

**ANNUAL
FINANCIAL REPORT
OF THE
CITY OF LE MARS, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2006**

Prepared by the
Finance Department
Bill Cole, Finance Director
CITY OF LE MARS, IOWA

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FOR THE YEAR ENDED JUNE 30, 2006
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CITY OF LE MARS

List of Principal Officials
June 30, 2006

Title	Name
Mayor	Virgil Van Beek
Council Member and Payor Pro-Tem	Rex Knapp
Council Member	John Leonard
Council Member	Mark Miller
Council Member	Kenneth Nelson
Council Member	John Rexwinkel
City Clerk/Treasurer	Beverly Langel
Finance Director	Bill Cole
City Attorney	Joseph Flannery
City Administrator/Public Works Director/City Engineer	Scott Langel
Code Enforcement Officer	Jason Vacura
Chief of Police	Stuart Dekkenga
Fire Chief	Wayne Schipper
Wastewater Superintendent	Ron Keyser
Assistant Wastewater Superintendent	Alan McDermott William Morgan
Water Superintendent	Gayle Sitzmann
Water Treatment Plant Operator	Jim Conley
Ambulance Co-Directors	Byron Bulthuis Bill Rosacker
Golf Course Manager	Doug Schultz
Library Director	Scott Zimmer
Airport Manager	Earl Draayer
Public Works Supervisor	Charlie Eufers
Public Facilities Supervisor	Dan Crowley
Street Supervisor	Steve Hanson

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Le Mars
Iowa

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Le Mars, Iowa for its comprehensive annual financial report for the fiscal year ended June 30, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. Such comprehensive annual financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The current report will not be submitted to GFOA for inclusion in the Certificate of Achievement program.



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INDEPENDENT AUDITORS' REPORT

Honorable Mayor, Members of the City Council
City of Le Mars, Iowa

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 Le Mars, Iowa, (the City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We did not audit the financial statements of Floyd Valley Municipal Hospital (a discretely presented component unit), which statements reflect total assets of \$24,139,215 as of June 30, 2006, and total operating revenues of \$20,113,281 for the year then ended. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Floyd Valley Municipal Hospital, is based solely on the report of the other auditors.

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 and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective 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 as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the

Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2006 on our consideration of the City of Le Mars' 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Introductory Section and supplementary statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Le Mars, Iowa. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

The accompanying combining non-major fund financial statements are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
September 22, 2006

Management Discussion and Analysis

June 30, 2006

This discussion and analysis of the City of Le Mars financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2006. We encourage the readers to consider the information presented here in conjunction with the additional information furnished in the City's financial statements that follow this report, as well as the separately issued financial statements of Floyd Valley Hospital, a discretely presented component unit of the City.

Financial Highlights:

- The assets of the City of Le Mars exceeded liabilities at June 30, 2006, by \$34,222,861. Of this amount, \$5,393,921 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$1,967,742 during the year. Of this amount, the assets of our Governmental Activities decreased \$1,415,553 and the assets of our Business Activities increased \$3,383,295.
- The largest factor in the increase in fund balance was the amount by which capital outlays exceeded depreciation in the current period. In fiscal year 2006, that excess was \$2,608,945.

The City's General Obligation debt increased by \$5,650,000 during FY'06, making the General Obligation debt \$14,705,000 at year end. This increase is the result of the city issuing \$7,300,000 of General Obligation Bonds in June 2006. These bonds will be used to finance capital improvements as well as the current refunding of the remaining \$655,000 of the 1998 Series General Obligation Capital Loan Notes. The \$7.3 million increase is offset by the annual amortization of the City debt netting to the \$5,650,000 net increase. The City Revenue Bond debt increased by \$694,974 during FY '06, making the Revenue Bond debt \$15,315,000 at year end. This increase is a result of the increased SRF debt for the Wastewater Treatment Plant improvements along with a decrease for the annual amortization of the debt and the issuance of JUR Bonds.

- The City drew down \$866,974 from Sewer Revenue Bonds (SRF).
- The City issued \$650,000 of Joint Urban Renewal Tax Increment Revenue Bonds on May 30, 2006. These bonds were issued to finance public infrastructure related to the Two Rivers Center Project.

OVERVIEW OF THE FINANCIAL STATEMENTS

In addition to the Management Discussion and Analysis, this annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government. An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

One of the most important questions asked about the City's finances is "Is the City of Le Mars in a better financial position at the end of this fiscal year, compared to last year?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is very similar to the method of accounting used by most private-sector companies. These two statements report the City's net assets, which is the difference between assets and liabilities, as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Assets and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Public Works and Parks departments, and general administration. Property taxes and state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Water, Sewer, Solid Waste and Golf Course funds.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using the "modified accrual basis" of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and 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 City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Assets and the Statement of Activities) and Governmental Funds in a reconciliation following each Governmental Fund financial statement.
- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities we report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for

their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The largest part of the City's net assets reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following comparison chart show the changes in net assets for the years ended June 30, 2006 and 2005.

	General Governmental Activities		Business Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Current and Other Assets	\$ 13,689,763	\$ 8,604,709	\$ 1,944,240	\$ 2,824,665	\$15,635,009	\$ 11,429,374
Capital Assets	23,581,695	20,416,529	35,205,171	31,740,924	58,786,860	52,157,453
Total Assets	37,271,458	29,021,238	37,149,411	34,565,589	74,420,869	63,586,827
Long-Term Liabilities						
Outstanding	13,943,820	6,989,212	17,298,759	17,305,845	31,242,579	24,295,057
Other Liabilities	8,711,387	6,000,222	244,042	1,036,429	8,955,429	7,036,651
Total Liabilities	22,655,207	12,989,434	17,542,801	18,342,274	40,198,008	31,331,708
Net Assets:						
Invested in Capital Assets, Net of Related Debt	10,452,532	13,956,529	18,020,171	14,531,775	28,472,703	28,488,304
Restricted	356,237	177,083	-	-	356,237	177,083
Unrestricted	3,807,482	1,898,192	1,586,439	1,691,540	5,393,921	3,589,732
Total Net Assets	\$ 14,616,251	\$16,031,804	\$19,606,610	\$ 16,223,315	\$34,222,861	\$ 32,255,119

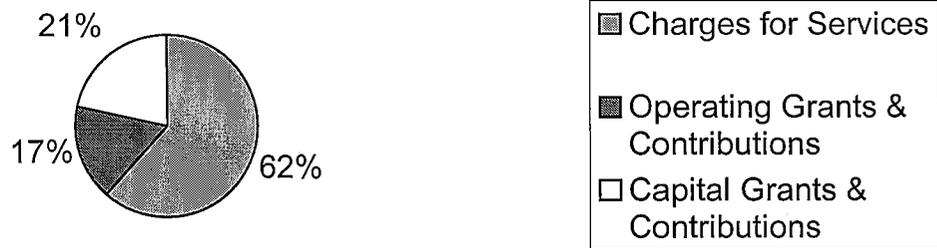
This summary reflects a decrease of total net assets of 8.82% for the governmental activities and an increase of 20.85% in the business-type activities.

Total revenue reported in Fiscal 2006 was \$17,872,104. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2006 and 2005:

Revenue Source	General Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Program Revenues:						
Charges for Services	\$ 1,838,929	\$ 1,570,532	\$ 5,007,287	\$ 4,502,862	\$ 6,846,216	\$ 6,073,394
Operating Grants and Contributions	1,879,202	969,410	-	-	1,879,202	969,410
Capital Grants and Contributions	1,882,850	427,582	493,872	-	2,376,722	427,582
Total Program Revenues	5,600,981	2,967,524	5,501,159	4,502,862	11,102,140	7,470,386
General Revenues & Interfund						
Transfers:						
Property Taxes	5,207,480	4,842,032	-	-	5,207,480	4,842,032
Other Taxes	45,655	14,131	-	-	45,655	14,131
Local Option Sales Tax	839,533	765,452	-	-	839,533	765,452
Hotel/Motel Taxes	104,750	99,369	-	-	104,750	99,369
Interest	42,272	79,188	9,689	17,316	51,961	96,504
General Intergovernmental Revenues	-	9,829	-	-	-	9,829
Revenue from Use of Property	-	-	64,582	59,429	64,582	59,429
Gain on Sales of Assets	29,982	20,207	-	-	29,982	20,207
Miscellaneous	234,199	245,096	191,822	54,121	426,021	299,217
Total General Revenues	6,503,871	6,075,304	266,093	130,866	6,769,964	6,206,170
Interfund Transfers	(1,856,903)	(471,150)	1,856,903	471,150	-	-
Total Revenues & Interfund Transfers	\$10,247,949	\$ 8,571,678	\$ 7,624,155	\$ 5,104,878	\$17,872,104	\$13,676,556

Program revenues totaled \$11,102,140 for fiscal year 2006. Governmental Activities provided \$5,600,981 and Business-Type Activities provided \$5,501,159. Revenue collected for Charges for Services during fiscal year 2006 was \$6,846,216, accounting for 62% of the total program revenues. The following chart breaks down program revenues by source:

Program Revenues



General Revenues for fiscal year 2006 totaled \$6,769,964. Governmental Activities provided \$6,503,871 and Business-Type Activities provided \$266,093. Property Tax Revenues for fiscal year 2006 totaled \$5,207,480, accounting for 77% of General Revenues. The following chart breaks down General Revenues by source:

General Revenues



Expenditures for Fiscal 2006 totaled \$15,904,362. Expenditures for General Governmental Activities totaled \$11,663,502, accounting for 73% of total expenditures. Business-Type Activity expenditures totaled \$4,240,860, for 27% of the total.

The following table shows total expenditures by Function/Program for FY 2006 and FY 2005:

Program Level	General Governmental Activities		Business-Type		Totals	
	2006	2005	2005	2006	2006	2005
Public Safety	\$ 2,144,695	\$1,909,929	\$ ----	\$ ----	\$ 2,144,695	\$1,909,929
Public Works	3,407,632	1,559,600	----	----	3,407,632	1,559,600
Health & Social Services	68,698	66,840	----	----	68,698	66,840
Culture and Recreation	1,299,237	1,228,150	----	----	1,299,237	1,228,150
Community and Economic Development	2,652,678	961,472	----	----	2,652,678	961,472
General Government	1,824,628	1,772,440	----	----	1,824,628	1,772,440
Debt Service	265,934	451,238	----	----	265,934	451,238
Capital Projects	----	353,767	----	----	----	353,767
Sewer System	----	----	1,799,547	1,986,247	1,986,247	1,799,547
Water System	----	----	1,127,258	1,352,830	1,352,830	1,127,258
Solid Waste	----	----	540,313	562,725	562,725	540,313
Golf Course	----	----	299,025	339,058	339,058	299,025
Total Expenditures	\$11,663,502	\$8,303,436	\$3,766,143	\$4,240,860	\$ 15,904,362	\$12,069,579

The following table shows the activities included within each program level:

Program Level	Activity
Public Safety	Individual & Community Protection, Physical Health
Public Works	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation	Education & Culture, Leisure Time Opportunities
Community and Economic Development	Economic Development, Community Beautification, Planning & Zoning
General Government	Administration, Support Services
Debt Service	Payment of Interest and principal of outstanding debt
Capital Projects	Construction of Capital Facilities
Sewer System	Operation of the waste water treatment plant
Water System	Operation of the waste water treatment plant
Solid Waste	Operation of garbage collection and disposal
Golf Course	Operation of Golf Course

Governmental Activities

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$2,144,695 and received \$530,499 in revenue, thus leaving a cost to the taxpayer of \$1,614,196 to be funded by various methods. The new format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Public Works	Road Use Tax, Rent
Culture and Recreation	Fees, State Aid,
General Government	Licenses, Permits
Capital Projects	Donations, State Grants, Federal Grants

The total cost of governmental activities this year was \$11,663,502. Of these costs, \$1,838,929 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution were \$493,872, leaving a Net Expense of \$6,062,521 for Governmental Activities. These expenses of \$6,062,521 were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail. The Net (Expense) Revenue by Governmental Activity is shown in the following table:

Functions/Programs	Net (Expense) Revenue	
	2006	2005
Governmental Activities:		
Public Safety	\$ (1,614,196)	\$ (1,479,732)
Public Works	(1,280,593)	(745,092)
Health & Social Services	(68,698)	(66,840)
Culture and Recreation	(712,707)	(737,136)
Community and Economic Development	(1,063,750)	(811,172)
General Government	(1,056,643)	(1,146,851)
Debt Service	(265,934)	(451,238)
Capital Projects	----	102,149
Total Net (Expense)		
Governmental Activities	(6,062,521)	(5,335,912)
General Revenues	6,503,871	6,075,304
Excess of revenues over expenditures	441,350	739,392
Interfund Transfers	(1,856,903)	(471,150)
Change in Net Assets	\$ (1,415,553)	\$ 268,242

Total resources available during the year to finance governmental operations were \$26,279,753, consisting of Net Assets at July 1, 2005 of \$16,031,804, Program Revenues of \$5,600,981 and General Revenues of \$6,503,871 and interfund transfers of \$(1,856,903). Total Governmental Activities during the year expended \$11,663,502; thus, Net Assets were decreased by \$1,415,553 to \$14,616,251 at June 30, 2006.

