,845)	946	54,435	43,647	148,846
Cash Balances End of Year	\$ 35,785	\$ ---	\$ (92,691)	\$ 34,750	\$ 24,647	\$ 23,206	\$ 25,697
Cash Basis Fund Balances:							
Unreserved:							
Special revenue funds	\$ 35,785	\$ ---	\$ (92,691)	\$ 34,750	\$ ---	\$ ---	\$ (22,156)
Debt service fund	---	---	---	---	24,647	---	24,647
Capital projects fund	---	---	---	---	---	23,206	23,206
Total Cash Basis Fund Balances	\$ 35,785	\$ ---	\$ (92,691)	\$ 34,750	\$ 24,647	\$ 23,206	\$ 25,697

See accompanying independent auditor's report.

SCHEDULE "2"

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES -
NONMAJOR PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2006**

	Electric- Capital Equipment	Sewer Capital	Ambulance	Ambulance Gift Fund	Customer Deposits	Total
Operating Receipts:						
Charges for services	\$ ---	\$ ---	\$ 70,667	\$ ---	\$ ---	\$ 70,667
Miscellaneous	---	---	3,546	---	10,138	13,684
Total Operating Receipts	\$ ---	\$ ---	\$ 74,213	\$ ---	\$ 10,138	\$ 84,351
Operating Disbursements:						
Business type activities	\$ ---	\$ ---	\$ 183,016	\$ 850	\$ 6,363	\$ 190,229
Excess (Deficiency) of Operating Receipts Over (Under) Operating Disbursements	\$ ---	\$ ---	\$ (108,803)	\$ (850)	\$ 3,775	\$ (105,878)
Non-Operating Receipts (Disbursements):						
Intergovernmental	\$ ---	\$ ---	\$ 7,200	\$ ---	\$ ---	\$ 7,200
Interest on investments	1,001	2,270	460	57	589	4,377
Contributions	---	---	5,000	10,893	---	15,893
Interfund debt repayment	24,089	---	---	---	---	24,089
Debt service:						
Principal	---	(140,000)	---	---	---	(140,000)
Interest and fiscal charges	---	(67,028)	---	---	---	(67,028)
Total Non-Operating Receipts (Disbursements)	\$ 25,090	\$ (204,758)	\$ 12,660	\$ 10,950	\$ 589	\$ (155,469)
Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 25,090	\$ (204,758)	\$ (96,143)	\$ 10,100	\$ 4,364	\$ (261,347)
Other Financing Sources (Uses):						
Operating transfers in	\$ ---	\$ 206,228	\$ ---	\$ ---	\$ ---	\$ 206,228
Operating transfers out	---	---	(7,080)	---	---	(7,080)
Total Other Financing Sources (Uses)	\$ ---	\$ 206,228	\$ (7,080)	\$ ---	\$ ---	\$ 199,148
Net Change in Cash Balances	\$ 25,090	\$ 1,470	\$ (103,223)	\$ 10,100	\$ 4,364	\$ (62,199)
Cash Balances Beginning of Year	25,114	1,229	110,071	6,507	17,656	160,577
Cash Balances End of Year	\$ 50,204	\$ 2,699	\$ 6,848	\$ 16,607	\$ 22,020	\$ 98,378
Cash Basis Fund Balances:						
Unreserved Cash Basis Fund Balances	\$ 50,204	\$ 2,699	\$ 6,848	\$ 16,607	\$ 22,020	\$ 98,378

See accompanying independent auditor's report.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2006**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Notes:									
Sewer Improvement Note: Bankers Trust	January 1, 2000	4.70%-5.60%	\$ 400,000	\$ 230,000	\$ ---	\$ 35,000	\$ 195,000	\$ 12,393	\$ ---
Fire Truck Note: Bellevue State Bank	May 10, 1999	4.15%	200,000	90,172	---	21,173	68,999	3,525	---
Fire Station Note: Maquoketa Valley Electric Cooperative	July 23, 2001	---	102,467	61,480	---	---	61,480	---	---
Community/Senior Center Note:	December 29, 2003	3.19%	200,000	160,000	---	40,000	120,000	5,104	---
Street Improvement Note: Bellevue State Bank	August 15, 2005	3.49%	200,000	---	200,000	40,000	160,000	5,545	---
Total General Obligation				\$ 541,652	\$ 200,000	\$ 136,173	\$ 605,479	\$ 26,567	\$ ---