Business Type Activities

Business Type Activities increased the City's net assets by \$3,383,295, accounting for 98% of the growth in the City's net assets.

The cost of all Proprietary Activities this year was \$4,240,860. As shown in the Statement of Activities, the amount paid by users of the systems was \$5,007,287. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution were \$493,872. This resulted in total Net Revenue for Business Type Activities of \$1,260,299. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue	
	2006	2005
Sewer System	\$ 704,249	\$ 254,641
Water System	514,440	381,147
Solid Waste	96,920	121,174
Golf Course	(55,310)	(20,243)
Total Net Revenue		
Business Type Activities	<u>1,260,299</u>	<u>736,719</u>
General Revenues	<u>266,093</u>	<u>130,866</u>
Excess of revenues over expenditures	<u>1,526,392</u>	<u>867,585</u>
Interfund Transfers	<u>1,856,903</u>	<u>471,150</u>
Change in Net Assets	<u>\$3,383,295</u>	<u>\$1,338,735</u>

Total resources available during the year to finance Proprietary Fund activities were \$23,847,470, consisting of Net Assets at July 1, 2005 of \$16,223,315, Program Revenues of \$5,501,159, General Revenues of \$266,093 and interfund transfers of \$1,856,903. Total Proprietary Fund Activities during the year expended \$4,240,860; thus Net Assets were increased by \$3,383,295, to \$19,606,610.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$2,776,631. The combined Governmental Funds fund balance increased \$2,413,225 from the prior year.

The General Fund is the primary operating fund of the City. During the year, the net change in fund balance in the General Fund was \$440,088. The fund balance of \$1,451,930 is 22% of expenditures which is above the goal of a fund balance between 15% and 17% of expenditures.

BUDGETARY HIGHLIGHTS

The following table shows the budget variances by program structure:

Expenditures	Amended Budget	Actual (Cash Basis)	Variance Favorable (Unfavorable)
Public Safety	\$ 2,097,571	\$ 2,028,592	\$ 68,979
Public Works	864,543	844,274	20,269
Health and Social Service	70,000	68,698	1,302
Culture and Recreation	1,246,515	1,201,990	44,525
Community and Economic Development	2,346,065	2,338,562	7,503
General Government	1,309,818	1,269,347	40,471
Debt Service	1,183,029	1,144,028	39,001
Capital Projects	9,943,000	6,283,866	3,659,134
Business Type/Enterprise	28,153,939	26,837,065	1,316,874
	<u>\$47,214,480</u>	<u>\$42,016,422</u>	<u>\$5,198,058</u>

Budget results were all favorable in the current year, with no functions over budget. The City made two budget amendments during the year and the budgeted amounts to actual results were very comparable. The two functions with material variances were the capital projects and business-type functions. These both were due to timing differences, where projects were budgeted, but expenses had not yet been incurred on them.

CAPITAL ASSETS

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, storm sewer systems, traffic signals and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2006, was \$28,472,703 (net of accumulated depreciation and outstanding financings). The gross additions to capital assets for Fiscal 2006 are as follows:

General Governmental Activities		2006	2005
Land		\$ ----	\$ ----
Infrastructure		1,302,969	873,293
Buildings		92,329	----
Improvements – Other than Buildings		381,994	120,010
Equipment		353,569	265,857
Construction in Progress		3,530,102	1,862,378
Utility Plant		----	----
Total Gross Additions		\$ 5,660,963	\$ 3,121,538

Business Type Activities		Totals	
2006	2005	2006	2005
\$ ----	\$ ----	\$ ----	\$ ----
----	----	1,302,969	873,293
171,748	----	264,077	----
----	----	381,994	120,010
61,242	149,215	414,811	415,072
2,100,306	9,118,125	5,630,408	10,980,503
1,539,382	143,178	1,539,382	143,178
\$ 3,872,678	\$ 9,410,518	\$ 9,533,641	\$ 12,532,056

Construction in Progress at June 30, 2006 for the governmental activities consisted of costs associated with the Airport Layout Improvement Plan, the Airport Runway Extension Project, the Wellness Center /Convention Center Improvements, Sportsman Club Building, Two Rivers Development, Recreation Trail Improvements, and numerous street and infrastructure additions and improvements.

For Business-Type Activities, the Construction in progress at June 30, 2006 consisted of costs associated with the wastewater system improvements and the water system improvements, and the new nine holes and clubhouse at the golf course.

See Note 6 to the financial statements for more information on the City's capital assets.

DEBT ADMINISTRATION

At year-end the City had \$30,564,163 of debt outstanding. This is an increase of \$6,895,014 from the prior year. This increase is made up of \$866,974 of Sewer SRF increase, \$650,000 of JUR Bonds, \$692,218 of notes payable and a \$7.3 million G.O. issue increase and annual debt amortization.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$24,185,721. With outstanding General Obligation Debt applicable to this limit of \$14,999,164, Urban Renewal Debt applicable of \$650,000 and a debt service fund balance of \$33,642, we are utilizing 64.6% of this limit. More detailed information on debt administration is provided in Note 7 of the financial statements.

ECONOMIC FACTORS

The City of Le Mars worked hard in FY 2006 to maintain a positive approach to growth and development. Continued progressive growth in the Le Mars community had a positive effect on the City's unemployment and tax base. The growth in Local Option Sales Tax demonstrates that the Le Mars economy continues to grow.

New housing developments in the city include private development, including water, sewer and paving improvements. The City has worked to market the Westmar buildings helping to create additional apartment facilities. The City is looking forward to new housing surrounding the new holes at the golf course.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance Department at 712-546-7018.

CITY OF LE MARS, IOWA
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government			Component Unit Floyd Valley Hospital
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	\$ 2,417,473	\$ 1,402,631	\$ 3,820,104	\$ 2,677,561
Investments	137,165	-	137,165	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	77,485	242,740	320,225	2,309,076
Taxes	59,280	-	59,280	-
Subsequent Year Taxes	6,265,668	-	6,265,668	-
Accrued Interest	4,212	-	4,212	-
Other	5,287	-	5,287	46,475
Estimated Unbilled Usage	-	375,069	375,069	-
Special Assessments	37,486	-	37,486	-
Pledges Receivable	1,750,789	-	1,750,789	-
Notes Receivable	1,044,025	-	1,044,025	-
Internal Balances	529,445	(529,445)	-	-
Due from Other Governmental Agencies	663,412	141,723	805,135	-
Inventories	-	124,828	124,828	303,310
Land Held for Resale	148,263	-	148,263	-
Prepaid Assets	139,416	-	139,416	189,387
Other	-	-	-	454,399
Restricted Assets:				
Cash and Cash Equivalents	-	-	-	1,312,276
Investments	-	-	-	4,941,664
Accrued Interest Receivable	-	-	-	20,261
Bond Issue Costs	187,265	186,694	373,959	-
Investment in Joint Venture	223,092	-	223,092	-
Land	947,037	1,318,661	2,265,698	103,274
Construction in Progress	4,482,280	19,744,600	24,226,880	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	18,152,378	14,141,910	32,294,288	11,781,532
Total Assets	37,271,458	37,149,411	74,420,869	24,139,215
LIABILITIES				
Accounts Payable	807,936	166,601	974,537	1,361,364
Accrued Wages	47,925	15,174	63,099	621,049
Accrued Revenue Bond Interest	89,858	46,417	136,275	567,910
Accrued Expenses	-	15,850	15,850	-
Unearned Revenue - Subsequent Year Taxes	6,265,668	-	6,265,668	-
Contingent Liabilities	1,500,000	-	1,500,000	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	640,000	640,000	675,000
General Obligation Bonds	995,000	145,000	1,140,000	-
Notes Payable	148,055	-	148,055	-
Compensated Absences and Benefits	167,875	18,817	186,692	-
Due in more than one year:				
Revenue Bonds Payable	650,000	14,025,000	14,675,000	6,114,353
General Obligation Bonds	11,190,000	2,375,000	13,565,000	-
Notes Payable	396,108	-	396,108	-
Compensated Absences and Benefits, Long-Term	396,782	94,942	491,724	-
Total Liabilities	22,655,207	17,542,801	40,198,008	9,339,676
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	10,452,532	18,020,171	28,472,703	5,095,453
Restricted for:				
Debt Service	188,245	-	188,245	1,693,675
Endowments:				
Expendable	32,885	-	32,885	-
Nonexpendable	135,107	-	135,107	-
Unrestricted	3,807,482	1,586,439	5,393,921	8,010,411
Total Net Assets	\$ 14,616,251	\$ 19,606,610	\$ 34,222,861	\$ 14,799,539

See Accompanying Notes to Financial Statements

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CITY OF LE MARS, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 2,144,695	\$ 424,219	\$ 30,946	\$ 75,334
Public Works	3,407,632	20,215	772,704	1,334,120
Health and Social Services	68,698	-	-	-
Culture and Recreation	1,299,237	466,360	20,170	100,000
Community and Economic Development	2,652,678	200,109	1,015,423	373,396
General Government	1,824,628	728,026	39,959	-
Interest Expense	265,934	-	-	-
Total governmental activities	<u>11,663,502</u>	<u>1,838,929</u>	<u>1,879,202</u>	<u>1,882,850</u>
Business-Type Activities:				
Golf Course	339,058	283,748	-	-
Water System	1,352,830	1,614,659	-	252,611
Sewer System	1,986,247	2,449,235	-	241,261
Solid Waste System	562,725	659,645	-	-
Total Business-Type Activities:	<u>4,240,860</u>	<u>5,007,287</u>	<u>-</u>	<u>493,872</u>
Total Primary Government	<u>\$ 15,904,362</u>	<u>\$ 6,846,216</u>	<u>\$ 1,879,202</u>	<u>\$ 2,376,722</u>
Component Unit:				
Floyd Valley Hospital	<u>\$ 19,273,550</u>	<u>\$ 20,113,281</u>	<u>\$ 174,425</u>	<u>\$ 55,089</u>

General Revenues:
Property taxes
Other taxes
Local Option Sales Tax
Hotel/Motel Taxes
Debt Issuance
Interest
Use of Property
Gain on Sale of Assets
Refunds and Reimbursements
Miscellaneous
Sale of non-capitalized Assets
Interfund Transfers
Total general revenues and transfers
Change in net assets
Net assets - beginning

Net assets - ending

Net (Expense) Revenue and Changes in Net Assets			Component Unit Floyd Valley Hospital
Governmental Activities	Business-Type Activities	Total	
\$ (1,614,196)		\$ (1,614,196)	
(1,280,593)		(1,280,593)	
(68,698)		(68,698)	
(712,707)		(712,707)	
(1,063,750)		(1,063,750)	
(1,056,643)		(1,056,643)	
(265,934)		(265,934)	
<u>(6,062,521)</u>		<u>(6,062,521)</u>	
	\$ (55,310)	(55,310)	
	514,440	514,440	
	704,249	704,249	
	96,920	96,920	
	<u>1,260,299</u>	<u>1,260,299</u>	
<u>(6,062,521)</u>	<u>1,260,299</u>	<u>(4,802,222)</u>	
			<u>\$ 1,069,245</u>
5,207,480	-	5,207,480	-
45,655	-	45,655	-
839,533	-	839,533	-
104,750	-	104,750	-
-	-	-	-
42,272	9,689	51,961	247,878
-	64,582	64,582	-
29,982	-	29,982	-
99,094	189,518	288,612	-
102,829	2,304	105,133	111,044
32,276	-	32,276	-
(1,856,903)	1,856,903	-	-
<u>4,646,968</u>	<u>2,122,996</u>	<u>6,769,964</u>	<u>358,922</u>
(1,415,553)	3,383,295	1,967,742	1,428,167
16,031,804	16,223,315	32,255,119	13,371,372
<u>\$ 14,616,251</u>	<u>\$ 19,606,610</u>	<u>\$ 34,222,861</u>	<u>\$ 14,799,539</u>