See accompanying independent auditor's report.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2006**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
Revenue Notes:									
Sewer Note:									
Bankers Trust	February 1, 1999	4.10%-5.00%	1,700,000	\$1,145,000	\$ ---	\$ 105,000	\$1,040,000	\$ 53,835	\$ ---
Cable TV Note:									
Bellevue State Bank	December 5, 2005	5.53%	80,000	---	80,000	---	80,000	---	---
Cable TV Note:									
Iowa Bank	December 15, 2005	5.53%	80,000	---	80,000	---	80,000	---	---
Total Revenue Notes				\$1,145,000	\$ 160,000	\$ 105,000	\$1,200,000	\$ 53,835	\$ ---
Urban Renewal Tax Increment Financing Note:									
Bellevue State Bank	January 30, 1998	4.74%	219,000	\$ 14,288	\$ ---	\$ 14,288	\$ ---	\$ 297	\$ ---
Other Obligations:									
General Fund - Interfund Loan	February 1, 2004	---	240,886	\$ 192,708	\$ ---	\$ 24,089	\$ 168,619	\$ ---	

See accompanying independent auditor's report.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**BOND AND NOTE MATURITIES
JUNE 30, 2006**

General Obligation Notes

Year Ending June 30	Fire Truck		Sewer Improvement		Fire Station		Community/Senior Center		Street Improvement		Total
	Issued May 10, 1999		Issued January 1, 2000		Issued July 23, 2001		Issued December 29, 2003		Issued August 15, 2005		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2007	4.15%	\$ 22,062	5.25%	\$ 35,000	.00%	\$ 10,247	3.19%	\$ 40,000	3.49%	\$ 40,000	\$ 147,309
2008	4.15%	22,987	5.30%	35,000	.00%	10,247	3.19%	40,000	3.49%	40,000	148,234
2009	4.15%	23,950	5.40%	40,000	.00%	10,247	3.19%	40,000	3.49%	40,000	154,197
2010		---	5.50%	40,000	.00%	10,247		---	3.49%	40,000	90,247
2011		---	5.60%	45,000	.00%	10,247		---		---	55,247
2012		---		---	.00%	10,245		---		---	10,245
Total		\$ 68,999		\$ 195,000		\$ 61,480		\$ 120,000		\$ 160,000	\$ 605,479

See accompanying independent auditor's report.

CITY OF BELLEVUE
BELLEVUE, IOWA

BOND AND NOTE MATURITIES
JUNE 30, 2006

Year Ending June 30	Revenue Notes						Other Obligations		
	Sewer		Cable TV		Cable TV		Water/Sewer Improvements		
	Issued February 1, 1999		Issued December 5, 2005		Issued December 15, 2005		Issued February 1, 2004		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Total	Interest Rates	Amount
2007	4.45%	\$ 110,000	5.53%	\$ 80,000	5.53%	\$ 80,000	\$ 270,000	---	\$ 24,089
2008	4.50%	115,000		---		---	115,000	---	24,089
2009	4.60%	120,000		---		---	120,000	---	24,089
2010	4.70%	125,000		---		---	125,000	---	24,089
2011	4.75%	130,000		---		---	130,000	---	24,089
2012	4.80%	140,000		---		---	140,000	---	24,089
2013	4.90%	145,000		---		---	145,000	---	24,085
2014	5.00%	155,000		---		---	155,000	---	---
Total		\$1,040,000		\$ 80,000		\$ 80,000	\$1,200,000		\$ 168,619

See accompanying independent auditor's report.

SCHEDULE "5"

**CITY OF BELLEVUE
 BELLEVUE, IOWA**

**SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 FOR THE LAST FIVE YEARS**

	2006	2005	2004	2003	2002
	-----	-----	-----	-----	-----
Receipts:					
Property tax	\$ 546,571	\$ 498,867	\$ 487,876	\$ 543,041	\$ 557,017
Tax increment financing collections	76,502	66,993	67,051	37,085	31,188
Other city tax	144,020	141,572	164,223	173,660	144,022
Licenses and permits	11,327	9,760	4,803	4,780	8,218
Use of money and property	36,768	19,623	66,214	17,434	20,926
Intergovernmental	300,198	430,717	262,901	331,270	257,968
Charges for services	37,140	27,336	23,310	24,672	25,361
Miscellaneous	91,906	95,226	147,064	47,042	48,506
	-----	-----	-----	-----	-----
Total	\$1,244,432	\$1,290,094	\$1,223,442	\$1,178,984	\$1,093,206
	=====	=====	=====	=====	=====
Disbursements:					
Operating:					
Public safety	\$ 383,556	\$ 358,504	\$ 374,221	\$ 354,078	\$ 309,035
Public works	576,783	336,235	292,279	211,154	265,107
Culture and recreation	273,144	373,284	552,543	253,251	22,437
Community and economic development	10,055	12,630	9,259	18,112	10,544
General government	397,234	259,011	259,108	277,566	258,557
Debt service	200,076	182,654	199,858	237,793	219,053
Capital projects	---	---	50,520	---	---
	-----	-----	-----	-----	-----
Total	\$1,840,848	\$1,522,318	\$1,737,788	\$1,351,954	\$1,282,733
	=====	=====	=====	=====	=====

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 accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Bellevue, 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 July 26, 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. Our report included a disclaimer of opinion on the required supplementary information including Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bellevue'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 assurance 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 Bellevue'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 I 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 items I-A-06, I-B-06, and I-C-06 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bellevue's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of 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 II of the accompanying Schedule of Findings.

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.

We noted certain other matters that we reported to management of the City in a separate letter dated July 26, 2006.

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

O'CONNOR, BROOKS & CO., P.C.

Dubuque, Iowa
July 26, 2006

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006**

Part I: Findings Related to the Financial Statements:

INSTANCES OF NONCOMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

I-A-06 Segregation of Duties - One important aspect of the internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the individual who reconciles the City's checking account is also authorized to sign checks.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain maximum internal control possible under the circumstances. We recommend that the bank statements continue to be delivered directly to the City Administrator for review before being given to the individual responsible for the account reconciliations.

Response - We will investigate this.

Conclusion - Response accepted.

I-B-06 Vendors - The City Clerk is able to add new vendors to the City's records without prior approval of the City Council.

Recommendation - The City should require pre-approval of the City Council for all additions to the City's vendor listing, where possible. If pre-approval of the City Council is not possible, the City Administrator should verify the propriety of the vendor. On a monthly basis, any new vendors that have been added to the City's records should be approved by the City Council.

Response - We will investigate ways to implement this change.

Conclusion - Response accepted.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006**

Part I: Findings Related to the Financial Statements: (Continued)

I-C-06 Utility Deposits – Utility payments received after the 21st day of the month are not being deposited in a timely manner.

Recommendation – All monies received should be deposited daily.

Response – We will investigate this.

Conclusion - Response accepted.

Part II: Other Findings Related to Statutory Reporting:

II-A-06 Certified Budget - Disbursements during the year ended June 30, 2006, exceeded the amounts budgeted in the public works, culture and recreation, and debt service 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 sufficient amounts 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.

II-B-06 Questionable Disbursements - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

II-C-06 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-06 Business Transactions - No business transactions between the City and City officials or employees were noted.

II-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.

**CITY OF BELLEVUE
BELLEVUE, IOWA**

**SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2006**

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

II-F-06 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but weren't.

II-G-06 Revenue Notes - The provisions of the revenue notes appear to have been met.

II-H-06 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-I-06 Telecommunication Services - No instances of noncompliance with Chapter 388.10 of the Code of Iowa were noted.

II-J-06 Annual Financial Report - The Annual Financial Report was not filed by December 1 as required by Chapter 384.22 of the Code of Iowa. The Annual Financial Report does not agree in total to the financial statements and there are several variances in the receipts and disbursements line items. In addition, there are several variances in the receipts and disbursements line items.

Recommendation - The City should ensure the Annual Financial Report is timely filed. Also, the City should contact the Auditor of State to determine what corrections are necessary.

Response - In the future, we will be more diligent in our preparation of the Annual Financial Report and will file the report by December 1. We will contact the Auditor of State to determine the necessary corrections.

Conclusion - Response accepted.

II-K-06 Financial Condition - The TIF District Fund had a deficit balance at June 30, 2006, in the amount of \$92,691. The Cable TV Fund had a deficit balance at June 30, 2006, in the amount of \$5,132.

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

Response - We will investigate alternatives to eliminate the deficit balance.

Conclusion - Response accepted.