CITY OF LE MARS, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2006

	General	TIF	Road Use Tax	Local Option Sales Tax
Assets				
Cash and Pooled Investments	\$ 60,520	\$ -	\$ 54,409	\$ 207,817
Investments	2,058	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	69,377	-	-	-
Taxes	22,451	26,396	-	-
Subsequent Year Taxes	2,227,689	2,756,283	-	-
Accrued Interest	4,212	-	-	-
Other	5,287	-	-	-
Special Assessments	31,716	-	-	-
Pledges Receivable	-	-	-	-
Notes Receivable	610,000	-	-	-
Due from Other Funds	1,600,000	-	400,000	100,000
Due from Other Governmental Agencies	19,851	-	60,227	132,098
Land Held for Resale	148,263	-	-	-
Prepaid Assets	62,000	-	-	-
Total Assets	4,863,424	2,782,679	514,636	439,915
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	114,310	-	2,108	36,488
Accrued Wages	47,169	-	-	-
Due to Other Funds	990,743	-	-	-
Unearned Revenue	31,583	11,583	-	-
Contingent Liabilities	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	2,227,689	2,756,283	-	-
Total Liabilities	3,411,494	2,767,866	2,108	36,488
Fund Balances:				
Reserved for:				
Debt Service	-	-	-	-
Assets Held for Resale	148,263	-	-	-
Perpetual Care	-	-	-	-
Tree Farm	-	-	-	-
Long-term Notes Receivable	610,000	-	-	-
Unreserved Fund Balances:				
General Fund	693,667	-	-	-
Special Revenue Fund	-	14,813	512,528	403,427
Capital Projects Fund	-	-	-	-
Total Fund Balances (Deficits)	1,451,930	14,813	512,528	403,427
Total Liabilities and Equity	\$ 4,863,424	\$ 2,782,679	\$ 514,636	\$ 439,915

Debt Service	Capital Project Community Betterment	Westmar University TIF	Joint Urban Renewal	Other Governmental Funds	Total Governmental Funds
\$ 28,190	\$ 17,309	\$ -	\$ 65,430	\$ 1,561,739	\$ 1,995,414
-	-	-	-	135,107	137,165
-	-	-	-	7,988	77,365
5,452	-	2,061	-	2,920	59,280
790,093	-	226,344	-	265,259	6,265,668
-	-	-	-	-	4,212
-	-	-	-	-	5,287
-	-	5,770	-	-	37,486
-	1,915,464	-	-	-	1,915,464
-	-	-	-	434,025	1,044,025
-	-	-	2,600,000	156,104	4,856,104
-	177,967	-	-	273,269	663,412
-	-	-	-	-	148,263
-	-	-	-	-	62,000
823,735	2,110,740	234,175	2,665,430	2,836,411	17,271,145
-	378	71,715	119,794	463,143	807,936
-	-	756	-	-	47,925
-	39,707	1,472,737	-	1,823,472	4,326,659
-	1,500,275	2,885	-	-	1,546,326
-	-	-	-	1,500,000	1,500,000
790,093	-	226,344	-	265,259	6,265,668
790,093	1,540,360	1,774,437	119,794	4,051,874	14,494,514
33,642	-	-	-	-	33,642
-	-	-	-	-	148,263
-	-	-	-	135,107	135,107
-	-	-	-	32,885	32,885
-	-	-	-	434,025	1,044,025
-	-	-	-	-	693,667
-	-	(1,540,262)	-	(1,363,160)	(1,972,654)
-	570,380	-	2,545,636	(454,320)	2,661,696
33,642	570,380	(1,540,262)	2,545,636	(1,215,463)	2,776,631
\$ 823,735	\$ 2,110,740	\$ 234,175	\$ 2,665,430	\$ 2,836,411	\$ 17,271,145

CITY OF LE MARS, IOWA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
For the Year Ended June 30, 2006

Amounts reported for Governmental Activities in the Statement of Net assets are different because:

Total Fund Balance - Governmental Funds (page 22)	\$	2,776,631	
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds			23,581,695
Investment in Joint Venture is not a financial resource and, therefore, not reported in the funds			223,092
The internal service fund is used by management to fund and maintain the City's health insurance provided to user departments and is included in the statement of net assets.			364,983
Deferred revenues that provide current financial resources for governmental activities.			1,546,326
Estimated uncollectible on pledges receivable extending beyond one year.			(164,675)
Accrued expenses from the balance sheet that require current financial resources for governmental activities.			(32,662)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.			187,265
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.			77,416
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
General Obligation Bonds	\$	12,185,000	
Revenue Bonds		650,000	
Notes Payable		544,163	
Compensated Absences		564,657	(13,943,820)
Total Net Assets - Governmental Activities (page 18)	\$		14,616,251

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CITY OF LE MARS, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
Year Ended June 30, 2006

	General	TIF	Road Use Tax	Local Option Sales Tax
Revenue:				
Taxes	\$ 2,231,266	\$ 1,932,966	\$ -	\$ 839,533
Special Assessments	-	-	-	-
Licenses and Permits	155,279	-	-	-
Intergovernmental Revenue	1,159,758	-	772,704	-
Charges for Services	529,654	-	-	-
Fines and Forfeits	32,750	-	-	-
Contributions	80,112	-	-	-
Refunds/Reimbursements	36,859	-	-	-
Rental Income	308,447	-	-	-
Interest	21,081	3,528	-	1,846
Miscellaneous	25,421	-	-	-
Total Revenue	<u>4,580,627</u>	<u>1,936,494</u>	<u>772,704</u>	<u>841,379</u>
Expenditures:				
Public Safety	1,782,339	-	-	-
Public Works	903,503	-	-	-
Health and Social Services	-	-	-	-
Culture and Recreation	1,169,983	-	-	-
Community and Economic Development	1,506,589	-	-	-
General Government	1,252,889	-	-	-
Capital Outlay	2,143	-	142,550	283,948
Debt Service	-	-	-	-
Total Expenditures	<u>6,617,446</u>	<u>-</u>	<u>142,550</u>	<u>283,948</u>
Excess (deficiency) of revenues over expenditures	<u>(2,036,819)</u>	<u>1,936,494</u>	<u>630,154</u>	<u>557,431</u>
Other financing sources (uses):				
Issuance of Debt	150,000	-	-	-
Premium Paid on Issuance of Debt	-	-	-	-
Payments to Refunded Bond Escrow Agent	-	-	-	-
Proceeds of Refunding Bonds	-	-	-	-
Proceeds from Sale Assets	17,482	-	-	-
Transfers In	2,376,270	-	-	10,000
Transfers Out	(66,845)	(1,926,816)	(676,689)	(431,591)
Total other financing sources (uses)	<u>2,476,907</u>	<u>(1,926,816)</u>	<u>(676,689)</u>	<u>(421,591)</u>
Net Change in Fund Balance	440,088	9,678	(46,535)	135,840
Fund balances (deficits)-beginning of year	1,011,842	5,135	559,063	267,587
Prior Period Adjustment	-	-	-	-
Fund balances (deficits)-beginning of year, as restated	1,011,842	5,135	559,063	267,587
Fund balances (deficits)- end of year	<u>\$ 1,451,930</u>	<u>\$ 14,813</u>	<u>\$ 512,528</u>	<u>\$ 403,427</u>

Debt Service	Capital Project Community Betterment	Westmar University TIF	Joint Urban Renewal	Other Governmental Funds	Total Governmental Funds
\$ 574,191	\$ -	\$ 175,059	\$ -	\$ 394,706	\$ 6,147,721
-	-	5,770	-	-	5,770
-	-	-	-	100	155,379
-	410,431	-	31,949	386,867	2,761,709
-	-	-	-	3,244	532,898
-	-	-	-	900	33,650
-	324,376	-	-	1,000	405,488
-	-	16,593	-	201,426	254,878
-	-	7,129	-	-	315,576
3,511	2,074	-	5,372	2,530	39,942
-	-	-	-	32,276	57,697
<u>577,702</u>	<u>736,881</u>	<u>204,551</u>	<u>37,321</u>	<u>1,023,049</u>	<u>10,710,708</u>
-	-	-	-	204,935	1,987,274
-	-	-	-	1,500,000	2,403,503
-	-	-	-	68,698	68,698
-	-	-	-	4,200	1,174,183
-	-	268,485	300,000	541,661	2,616,735
-	-	-	-	18,589	1,271,478
-	134,687	-	1,393,377	3,245,708	5,202,413
1,158,619	-	-	949,672	692,163	2,800,454
<u>1,158,619</u>	<u>134,687</u>	<u>268,485</u>	<u>2,643,049</u>	<u>6,275,954</u>	<u>17,524,738</u>
(580,917)	602,194	(63,934)	(2,605,728)	(5,252,905)	(6,814,030)
-	-	-	5,255,000	3,947,218	9,352,218
4,100	-	-	41,455	-	45,555
(655,000)	-	-	-	-	(655,000)
665,000	-	-	-	-	665,000
-	-	12,500	-	-	29,982
570,809	159,763	49,000	-	978,580	4,144,422
-	(992,833)	(246,148)	-	(14,000)	(4,354,922)
<u>584,909</u>	<u>(833,070)</u>	<u>(184,648)</u>	<u>5,296,455</u>	<u>4,911,798</u>	<u>9,227,255</u>
3,992	(230,876)	(248,582)	2,690,727	(341,107)	2,413,225
29,650	801,256	(1,291,680)	-	(1,019,447)	363,406
-	-	-	(145,091)	145,091	-
29,650	801,256	(1,291,680)	(145,091)	(874,356)	363,406
<u>\$ 33,642</u>	<u>\$ 570,380</u>	<u>\$ (1,540,262)</u>	<u>\$ 2,545,636</u>	<u>\$ (1,215,463)</u>	<u>\$ 2,776,631</u>

CITY OF LE MARS, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (page 25) \$ 2,413,225

Governmental funds report capital outlays, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Capital outlays exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 4,234,998	
Depreciation expense	<u>(1,626,053)</u>	2,608,945

Contribution of Governmental Fixed Assets to the City's Proprietary funds: (459,083)

Revenues from Long Term Pledge Receivables are deferred on the fund level statements until they are available to provide current financial resources, where on the government-wide statements there revenues were recorded in the year pledged. The net change in deferred pledge revenues and allowance for doubtful accounts was: (361,411)

Investment in Joint Venture does not require current financial resources, therefore, is not reported in the funds. This is the change in the equity investment for the year: 103,264

Revenues reported in the funds that are not available to provide current financial resources: 6,927

Capital contributions reported in the Statement of Activities that do not provide current financial resources and are not reported as revenues in the funds: 1,015,304

Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources: 4,842

Accrued interest expense that does not require current financial resources: (14,299)

Long-term accrual of compensated absences is not reported in the governmental funds as it does not consume current financial resources. The net change in in the long-term compensated absences for the year was: (35,445)

Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and are included in the statement of net assets. The net revenue of the internal service funds is reported with governmental activities: 111,132

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities: 110,209

The issuance of indebtedness provides current financial resources to the governmental funds without affecting net assets. The statement of activities does not reflect the proceeds from the issuance of long-term debt. The proceeds from the issuance of long-term debt for the year was: (10,017,218)

The repayment of the principal of bonded long-term debt as well as long-term notes payable consume the current financial resources of governmental funds without affecting the net assets. The statement of activities does not reflect the payment of principal on bonded long-term debt or long-term notes payable. The principal paid on these items during the current year was: 3,098,055

Change in net assets of governmental activities (page 20) \$ (1,415,553)

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CITY OF LE MARS, IOWA
 COMBINING STATEMENT OF NET ASSETS
 Proprietary Funds
 June 30, 2006

	Business Type Activities	
	Water System	Sewer System
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 687,596	\$ 599,408
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	58,878	158,763
Estimated Unbilled Usage	135,164	207,992
Due from Other Governmental Agencies	141,723	-
Inventories	124,828	-
Total Current Assets	<u>1,148,189</u>	<u>966,163</u>
Noncurrent Assets:		
Bond Issue Costs	80,150	106,544
Land	174,357	843,418
Construction in Progress	7,352,203	10,333,260
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	6,090,521	7,468,218
Total Noncurrent Assets	<u>13,697,231</u>	<u>18,751,440</u>
Total Assets	<u>14,845,420</u>	<u>19,717,603</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	44,664	35,109
Accrued Wages	6,256	8,918
Accrued Expenses	33,694	28,573
Due to Other Funds	-	368,836
Revenue Bonds Payable- Current	460,000	180,000
General Obligation Bonds- Current	-	145,000
Compensated Absences and Benefits	10,835	7,982
Total Current Liabilities	<u>555,449</u>	<u>774,418</u>
Noncurrent Liabilities:		
Due in more than one year:		
Revenue Bonds Payable	6,632,000	7,393,000
General Obligation Bonds	-	2,375,000
Compensated Absences and Benefits	54,832	40,110
Total Noncurrent Liabilities	<u>6,686,832</u>	<u>9,808,110</u>
Total Liabilities	<u>7,242,281</u>	<u>10,582,528</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	6,525,081	8,551,896
Unrestricted	1,078,058	583,179
Total Net Assets	<u>\$ 7,603,139</u>	<u>\$ 9,135,075</u>

Business Type Activities		Governmental
Nonmajor		Activities
Enterprise		Internal
Funds	Total	Service
\$ 115,627	\$ 1,402,631	\$ 422,059
25,099	242,740	120
31,913	375,069	-
-	141,723	-
-	124,828	-
<u>172,639</u>	<u>2,286,991</u>	<u>422,179</u>
-	186,694	-
300,886	1,318,661	-
2,059,137	19,744,600	-
583,171	14,141,910	-
<u>2,943,194</u>	<u>35,391,865</u>	<u>-</u>
<u>3,115,833</u>	<u>37,678,856</u>	<u>422,179</u>
86,828	166,601	-
-	15,174	-
-	62,267	57,196
160,609	529,445	-
-	640,000	-
-	145,000	-
-	18,817	-
<u>247,437</u>	<u>1,577,304</u>	<u>57,196</u>
-	14,025,000	-
-	2,375,000	-
-	94,942	-
-	16,494,942	-
<u>247,437</u>	<u>18,072,246</u>	<u>57,196</u>
2,943,194	18,020,171	-
(74,798)	1,586,439	364,983
<u>\$ 2,868,396</u>	<u>\$ 19,606,610</u>	<u>\$ 364,983</u>

CITY OF LE MARS, IOWA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
 Proprietary Funds
 For the Year Ended June 30, 2006

	Business Type Activities	
	Water System	Sewer System
Operating Revenues:		
Charges for Services	\$ 1,614,659	\$ 2,449,235
Total Operating Revenue	<u>1,614,659</u>	<u>2,449,235</u>
Operating Expenses:		
Employee Services	453,936	658,771
Contract Services	37,796	136,710
Supplies	102,474	86,654
Repairs and Improvements	73,372	49,580
Utilities	130,134	155,624
Miscellaneous	11,061	10,813
Depreciation	295,936	487,187
Amortization	4,906	15,994
Total Operating Expenses	<u>1,109,615</u>	<u>1,601,333</u>
Operating Income (Loss)	505,044	847,902
Non-Operating Income (Expense):		
Interest Income	5,322	4,065
Refunds and Reimbursements	165,456	20,248
Revenue from Use of Property	37,537	27,045
Other Non-operating Revenues		2,304
Interest Expense	(243,215)	(384,914)
Total Non-Operating Income (Expenses)	<u>(34,900)</u>	<u>(331,252)</u>
Income (Loss) Before Transfers and Contributions	470,144	516,650
Contributed Capital Revenue	1,259,195	879,491
Transfers In	-	250,000
Transfers (Out)	<u>(201,000)</u>	<u>(232,000)</u>
Change in Net Assets	1,528,339	1,414,141
Net Assets - Beginning	<u>6,074,800</u>	<u>7,720,934</u>
Net Assets - Ending	<u>\$ 7,603,139</u>	<u>\$ 9,135,075</u>

<u>Business Type Activities</u>		<u>Governmental</u>
<u>Nonmajor</u>		<u>Activities</u>
<u>Enterprise</u>		<u>Internal</u>
<u>Funds</u>	<u>Total</u>	<u>Service</u>
\$ 943,393	\$ 5,007,287	\$ 700,892
943,393	5,007,287	700,892
27,187	1,139,894	-
677,654	852,160	-
82,275	271,403	-
16,814	139,766	-
11,589	297,347	-
21,257	43,131	592,210
65,007	848,130	-
-	20,900	-
<u>901,783</u>	<u>3,612,731</u>	<u>592,210</u>
41,610	1,394,556	108,682
302	9,689	2,330
3,814	189,518	120
-	64,582	-
-	2,304	-
-	(628,129)	-
<u>4,116</u>	<u>(362,036)</u>	<u>2,450</u>
45,726	1,032,520	111,132
1,589	2,140,275	-
450,000	700,000	-
<u>(56,500)</u>	<u>(489,500)</u>	<u>-</u>
440,815	3,383,295	111,132
<u>2,427,581</u>	<u>16,223,315</u>	<u>253,851</u>
<u>\$ 2,868,396</u>	<u>\$ 19,606,610</u>	<u>\$ 364,983</u>

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2006

	Business Type Activities	
	Water System	Sewer System
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 1,596,792	\$ 2,483,131
Cash Paid to Suppliers for Goods and Services	(379,432)	(441,797)
Cash Paid to Employees for Services	(438,540)	(652,850)
Other Nonoperating Income	61,270	49,597
Net Cash Provided by Operating Activities	<u>840,090</u>	<u>1,438,081</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(389,459)	(1,415,921)
Proceeds from Bond Sales	-	866,974
Principal Paid on Notes and Bonds	(317,000)	(580,000)
Interest Paid on Notes and Bonds	(244,214)	(384,129)
Net Cash (Used) for Capital and Related Financing Activities	<u>(950,673)</u>	<u>(1,513,076)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers From (To) Other Funds	(201,000)	18,000
Due From (To) Other Funds	922,482	490,951
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>721,482</u>	<u>508,951</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sale of Investment Securities	-	131,000
Interest and Dividends on Investments	5,322	5,060
Net Cash Provided from Investing Activities	<u>5,322</u>	<u>136,060</u>
Net Increase (Decrease) in Cash and Cash Equivalents	616,221	570,016
Cash and Cash Equivalents at Beginning of Year	<u>71,375</u>	<u>29,392</u>
Cash and Cash Equivalents at End of Year	<u>\$ 687,596</u>	<u>\$ 599,408</u>

<u>Business Type Activities</u>		<u>Governmental</u>
<u>Nonmajor</u>		<u>Activities</u>
<u>Enterprise</u>		<u>Internal</u>
<u>Funds</u>	<u>Total</u>	<u>Service</u>
\$ 945,270	\$ 5,025,193	\$ 700,772
(820,283)	(1,641,512)	(592,210)
-	(1,091,390)	-
3,814	114,681	120
<u>128,801</u>	<u>2,406,972</u>	<u>108,682</u>
(1,180,283)	(2,985,663)	-
-	866,974	-
-	(897,000)	-
-	(628,343)	-
<u>(1,180,283)</u>	<u>(3,644,032)</u>	<u>-</u>
393,500	210,500	-
644,472	2,057,905	(16,113)
<u>1,037,972</u>	<u>2,268,405</u>	<u>(16,113)</u>
-	131,000	-
<u>302</u>	<u>10,684</u>	<u>2,330</u>
302	141,684	2,330
(13,208)	1,173,029	94,899
<u>128,835</u>	<u>229,602</u>	<u>327,160</u>
<u>\$ 115,627</u>	<u>\$ 1,402,631</u>	<u>\$ 422,059</u>

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2006

	Business Type Activities	
	Water System	Sewer System
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	\$ 505,044	\$ 847,902
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	295,936	487,187
Amortization	4,906	15,994
Miscellaneous Non-Operating Income	202,993	49,597
(Increase) Decrease in Assets:		
Accounts Receivable	(20,446)	2,495
Estimated Unbilled Usage	(10,376)	30,357
Due From Other Governments	(141,723)	-
Other Accounts Receivable	12,955	1,044
Inventories	(27,652)	-
Increase (Decrease) in Liabilities		
Accounts Payable	2,527	(2,416)
Accrued Wages and Compensated Absences	15,396	5,921
Customer Deposits	530	-
Total Adjustments	<u>335,046</u>	<u>590,179</u>
Net Cash Provided by Operating Activities	<u>\$ 840,090</u>	<u>\$ 1,438,081</u>

Supplemental Schedule of Noncash Capital and Related Financing Activities:

Contributed Capital	\$ 1,259,195	\$ 879,491
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Reconciliation of Cash and Cash Equivalents to the Balance Sheet:

Cash and Cash Equivalents	\$ 687,596	\$ 599,408
	<u>\$ 687,596</u>	<u>\$ 599,408</u>

<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service</u>
\$ 41,610	\$ 1,394,556	\$ 108,682
65,007	848,130	-
-	20,900	-
3,814	256,404	120
(2,981)	(20,932)	(120)
4,858	24,839	-
-	(141,723)	-
-	13,999	-
-	(27,652)	-
16,493	16,604	-
-	21,317	-
-	530	-
87,191	1,012,416	-
<u>\$ 128,801</u>	<u>\$ 2,406,972</u>	<u>\$ 108,682</u>
<u>\$ 1,589</u>	<u>\$ 2,140,275</u>	<u>\$ -</u>
\$ 115,627	\$ 1,402,631	\$ 422,059
<u>\$ 115,627</u>	<u>\$ 1,402,631</u>	<u>\$ 422,059</u>

CITY OF LE MARS, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
Agency Funds
June 30, 2006

ASSETS

Cash and Pooled Investments \$ 5,299

Total Assets 5,299

LIABILITIES

Accounts Payable 5,299

Due to Other Governments -

Total Liabilities 5,299

NET ASSETS

Unrestricted -

Total Net Assets \$ -

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Le Mars, Iowa is a political subdivision of the State of Iowa located in Plymouth County, and was incorporated in 1881, under the laws of the State of Iowa, later amended in 1974 under the Home Rule City Act. The City operates under a Mayor-Council form of government with an appointed administrator and finance director and administers the following programs as authorized by its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also has municipal water and sewer utility systems, which are governed by the City Council.

The City's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City applies only the applicable FASB pronouncements issued prior to November 30, 1989 in accounting and reporting its proprietary operations. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

For financial reporting purposes, the City of Le Mars, 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 Le Mars, Iowa (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. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from its respective administrative office.

Discretely Presented Component Unit - The City established a municipal hospital, Floyd Valley Hospital, in 1966. The hospital's financial data is reported in a separate column to emphasize that it is legally separate from the City, but is financially accountable to the City. The Hospital is financially accountable to the City and its operating budget is subject to the approval of the City Council.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Jointly Governed Organizations - The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards and Commissions: Plymouth County Assessors' Conference Board, Plymouth County Area Solid Waste Agency, Plymouth County Emergency Management Commission, Plymouth County Joint E911 Service Board, and the Highway 60 Commission.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and intergovernmental revenues, are reported separately from business and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent of fees and charges for services. The City's general, special revenue, debt service, capital projects and permanent funds are classified as governmental activities. The City's health insurance internal service fund is also classified as a governmental-type activity.

The Statement of Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

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. The City first uses restricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year activities.

C. Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues or receipts, and expenditures or expenses, as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria for the determination of major funds. The City electively added funds, as major funds, which had a specific community focus. The non-major funds are combined into a single column in the fund financial statements.

Governmental Fund Types – The governmental fund financial statements are reported using the current financial resources measurement focus. This means that the focus of the governmental funds' measurement is upon the determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the major governmental funds of the City:

- 1) General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund. The sources of revenue include property taxes, charges for services, fines and fees, licenses and permits, as well as state and federal grants. The expenditures of the General Fund relate to general administration, police and fire protection, maintenance of public streets, economic development, and culture and recreation.

- 2) Special Revenue Funds

The TIF (Tax Incremental Financing Fund) is used to account for property taxes received to be expended for public improvements; construction of public infrastructure as well as economic development opportunities; incentives; sites; land; rebates; and grant agreements.

The Road Use Tax Fund is used to account for the operation of street maintenance and construction financed by allocations of state fuel taxes.

The Local Option Sales Tax Fund is used to account for the collection of a 1% local option sales tax to be expended for Capital Improvement/Community Betterment Projects.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Westmar University TIF fund accounts for the receipting and expenditure of property taxes derived from that tax increment district. These moneys in conjunction with various other sources of financing conduct economic development and capital improvements.

- 3) Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

4) Capital Project Funds

The Community Betterment Fund is used to account for the construction of capital assets related to the City's Community Betterment Program financed partially through individual contributions.

The Joint Urban Renewal Fund is used to account for the use of bond proceeds for the capital improvements in the City's Urban Renewal District.

Proprietary Fund Types – The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. Operating revenues and expenses are distinguished from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of enterprise funds are charges to customers for services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. The U.S. generally accepted accounting principles used are those applicable to similar businesses in the private sector.

- 1) Enterprise Funds – Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The City maintains several business-type activities. The major enterprise funds are listed as follows:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

- 2) Internal Service Funds – Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-recovery basis.

The City's internal service fund is presented in the proprietary fund financial statements.

Health Insurance – To account for the funding and maintenance of the City's self-funded health insurance provided to City employees. Since the principal users of this internal service are the City's governmental activities, the financial statements of the health insurance internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity.

Fiduciary Fund Types – Fiduciary funds are used to report assets held in an agency or custodial capacity for others and therefore not available to support City programs. Since agency funds are custodial in nature, they do not involve the measurement of results of operations and are not incorporated into the government-wide financial statements. The City has the following agency funds:

Flex Account- This agency fund is used to account for the City cafeteria plan funds.

Payroll Clearing- This fund is used to account for the accumulation of funds and related expenses concerning the City's payroll.

D. Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual basis of accounting is used for all activities in the government-wide financial statements and for the proprietary and fiduciary activities in the fund financial statements. Revenues are recognized when earned and expenses are recognized when incurred.

Modified accrual basis of accounting is used by all governmental funds in the fund financial statements. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures are recorded when the related fund liability is incurred. An exception to this general rule is that principal and interest on general obligation debt, if any, is recognized when due.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Those revenues susceptible to accrual are property taxes, assessments, and intergovernmental revenues. Licenses, fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

E. Budgets

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, disbursements did not exceed the amount budgeted in any of the City's functions.

F. Cash And Cash Equivalents And Investments

The City is authorized by statute to invest public funds not currently needed for operating expenses in notes, certificates, bonds, prime eligible bankers acceptances, certain high rated commercial paper, perfected repurchase agreements, or other evidences of indebtedness which are obligations of or guaranteed by the United States of America or any of its agencies, or in time deposits or savings accounts in depositories approved by the City Council.

1) Cash and Cash Equivalents

Includes investments with original maturities of three months or less.

2) Investments

The City and its component unit use the following methods in determining the reported amounts.

<u>City</u>	<u>Type</u>	<u>Method</u>
	Nonnegotiable Certificates of Deposit	Cost
 <u>Component Unit</u>		
	Certificates of Deposit	Cost
	U.S. Treasury Notes, State & Local Government Series	Fair Value Determined Based on Quoted Market Price
	Iowa Public Agency Investment Trust	Fair Value Determined By Current Share Prices
	Debt Securities	
	Negotiable Certificates of Deposit	
	Maturity of one year or less when purchased	Amortized Cost
	Maturity of more than one year when purchased	Fair Value Based on Quoted Market Price

G. Property Tax Receivable

Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the City Council to the County Board of Supervisors. Current year delinquent property taxes receivable represents unpaid taxes from the current year. The succeeding year property tax receivable represents taxes certified by the City Council to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City Council is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2004. Any county collections on the 2005-2006 tax levy remitted to the City within 60 days subsequent to June 30, 2006, are recorded as property tax revenue.

H. Short-Term Interfund Receivables/Payables

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2006, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

I. Inventories

Inventories of the proprietary fund types are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. The inventory amounts are not material and therefore not recorded on the balance sheet.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2006 are recorded as prepaid items.

K. Capital Assets

Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, bridges, curbs, gutters, sidewalks and similar items which are immovable and of value only to the government) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets and in the Proprietary Funds Statement of Net Assets. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

donation. The costs of normal maintenance and repair not adding to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of \$1,000 and estimated useful lives in excess of two years. Depreciation expense is calculated using the straight-line method.

Buildings	39 – 50 Years
Utility Plant	20 – 33 Years
Machinery & Equipment	3 - 20 Years
Infrastructure	15 – 70 Years

L. Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick-leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statement. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

M. Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

N. Fund Equity

Reserves represent those portions of fund equity legally segregated for a specific future use.

O. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except interfund services provided and used transactions and reimbursements, are reported as transfers.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

P. Landfill Closure Costs

The City is part of an Iowa Code Section 28F agreement with the Plymouth County Solid Waste Agency and, therefore, not required to account for landfill post closure costs.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2006, were entirely covered by Federal Depository Insurance collateralized with securities or letters of credit held by the City or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. Chapter 12C 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 obligation 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.

Deposits at June 30, 2006, are shown below:

	Primary Government	Component Unit	Fair Value	Rating
Demand Deposits	\$ (778,126)	\$ 3,989,837	\$3,211,711	N/A
Savings Deposits	4,598,230		4,598,230	N/A
Time Deposits	137,165	4,941,664	5,078,829	N/A
	<u>\$ 3,957,269</u>	<u>\$ 8,931,501</u>	<u>\$12,888,770</u>	

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 - RECEIVABLES

Receivables at June 30, 2006 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$31,493 at June 30, 2006. The component unit had an allowance for uncollectibles of \$1,286,843 at June 30, 2006.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2006, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation for road use tax allocations	\$ 60,227
Due from the Iowa Department of Transportation for construction projects	242,597
Due from the State of Iowa for local option sales taxes	132,098
Due from the State of Iowa for sales tax refunds	141,723
Due from the Federal Aviation Administration for Airport Improvements	2,752
Due from the State of Iowa for hotel and motel sales taxes	27,920
Due from the State of Iowa for miscellaneous grants	197,818
Total Due from Other Governments	\$ 805,135

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2006, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Special Revenue-Westmar University TIF	\$ 1,472,737
General	Nonmajor Governmental Funds	127,263
Special Revenue – Road Use Tax	Nonmajor Governmental Funds	400,000
Special Revenue – Local Option Sales Tax	Nonmajor Governmental Funds	100,000
Nonmajor Governmental Funds	Nonmajor Governmental Funds	156,104
Joint Urban Renewal	Nonmajor Governmental Funds	1,040,105
Joint Urban Renewal	General	990,743
Joint Urban Renewal	Proprietary Fund – Sewer	368,836
Joint Urban Renewal	Capital Project – Community Betterment	39,707
Joint Urban Renewal	Nonmajor Proprietary Funds	160,609
		\$ 4,856,104

The purpose of the interfund balances is to help finance short-term cash flow shortages of various funds.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	Balance July 1, 2005	Additions	Deletions	Transfers	Balance June 30, 2006
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 947,037	-	-	-	\$ 947,037
Construction in Progress	1,821,922	\$ 3,530,102	\$ 410,661	\$ (459,083)	4,482,280
Total capital assets not being depreciated	2,768,959	3,530,102	410,661	(459,083)	5,429,317
Capital assets being depreciated:					
Buildings	7,799,382	92,329	-	-	7,891,711
Improvements	3,060,863	381,994	-	-	3,442,857
Equipment	4,145,335	353,569	91,596	-	4,407,308
Infrastructure	18,757,082	1,302,969	-	-	20,060,051
Total capital assets being depreciated	33,762,662	2,130,861	91,596	-	35,801,927
Less: Accumulated Depreciation for:					
Buildings	3,557,813	338,678	-	-	3,896,491
Improvements	1,917,045	126,736	-	-	2,043,781
Equipment	3,485,506	336,965	91,596	-	3,730,875
Infrastructure	7,154,728	823,674	-	-	7,978,402
Total Accumulated Depreciation	16,115,092	1,626,053	91,596	-	17,649,549
Total capital assets being depreciated, net	17,647,570	504,808	-	-	18,152,378
Governmental activities capital assets, net	\$ 20,416,529	\$ 4,034,910	\$ 410,661	(459,083)	\$ 23,581,695

Construction in progress at June 30, 2006, for the governmental activities consisted of costs associated with the Airport Layout Improvement Plan, the Airport Runway Extension Project, the Wellness Center/Convention Center Improvements, Sportsman's Club Building, Two Rivers Development, Recreation Trail Improvements, and numerous street and infrastructure additions and improvements.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 6 - CAPITAL ASSETS – (Continued)

	Balance July 1, 2005	Additions	Deletions	Transfers	Balance June 30, 2006
Business-Type Activities:					
Capital assets not being depreciated:					
Land	\$ 1,318,661	-	-		\$ 1,318,661
Construction in Progress	17,663,678	\$ 2,100,306	\$ 19,384		19,744,600
Total capital assets not being depreciated	18,982,339	2,100,306	19,384		21,063,261
Capital assets being depreciated:					
Buildings	172,951	171,748	-		344,699
Improvements	523,786	-	-		523,786
Equipment	820,174	61,242	-		881,416
Utility Plant	21,875,768	1,539,382	-	\$ 459,083	23,874,233
Total capital assets being depreciated	23,392,679	1,772,372	-	459,083	25,624,134
Less: Accumulated Depreciation	10,634,094	848,130	-		11,482,224
Total capital assets being depreciated, net	12,758,585	924,242	-	459,083	14,141,910
Business-type activities capital assets, net	\$ 31,740,924	\$ 3,024,548	\$ 19,384	\$ 459,083	\$ 35,205,171

Construction in progress at June 30, 2006 consisted of costs associated with the wastewater system improvements, the water system improvements, and the new nine holes and clubhouse at the golf course.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
Public Safety	\$ 186,651
Public Works	934,970
Culture and Recreation	183,839
Community and Economic Development	242,153
General Government	78,440
Total depreciation expense – governmental activities	<u>\$ 1,626,053</u>
Business-Type Activities:	
Water	\$ 295,936
Sewer	487,187
Golf Course	53,004
Solid Waste	12,003
Total depreciation expense – business-type activities	<u>\$ 848,130</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 6 - CAPITAL ASSETS – (Continued)

A summary of changes in capital assets for the discretely presented component unit is as follows:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006
Component Unit:				
Capital assets not being depreciated:				
Land	\$ 103,274	-	-	\$ 103,274
Construction in Progress	101,476	\$ 511,524	\$ 613,000	-
Total capital assets not being depreciated	204,750	511,524	613,000	103,274
Capital assets being depreciated:				
Land Improvements	676,227	28,050	640	703,637
Buildings and Fixed Equipment	12,973,616	18,018	12,515	12,979,119
Major Movable Equipment	5,022,276	800,231	257,040	5,565,467
Land and Buildings Leased to Others	2,955,297	2,283	-	2,957,580
Total capital assets being depreciated	21,627,416	848,582	270,195	22,205,803
Less: Accumulated Depreciation	9,541,806	1,141,082	258,617	10,424,271
Total capital assets being depreciated, net	12,085,610	(292,500)	11,578	11,781,532
Component unit capital assets, net	\$ 12,290,360	\$ 219,024	\$ 624,578	\$ 11,884,806

Reconciliation of Investment in Capital Assets:

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 947,037	\$ 1,318,661	\$ 103,274
Construction in Progress	4,482,280	19,744,600	-
Capital Assets (net of accumulated depreciation)	18,152,378	14,141,910	11,781,532
Less: General Obligation Bonds Payable	12,185,000	2,520,000	-
Notes Payable	294,163	-	-
Revenue Bonds	650,000	14,665,000	6,789,353
Investment in Capital Assets, Net of Related Debt	\$ 10,452,532	\$ 18,020,171	\$ 5,095,453

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 7 - LONG-TERM DEBT

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and projects. General obligation bonds have been issued for both governmental and business-type activities. These bonds are direct obligations and pledge the full faith and credit of the City.

In June 2006 the City issued \$7,300,000 of general obligation bonds. These bonds will be used to finance capital improvements as well as a current refunding of the remaining \$655,000 of the 1998 series GO capital loan notes (for more detail on refunding see note in the refunding section). The interest rate of the bonds will range from 3.7 to 4.35%.

General obligation bonds outstanding as of June 30, 2006 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Maturity Date</u>	<u>Amounts</u>
Governmental Activities-2006 Refunding & Corporate Purpose	3.7-4.35%	June 1, 2021	\$ 7,300,000
Governmental Activities	1.9-5.90%	June 1, 2016	2,090,000
Governmental Activities – Refunding 2002	3.35-4.60%	June 1, 2008	70,000
Governmental Activities – Refunding 2003	3.15%	June 1, 2011	2,725,000
Business-Type Activities	1.9-5.60%	June 1, 2018	2,520,000
			<u>\$ 14,705,000</u>

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

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 995,000	\$ 450,410	\$ 145,000	\$ 121,345
2008	1,070,000	433,452	150,000	115,735
2009	1,110,000	399,646	195,000	109,578
2010	1,190,000	363,046	200,000	101,027
2011	1,235,000	321,298	210,000	91,978
2012-2016	3,805,000	1,050,492	1,245,000	294,666
2017-2021	2,780,000	336,076	375,000	23,680
Total	<u>\$ 12,185,000</u>	<u>\$ 3,354,420</u>	<u>\$ 2,520,000</u>	<u>\$ 858,009</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 7 - LONG-TERM DEBT (CONTINUED)

Revenue Bonds

The City also has issued revenue bonds where the City pledges income derived from the acquired or constructed asset to pay debt service. During the current year, the City began the issuance of one new series of state revolving loan revenue bonds as well as withdrew from their pre-existing water and wastewater revenue bonds. These funds have been expended on construction of the water treatment and wastewater treatment facilities. Financing details are as follows:

The City issued \$650,000 of Joint Urban Renewal Tax Increment Revenue Bonds on May 30, 2006. These bonds were issued to finance public infrastructure improvements related to the Two Rivers Center Project. The bonds will be paid through the collection of TIF revenues over the next 11 years at an interest rate ranging from 4.15 to 4.75%.

The City drew down an additional \$866,974 of funds from the 2004 series sewer revenue bonds, which have a total par of \$7,900,000, leaving \$2,000 available for additional funding.

The total par of the 2003 series water revenue bonds is \$6,300,000, and all funds available in this series of bonds have now been drawn. As shown below the interest rate on these bonds is 3.0%.

The total par of the 2005 series water revenue bonds is \$600,000, with \$598,000 being drawn, leaving \$2,000 of funds available for further construction expenditures.

Revenue bonds outstanding at June 30, 2006 are as follows:

Primary Government

Purpose	Interest Rates	Maturity Date	Amounts
Business-type Activities-Sewer SRF	3.0%	June 1, 2020 – June 1, 2025	\$7,573,000
Business-type Activities -Water SRF	3.0-3.53%	June 1, 2024	7,092,000
Governmental Activities-Urban Renewal Tax Increment Bonds	4.15-4.75%	June 1, 2017	650,000
			<u>\$15,315,000</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 7 - LONG-TERM DEBT (CONTINUED)

Component Unit

Purpose	Interest Rates	Amounts
Hospital/Component Unit	5.5-5.9%	\$ 91,778
Hospital/Component Unit	4.3-4.5%	453,100
Hospital/Component Unit	5.2-5.5%	53,900
Hospital/Component Unit	3.0-5.45%	1,494,500
Hospital/Component Unit	2.5-5.9%	3,709,300
Hospital/Component Unit	1.8-3.35%	351,450
Hospital/Component Unit	3.4-5.15%	635,325
		<u>\$ 6,789,353</u>

These notes are reported net of unamortized discount of \$140,647.

Revenue bond debt service requirements to maturity are as follows:

Year Ending June 30,	Business-Type Activities		Governmental Activities		Component Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 640,000	\$ 444,951	-	\$ 28,822	\$ 675,000	\$ 334,176
2008	663,000	425,476	-	28,743	695,000	305,641
2009	685,000	405,300	\$ 50,000	28,742	725,000	274,160
2010	713,000	384,453	55,000	26,668	290,000	250,945
2011	731,000	362,755	65,000	24,357	255,000	238,678
2012-2016	4,028,000	1,465,140	445,000	70,833	1,475,000	987,798
2017-2021	4,649,000	810,746	35,000	1,662	1,900,000	544,120
2022-2025	2,556,000	144,900	-	-	915,000	54,500
Total	<u>\$ 14,665,000</u>	<u>\$ 4,443,721</u>	<u>\$ 650,000</u>	<u>\$ 209,827</u>	<u>\$ 6,930,000</u>	<u>\$ 2,990,018</u>

Advance and Current Refundings

In May 2002, the City issued \$195,000 in General Obligation Capital Loan Notes with an average interest rate of 4.1% to refund the 1993 General Obligation Capital Loan Notes with an average interest rate of 5.2%. The City refunded the debt to reduce its total debt service payments over the next six years by \$10,008 and to obtain an economic gain of \$9,042.

In December 2003, the City issued \$3,015,000 of General Obligation Corporate Purpose and Refund Notes in a crossover advance refunding of the 1996A General Obligation Corporate Purpose Notes. The 2003 bonds had an average interest rate of 3.15% and the 1996 bonds which were refunded had an average interest rate of 5.74%. As a result of this refunding, the City reduced its debt service payments over the next seven years by \$167,924, and obtained an economic gain of \$145,045.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 7 - LONG-TERM DEBT (CONTINUED)

In June 2006 the City issued \$7,300,000 of GO Corporate Purpose and Refunding Bonds, of which \$665,000 will be used in a current refunding of the 1998 series GO Corporate Purpose Notes. The 2006 series bonds carry an average interest rate of 4.07% and the 1998 series an average interest rate of 4.77%. This results in an economic gain of \$9,467 and a reduction in debt service payments of \$10,627 over the next five years.

Notes Payable

In March 2006 the City agreed to pay Wal-Mart Stores, Inc. \$392,218.31. Payments began June 1, 2006 and will be made annually through June 1, 2009, with interest payments due on December 1, 2007 through December 1, 2008. Interest will accrue at a rate of 5% per annum. This note is a general obligation of the City and is repayment of a portion of the costs incurred by Wal-Mart Stores, Inc. involved with the public improvements on Holton Drive East.

In August 2005 the City agreed to pay Southern Sioux County Rural Water System \$300,000 in consideration for water service territory rights in areas west and north of Le Mars. These payments will be made annually in installments of \$50,000 beginning in October 2006. There will be no interest paid if payments are made by the applicable due dates.

Notes Payable debt service requirements to maturity are as follows:

Year Ending June 30,	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 148,055	\$ 14,708
2008	148,054	9,805
2009	148,054	4,903
2010	50,000	-
2011	50,000	-
	<hr/>	<hr/>
Total	\$ 544,163	\$ 29,416

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 7 - LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Notes Payable	-	\$ 692,218	\$ 148,055	\$ 544,163	\$ 148,055
Bonds Payable:					
General Obligation	\$ 6,460,000	7,300,000	1,575,000	12,185,000	995,000
Revenue Bonds		650,000		650,000	
Compensated Absences	529,212	203,320	167,875	564,657	167,875
Governmental Activity Long-Term Liabilities	6,989,212	8,845,538	1,890,930	13,943,820	1,310,930
Business-Type Activities:					
Bonds Payable:					
General Obligation	2,595,000	-	75,000	2,520,000	145,000
Revenue Bonds	14,620,026	866,974	822,000	14,665,000	640,000
Less Deferred Amounts:					
On Refunding	5,877		5,877		
Total Bonds Payable	17,209,149	866,974	891,123	17,185,000	785,000
Compensated Absences	96,696	35,880	18,817	113,759	18,817
Business-Type Activity Long-Term Liabilities	17,305,845	902,854	909,940	17,298,759	803,817
Component Unit:					
Bonds Payable:					
Revenue Bonds	7,570,000		640,000	6,930,000	675,000
Less Deferred Amounts:					
Of Bond Discount	153,825		13,178	140,647	
Total Bonds Payable	\$ 7,416,175	-	\$ 626,822	\$ 6,789,353	\$ 675,000

Note 8 - SHORT-TERM DEBT

The City issued short-term notes with several of the City's financial institutions in advance of a long-term bond issuance, depositing the proceeds in to its capital project funds. The notes were necessary to cash flow several capital projects prior to the bond issuance. Interest paid on the borrowings totaled \$9,111.25.

Short-term debt activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance
Short-term notes	\$ -	\$ 1,375,000	\$ 1,375,000	\$ -

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 9 - TRANSFERS

The following is a summary of transfers between funds:

	General	Westmar TIF	Community Betterment	Debt Service	Local Option Sales Tax	Nonmajor Governmental	Sewer	Nonmajor Enterprise	Total Transfer Out
General	-	\$ 49,000	\$ 15,000	-	-	\$ 2,845	-	-	\$ 66,845
Road Use Tax	\$ 581,000	-	-	-	\$ 10,000	85,639	-	-	676,689
Local Option Sales Tax	196,000	-	144,763	\$ 90,828	-	-	-	-	431,591
Community Betterment TIF	40,000	-	-	252,833	-	250,000	-	\$ 450,000	992,833
Westmar TIF	1,036,720	-	-	-	-	640,096	\$250,000	-	1,926,816
Nonmajor Governmental Sewer	19,000	-	-	227,148	-	-	-	-	246,148
Water	14,000	-	-	-	-	-	-	-	14,000
Nonmajor Enterprise	232,000	-	-	-	-	-	-	-	232,000
Transfers In	201,000	-	-	-	-	-	-	-	201,000
	56,500	-	-	-	-	-	-	-	56,500
Transfers In	\$2,376,270	\$ 49,000	\$ 159,763	\$570,809	\$ 10,000	\$ 978,580	\$250,000	\$ 450,000	\$4,844,422

Transfers are used to:

1. Move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.
2. To move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due.
3. To use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Note 10- PENSION AND RETIREMENT

Iowa Public Employees Retirement System - 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 plan to 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 percent of their annual covered salary and the City is required to contribute 5.75 percent of annual covered payroll except for, fire employees, in which case, the percentages are 7.65 percent and 8.90 percent, respectively, and law employees who are covered by another plan. Contribution requirements are established by state statute. The City contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$133,709, \$121,666, and \$117,477, respectively, equal to the required contributions for each year.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 10- PENSION AND RETIREMENT – (Continued)

Municipal Fire and Police Retirement System of Iowa – The City contributes to the Municipal Fire & Police Retirement System of Iowa (MFPRSI) which is a cost-sharing multiple-employer defined benefit pension plan administered by a Board of Trustees appointed by the State of Iowa. MFPRSI provides retirement and death benefits which are established by State statute to plan members and beneficiaries. MFPRSI issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to MFPRSI, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earnable compensation and the City's contribution rate cannot be less than 28.21% of earnable compensation. Contribution requirements are established by State statute. The City's contribution to MFPRSI for the years ended June 30, 2006, 2005 and 2004 were \$203,347, \$170,260, and \$135,588 respectively, which met the required minimum contribution for each year.

Note 11- MAJOR CUSTOMER

During the year ended June 30, 2006, charges for services provided by the sewer utility of the City to Wells' Dairy, Inc. was \$1,764,036. This represents 72% of total sewer charges for service. Charges for services provided by the water utility of the City to Wells' Dairy, Inc. was \$487,081 which represents 30% of total water charges for services.

Note 12- RESERVES

The following schedule reflects all reservations of fund balances as presented in the fund level statements:

	Long- Term Notes	Debt Service	Endowments Tree Farm	Perpetual Care	Assets Held for Resale	Total
General Fund	\$ 610,000				\$ 148,263	\$ 758,263
Special Revenue						
Tree Farm			\$ 32,885			32,885
Debt Service		\$ 33,642				33,642
Capital Projects						
Killeas Industrial Park	434,025					434,025
Permanent Fund						
Cemetary Perpetual Care				\$ 135,107		135,107
Total Reserves of Fund Balances	<u>\$1,044,025</u>	<u>\$ 33,642</u>	<u>\$ 32,885</u>	<u>\$ 135,107</u>	<u>\$ 148,263</u>	<u>\$1,393,922</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 13 - DEFICIT FUND EQUITY

The City has ten funds with deficit equity balances at June 30, 2006. The City intends to finance these deficits from various resources including; road use tax funds, general funds, special assessments, water fund reserves, and capital project debt financing.

The individual fund deficits were as follows:

Special Revenue – Unemployment.....	\$ 7,276
Special Revenue – Westmar University TIF	1,540,262
Special Revenue – LeMars Coal Gas Site Cleanup	\$1,500,000
Special Revenue – Fire Department Service.....	512
Capital Project – Recreation Trail Improvements.....	125,758
Capital Project – 1997 Storm Sewer Drainage Imp	291,236
Capital Project – US 75 Intersections	170,000
Capital Project – Le Mars Business Park.....	570,878
Capital Project – Mahogany Ave. Project	14,106
Capital Project – TIF Capital Projects	410,485
Capital Project – CWC Renovation Project.....	\$ 122,738

Note 14- RISK MANAGEMENT

Medical Insurance – As of July 1, 2001, the City began using a partially self-funded medical insurance program accounted for in an internal service fund. Costs of the program include medical benefits, administration fees and premiums for stop-loss coverage with limits of \$40,000 per covered employee per year. Settled claims resulting from these or any other of the following risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Claims payable and estimated claims incurred but not reported are recorded as liabilities of the Internal Service Fund.

	<u>2006</u>	<u>2005</u>
Unpaid claims, beginning of fiscal year	\$ 73,309	\$ 50,856
Incurred claims (including IBNR's)	365,191	511,180
Claim payments	(381,304)	(488,727)
Unpaid claims, end of fiscal year	<u>\$ 57,196</u>	<u>\$ 73,309</u>

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City 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 509 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.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 14- RISK MANAGEMENT – (Continued)

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 expenditures from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2006 were \$90,481.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Automobile and property physical damage risks are retained by the Pool, up to \$100,000 each accident, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. The City does not report a liability for losses in excess of reinsurance or excess risk-sharing recoveries unless it is deemed probable that such losses have occurred and the amount of such loss can be reasonably estimated. Accordingly, at June 30, 2006, no liability has been recorded in the City's financial statements. As of June 30, 2005, settled claims have not exceeded the risk pool or reinsurance 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

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 14- RISK MANAGEMENT – (Continued)

to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

The City also participates in the Iowa Municipalities Workers' Compensation Association (IMWCA) for workman's compensation insurance.

Note 15- COMMITMENTS

During the year ended June 30, 2006, the City had entered into several construction contracts totaling approximately \$23,263,223 of which approximately \$20,470,433 has been expended to date. The remaining balance will be paid as work progresses.

During the year ended June 30, 2002, the City entered into a 28E Agreement with Plymouth County and surrounding communities to contribute funds for the construction of a County jail from local option sales tax proceeds. The City of Le Mars has agreed to contribute a total of \$2,166,101 through November 2016. As of June 30, 2006, the City has made payments totaling \$584,591.

Note 16 - CONTINGENCY

The Environmental Protection Agency has now completed the clean up project for the manufactured gas plant site located in Le Mars at 331 1st Street N.E. The Environmental Protection Agency has been in negotiations with the City as well as a 3rd party attempting to determine the amount of liability that each will be responsible for. Prior to issuance of the financial statements the City agreed to terms set forth by the EPA. The City agreed to pay \$1,500,000 and corresponding interest in three equal installments beginning July 31, 2007 and continuing through April 22, 2008 and 2009. As it was probable that this liability was incurred at the date of the financial statements and the amount was reasonably estimable this liability was accrued on the financial statements. No payments were due in the subsequent period representing a long-term liability, however as the City plans to utilize debt financing in the subsequent period to satisfy this contingent liability, the entire amount was treated as current and thus recorded in the fund level statements.

The State of Iowa Environmental Protection Division is still considering the City's appeal of an administrative order imposing a penalty of \$10,000 for violations at the Waste Water Treatment Facility, which occurred during the months of April, May and June of 2000. As of this date, there has been no final decision as to the City's appeal of the penalty in the amount of \$10,000.

Note 17 - JOINT VENTURE

The City of Le Mars has joined with Northwest Rural Electric Cooperative and Long Lines, Ltd. to form Le Mars Communications, LLP, which will provide high-tech telecommunications services to commercial and residential customers in the City of Le Mars and the area immediately surrounding Le Mars. Le Mars Communications, LLP will be establishing a telecommunications system that will

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 17 - JOINT VENTURE (CONTINUED)

initially provide telephone, internet, and high-speed data transmission service to customers in the community. The City owns a 26 percent share of the venture. Summary financial information of the joint venture for the year ended December 31, 2005 follows:

	Total
Assets	\$ 514,114
Liabilities	27,376
Equity	486,738
	514,114
Revenues	298,394
Expenses.....	333,959
Net Decrease in Equity.....	\$ (35,565)

Separately issued financial statements for Le Mars Communications can be obtained from their offices. The joint venture is recorded on the equity method in the governmental activities.

City's Share of Joint Venture at June 30, 2006:

Assets.....	33%
Equity	33%
Liabilities.....	33%

Note 18 - CONDUIT DEBT OBLIGATIONS

The City has issued Industrial Development Revenue Bonds to provide financial assistance to a private-sector entity for the acquisition and construction of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and payable solely from the private-sector entity. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2002, Industrial Development Revenue Bonds outstanding had an original issue amount of \$1,850,000. The outstanding balance at June 30, 2006 was \$1,850,000.

Note 19 - NOTES RECEIVABLE

In January 2000, the City sold 75.87 acres in the Killeas Industrial Park to the Le Mars Business Initiative Corporation (LBIC) for \$8,000 per acre. In addition, the City and the LBIC have entered into a development agreement for which the City pays all costs to develop this property. The LBIC plans to market the land to prospective businesses. As each lot is sold by the LBIC, the net purchase price will be immediately payable to the City of Le Mars until such time as all costs associated with this project have been repaid. The note receivable as of June 30, 2006 is \$434,025.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2006

Note 19 - NOTES RECEIVABLE (CONTINUED)

In August 2004, the City loaned the LBIC \$110,000 which was then passed along to Prime Living Apartments as an Economic Development Loan. The loan is a 20 year 1% loan with interest payments due annually beginning December 31, 2005 and the principal due in a one time balloon payment on or before December 31, 2025.

Note 20- PLEDGES RECEIVABLE

The City received pledges from individuals and businesses to finance several community betterment projects. The pledges are to be paid over a ten-year period. The receivable at June 30, 2006 is recorded net of allowance for uncollectible of \$194,532 in the government-wide financial statements. In the fund level statements, the receivable, net of allowance for uncollectible of \$29,858, is recorded in the Community Betterment Fund with a deferred revenue for the proceeds to be received after one year.

NOTE 21 - PRIOR PERIOD ADJUSTMENT

In the financial statements for the year ended June 30, 2005, a \$243,039 RISE grant receivable related to the Joint Urban Renewal Fund was incorrectly recorded in the TIF Capital Projects fund. In the prior year financial statements the activity of the Joint Urban Renewal Fund (JUR) was combined and reported with the Storm Sewer Drainage Improvement Fund. The \$388,130 fund deficit related to the JUR was removed from the Storm Sewer Drainage Improvement Fund and recorded in the JUR fund. The effects on the individual fund balances was as follows:

	Storm Sewer Drainage Improvement	Joint Urban Renewal	TIF Capital Projects
Beginning fund balance (deficit) as previously reported	\$ (641,778)	-	\$ (245,938)
Prior period adjustment	388,130	\$ (145,091)	(243,039)
Beginning fund balance (deficit), restated	<u>\$ (253,648)</u>	<u>\$ (145,091)</u>	<u>\$ (488,977)</u>

NOTE 22 - SUBSEQUENT EVENT

In February 2007, the City Council approved a settlement agreement in regards to a lawsuit brought by the Environmental Protection Agency seeking reimbursement of costs incurred for the cleanup conducted at the Le Mars Coal Gas Site. See Note 16 for further details.

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CITY OF LE MARS
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2006

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 Agency Funds and the Internal Service Funds, and appropriates the amount deemed necessary for each of the different City offices and departments. The budgets may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 9 major classes of expenditures known as functions, not by fund or fund type. These 9 functions are: public safety, public works, community and economic development, health and social services, culture and recreation, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. Legal budgetary control is also based upon the appropriation to each office or department. During the year, two budget amendments increased budgeted disbursements by \$13,091,435. The budget amendments are reflected in the final budgeted amounts.

During the fiscal year 2006, the City had two budget amendments. The amendments were as follows:

<u>Program</u>	<u>Original Budget</u>	<u>Amendments</u>	<u>Amended Budget</u>
Public Safety	\$ 1,967,071	\$ 130,500	\$ 2,097,571
Public Works	753,408	111,135	864,543
Health and Social Service	70,000	-	70,000
Culture & Recreation	1,171,515	75,000	1,246,515
Community & Economic Development	326,765	2,019,300	2,346,065
General Government	1,148,318	161,500	1,309,818
Debt Service	1,183,029	-	1,183,029
Capital Projects	2,188,000	7,755,000	9,943,000
Business Type/Enterprise	25,314,939	2,839,000	28,153,939
Total	<u>\$ 34,123,045</u>	<u>\$ 13,091,435</u>	<u>\$ 47,214,480</u>

CITY OF LE MARS
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2006

The following schedule demonstrates the City's legal compliance to the budget that includes the component unit.

<u>Program</u>	<u>Amended Budget</u>	<u>Actual (Cash Basis)</u>	<u>Variance Favorable (Unfavorable)</u>
Public Safety	\$ 2,097,571	\$ 2,028,592	\$ 68,979
Public Works	864,543	844,274	20,269
Health and Social Service	70,000	68,698	1,302
Culture & Recreation	1,246,515	1,201,990	44,525
Community & Economic Development	2,346,065	2,338,562	7,503
General Government	1,309,818	1,269,347	40,471
Debt Service	1,183,029	1,144,028	39,001
Capital Projects	9,943,000	6,283,866	3,659,134
Business Type/Enterprise	28,153,939	26,837,065	1,316,874
Total	<u>\$ 47,214,480</u>	<u>\$ 42,016,422</u>	<u>\$ 5,198,058</u>

As noted previously, the actual results of operations are presented in accordance with generally accepted accounting principles which differ in certain respects from those practices used in the preparation of the 2005-06 budget. For purposes of preparing the budget comparison above, the actual expenses have been adjusted to the cash basis which is consistent with the City's budgeted expenditures/expenses. The adjustments required to convert the expenses to cash basis at the end of the year are as follows:

GAAP Basis

	<u>Governmental Fund Type Actual</u>	<u>Proprietary Funds Actual</u>	<u>Floyd Valley Hospital</u>	<u>Total Actual</u>
Total Revenue	\$ 10,710,708	\$ 5,273,380	\$ 20,701,717	\$ 36,685,805
Expenditures:				
Public Safety	1,987,274	-	-	1,987,274
Public Works	2,403,503	-	-	2,403,503
Health and Social Services	68,698	-	-	68,698
Culture and Recreation	1,174,183	-	-	1,174,183
Community and Economic Development	2,616,735	-	-	2,616,735
General Government	1,271,478	-	-	1,271,478
Capital Projects	5,202,413	-	-	5,202,413
Debt Service	2,800,454	-	-	2,800,454
Business Type Activities	-	4,240,860	19,273,550	23,514,410
Total Expenditures	<u>17,524,738</u>	<u>4,240,860</u>	<u>19,273,550</u>	<u>41,039,148</u>
Excess (deficiency) of revenues over expenditures	<u>(6,814,030)</u>	<u>1,032,520</u>	<u>1,428,167</u>	<u>(4,353,343)</u>
Total other financing sources, net	<u>9,227,255</u>	<u>2,350,775</u>	<u>-</u>	<u>11,578,030</u>
Fund balances-beginning of year	<u>363,406</u>	<u>16,223,315</u>	<u>13,371,372</u>	<u>29,958,093</u>
Fund balances-end of year	<u>\$ 2,776,631</u>	<u>\$ 19,606,610</u>	<u>\$ 14,799,539</u>	<u>\$ 37,182,780</u>

CITY OF LE MARS
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2006

	Accrual Adjustments	Cash Basis Balances (Actual)
Total Revenue	\$ 176,809	\$ 36,862,614
Expenditures:		
Public Safety	41,318	2,028,592
Public Works	(1,559,229)	844,274
Health and Social Services	-	68,698
Culture and Recreation	27,807	1,201,990
Community and Economic Development	(278,173)	2,338,562
General Government	(2,131)	1,269,347
Capital Projects	1,081,453	6,283,866
Debt Service	(1,656,426)	1,144,028
Business Type Activities	3,322,655	26,837,065
Total Expenditures	977,274	42,016,422
Excess (deficiency) of revenues over expenditures	(800,465)	(5,153,808)
Total other financing sources, net	(2,113,905)	9,464,125
Fund balances-beginning of year	(21,801,699)	8,156,394
Fund balances-end of year	\$ (24,716,069)	\$ 12,466,711

**CITY OF LE MARS, IOWA
 COMBINING BALANCE SHEET
 Governmental Nonmajor Funds
 JUNE 30, 2006**

	Special Revenue Funds			
	Fire Department Service	LeMars Coal Gas Site Cleanup	CDBG Home Fund	CDBG Land Fund
Assets				
Cash and Pooled Investments	\$ -	\$ -	\$ 16,002	\$ 23,258
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	-	-	-	-
Taxes	-	-	-	-
Subsequent Year Taxes	-	-	-	-
Notes Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governmental Agencies	-	-	-	-
Total Assets	<u>-</u>	<u>-</u>	<u>16,002</u>	<u>23,258</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	-	-	-	-
Due to Other Funds	512	-	-	-
Contingent Liabilities	-	1,500,000	-	-
Deferred Revenue - Subsequent Year Taxes	-	-	-	-
Total Liabilities	<u>512</u>	<u>1,500,000</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Reserved for:				
Perpetual Care	-	-	-	-
Tree Farm	-	-	-	-
Long-term Notes	-	-	-	-
Unreserved	(512)	(1,500,000)	16,002	23,258
Total Fund Balances (Deficits)	<u>(512)</u>	<u>(1,500,000)</u>	<u>16,002</u>	<u>23,258</u>
Total Liabilities and Equity	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,002</u>	<u>\$ 23,258</u>

Special Revenue Funds							Capital Projects 1994
Hospital TIF	Housing Review Board	Police Pension Fund	Unemploy- ment	Special Law Enforcement	Tree Farm	Hotel/ Motel Tax	Street Imp. #1
\$ -	\$ 2,178	\$ 11,192	\$ -	\$ 37,866	\$ 32,885	\$ 38,609	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	2,687	233	-	-	-	-
40,279	-	206,994	17,986	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	27,920	-
40,279	2,178	220,873	18,219	37,866	32,885	66,529	-
-	87	-	-	-	-	14,997	-
-	-	-	7,509	-	-	-	-
-	-	-	-	-	-	-	-
40,279	-	206,994	17,986	-	-	-	-
40,279	87	206,994	25,495	-	-	14,997	-
-	-	-	-	-	-	-	-
-	-	-	-	-	32,885	-	-
-	-	-	-	-	-	-	-
-	2,091	13,879	(7,276)	37,866	-	51,532	-
-	2,091	13,879	(7,276)	37,866	32,885	51,532	-
\$ 40,279	\$ 2,178	\$ 220,873	\$ 18,219	\$ 37,866	\$ 32,885	\$ 66,529	\$ -

CITY OF LE MARS, IOWA
 COMBINING BALANCE SHEET
 Governmental Nonmajor Funds
 JUNE 30, 2006

	Capital Project Funds		
	1997		
	24th St. SE Infrastructure	Street Imp. #3	Killeas Industrial Park
Assets			
Cash and Pooled Investments	\$ 287,605	\$ -	\$ -
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	-	-	-
Taxes	-	-	-
Subsequent Year Taxes	-	-	-
Notes Receivable	-	-	434,025
Due from Other Funds	-	-	-
Due from Other Governmental Agencies	-	-	22,597
Total Assets	<u>287,605</u>	<u>-</u>	<u>456,622</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	-	-	-
Due to Other Funds	-	-	454,784
Contingent Liabilities	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>454,784</u>
Fund Balances:			
Reserved for:			
Perpetual Care	-	-	-
Tree Farm	-	-	-
Long-term Notes	-	-	434,025
Unreserved	287,605	-	(432,187)
Total Fund Balances	<u>287,605</u>	<u>-</u>	<u>1,838</u>
Total Liabilities and Equity	<u>\$ 287,605</u>	<u>\$ -</u>	<u>\$ 456,622</u>

Capital Project Funds					
1996 Street Imp. 14th Ave E	Recreation Trail. Improvements	Airport Runway Extension	2006 Street Construction	Two Rivers Development	2000 Street Imp. #8
\$ -	\$ -	\$ 153,227	\$ 300,000	\$ 408,848	\$ -
-	-	-	-	-	-
-	-	-	-	7,988	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	2,752	-	-	-
-	-	155,979	300,000	416,836	-
-	10,277	-	-	17,157	-
-	115,481	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	125,758	-	-	17,157	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(125,758)	155,979	300,000	399,679	-
-	(125,758)	155,979	300,000	399,679	-
\$ -	\$ -	\$ 155,979	\$ 300,000	\$ 416,836	\$ -

CITY OF LE MARS, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2006

Capital Project Funds

	TIF Capital Projects	CWC Renovation Project	2003 STP-FHWA Projects
Assets			
Cash and Pooled Investments	\$ -	\$ 4,138	\$ 243,699
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	-	-	-
Taxes	-	-	-
Subsequent Year Taxes	-	-	-
Notes Receivable	-	-	-
Due from Other Funds	-	-	156,104
Due from Other Governmental Agencies	-	-	220,000
Total Assets	-	4,138	619,803
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	14,713	126,876	79,998
Due to Other Funds	395,772	-	-
Contingent Liabilities	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	-	-
Total Liabilities	410,485	126,876	79,998
Fund Balances:			
Reserved for:			
Perpetual Care	-	-	-
Tree Farm	-	-	-
Long-term Notes	-	-	-
Unreserved	(410,485)	(122,738)	539,805
Total Fund Balances	(410,485)	(122,738)	539,805
Total Liabilities and Equity	\$ -	\$ 4,138	\$ 619,803

Capital Project Funds				Permanent Fund	Total Governmental Nonmajor Funds
LeMars Business Park	Storm Sewer Drainage Imp.	Mahogany Avenue Project	US 75 Intersections	Cemetery Perpetual Care Fund	
\$ -	\$ -	\$ 2,232	\$ -	\$ -	\$ 1,561,739
-	-	-	-	135,107	135,107
-	-	-	-	-	7,988
-	-	-	-	-	2,920
-	-	-	-	-	265,259
-	-	-	-	-	434,025
-	-	-	-	-	156,104
-	-	-	-	-	273,269
-	-	2,232	-	135,107	2,836,411
7,232	5,468	16,338	170,000	-	463,143
563,646	285,768	-	-	-	1,823,472
-	-	-	-	-	1,500,000
-	-	-	-	-	265,259
570,878	291,236	16,338	170,000	-	4,051,874
-	-	-	-	135,107	135,107
-	-	-	-	-	32,885
-	-	-	-	-	434,025
(570,878)	(291,236)	(14,106)	(170,000)	-	(1,817,480)
(570,878)	(291,236)	(14,106)	(170,000)	135,107	(1,215,463)
\$ -	\$ -	\$ 2,232	\$ -	\$ 135,107	\$ 2,836,411

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2006

	Special Revenue Funds			
	Fire Department Service	LeMars Coal Gas Site Cleanup	CDBG Home Fund	CDBG Land Fund
Revenue:				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-	-
Intergovernmental Revenue	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeits	-	-	-	-
Contributions	-	-	-	-
Refunds/Reimbursements	-	-	25,708	27,843
Interest	-	-	271	390
Miscellaneous	-	-	-	-
Total Revenue	-	-	25,979	28,233
Expenditures:				
Public Safety	1,260	-	-	-
Public Works	-	1,500,000	-	-
Health and Social Services	-	-	-	-
Culture and Recreation	-	-	-	-
Community and Economic Development	-	-	10,000	10,000
General Government	-	-	-	-
Capital Projects	-	-	-	-
Debt Service	-	-	-	-
Total Expenditures	1,260	1,500,000	10,000	10,000
Excess (deficiency) of revenues over expenditures	(1,260)	(1,500,000)	15,979	18,233
Other financing sources (uses):				
Proceeds from Debt Financing	-	-	-	-
Transfers In	500	-	-	-
Transfers Out	-	-	-	-
Total other financing sources (uses)	500	-	-	-
Net Change in Fund Balance	(760)	(1,500,000)	15,979	18,233
Fund balances (deficits) -beginning of year	248	-	23	5,025
Prior Period Adjustment	-	-	-	-
Fund balances (deficits)-beginning of year, as restated	248	-	23	5,025
Fund balances (deficits) - end of year	\$ (512)	\$ (1,500,000)	\$ 16,002	\$ 23,258

Special Revenue Funds							Capital Projects
Hospital TIF	Housing Review Board	Police Pension Fund	Unemploy- ment	Special Law Enforcement	Tree Farm	Hotel/ Motel Tax	1994 Street Imp. #1
\$ 68,698	\$ -	\$ 206,124	\$ 15,134	\$ -	\$ -	\$ 104,750	\$ -
-	100	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	900	-	-	-
-	-	-	-	-	1,000	-	-
-	-	13	-	211	152	31	-
-	-	-	-	32,276	-	-	-
68,698	100	206,137	15,134	33,387	1,152	104,781	-
-	-	203,347	-	328	-	-	-
68,698	-	-	-	-	-	-	-
-	160	-	-	-	4,200	-	-
-	-	-	18,589	-	-	101,299	-
-	-	-	-	-	-	-	-
68,698	160	203,347	18,589	328	4,200	101,299	-
-	(60)	2,790	(3,455)	33,059	(3,048)	3,482	-
-	-	-	-	-	-	-	-
-	-	-	-	-	2,000	-	28,069
-	-	-	-	-	-	(14,000)	-
-	-	-	-	-	2,000	(14,000)	28,069
-	(60)	2,790	(3,455)	33,059	(1,048)	(10,518)	28,069
-	2,151	11,089	(3,821)	4,807	33,933	62,050	(28,069)
-	-	-	-	-	-	-	-
-	2,151	11,089	(3,821)	4,807	33,933	62,050	(28,069)
\$ -	\$ 2,091	\$ 13,879	\$ (7,276)	\$ 37,866	\$ 32,885	\$ 51,532	\$ -

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2006

	Capital Project Funds		
	24th St. SE Infrastructure	1997 Street Imp. #3	Killeas Industrial Park
Revenue:			
Taxes	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-
Intergovernmental Revenue	-	-	-
Charges for Services	-	-	-
Fines and Forfeits	-	-	-
Contributions	-	-	-
Refunds/Reimbursements	-	-	-
Interest	-	-	-
Miscellaneous	-	-	-
Total Revenue	-	-	-
Expenditures:			
Public Safety	-	-	-
Public Works	-	-	-
Health and Social Services	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	-	-	420,202
General Government	-	-	-
Capital Projects	12,395	-	-
Debt Service	-	-	-
Total Expenditures	12,395	-	420,202
Excess (deficiency) of revenues over expenditures	(12,395)	-	(420,202)
Other financing sources (uses):			
Proceeds from Debt Financing	300,000	-	-
Transfers In	-	46,005	170,000
Transfers Out	-	-	-
Total other financing sources (uses)	300,000	46,005	170,000
Net Change in Fund Balance	287,605	46,005	(250,202)
Fund balances (deficits) -beginning of year	-	(46,005)	252,040
Prior Period Adjustment	-	-	-
Fund balances (deficits)-beginning of year, as restated	-	(46,005)	252,040
Fund balances (deficits) - end of year	\$ 287,605	\$ -	\$ 1,838

Capital Project Funds

1996 Street Imp. 14th Ave E	Recreation Trail Improvements	Airport Runway Extension	2006 Street Construction	Two Rivers Development	2000 Street Imp. #8
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	100,000	66,867	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	48,234	-
-	345	-	-	-	-
-	-	-	-	-	-
-	100,345	66,867	-	48,234	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
700	443,928	59,192	-	290,703	-
-	-	-	-	7,852	-
700	443,928	59,192	-	298,555	-
(700)	(343,583)	7,675	-	(250,321)	-
-	-	150,000	300,000	650,000	-
3,225	150,000	35,000	-	-	8,685
-	-	-	-	-	-
3,225	150,000	185,000	300,000	650,000	8,685
2,525	(193,583)	192,675	300,000	399,679	8,685
(2,525)	67,825	(36,696)	-	-	(8,685)
-	-	-	-	-	-
(2,525)	67,825	(36,696)	-	-	(8,685)
\$ -	\$ (125,758)	\$ 155,979	\$ 300,000	\$ 399,679	\$ -

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2006

	Capital Project Funds		
	TIF Capital Projects	CWC Renovation Project	2003 STP-FHWA Projects
Revenue:			
Taxes	\$ -	\$ -	\$ -
Licenses and Permits	-	-	-
Intergovernmental Revenue	-	-	220,000
Charges for Services	-	-	-
Fines and Forfeits	-	-	-
Contributions	-	-	-
Refunds/Reimbursements	547	-	-
Interest	-	1,117	-
Miscellaneous	-	-	-
Total Revenue	547	1,117	220,000
Expenditures:			
Public Safety	-	-	-
Public Works	-	-	-
Health and Social Services	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	-	-	-
General Government	-	-	-
Capital Projects	254,901	487,666	515,424
Debt Service	-	-	-
Total Expenditures	254,901	487,666	515,424
Excess (deficiency) of revenues over expenditures	(254,354)	(486,549)	(295,424)
Other financing sources (uses):			
Proceeds from Debt Financing	-	-	950,000
Transfers In	332,846	100,000	-
Transfers Out	-	-	-
Total other financing sources (uses)	332,846	100,000	950,000
Net Change in Fund Balance	78,492	(386,549)	654,576
Fund balances (deficits) -beginning of year	(245,938)	263,811	(114,771)
Prior Period Adjustment	(243,039)	-	-
Fund balances (deficits)-beginning of year, as restated	(488,977)	263,811	(114,771)
Fund balances (deficits) - end of year	\$ (410,485)	\$ (122,738)	\$ 539,805

Capital Project Funds				Permanent Fund	Total Governmental Nonmajor Funds
LeMars Business Park	Storm Sewer Drainage Imp.	Mahogany Avenue Project	US 75 Intersections	Cemetery Perpetual Care Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 394,706
-	-	-	-	-	100
-	-	-	-	-	386,867
-	-	-	-	3,244	3,244
-	-	-	-	-	900
-	-	-	-	-	1,000
99,094	-	-	-	-	201,426
-	-	-	-	-	2,530
-	-	-	-	-	32,276
99,094	-	-	-	3,244	1,023,049
-	-	-	-	-	204,935
-	-	-	-	-	1,500,000
-	-	-	-	-	68,698
-	-	-	-	-	4,200
-	-	-	-	-	541,661
-	-	-	-	-	18,589
559,654	37,588	583,557	-	-	3,245,708
102,249	-	582,062	-	-	692,163
661,903	37,588	1,165,619	-	-	6,275,954
(562,809)	(37,588)	(1,165,619)	-	3,244	(5,252,905)
392,218	-	1,205,000	-	-	3,947,218
102,250	-	-	-	-	978,580
-	-	-	-	-	(14,000)
494,468	-	1,205,000	-	-	4,911,798
(68,341)	(37,588)	39,381	-	3,244	(341,107)
(502,537)	(641,778)	(53,487)	(170,000)	131,863	(1,019,447)
-	388,130	-	-	-	145,091
(502,537)	(253,648)	(53,487)	(170,000)	131,863	(874,356)
\$ (570,878)	\$ (291,236)	\$ (14,106)	\$ (170,000)	\$ 135,107	\$ (1,215,463)

CITY OF LE MARS, IOWA
 COMBINING STATEMENT OF NET ASSETS
 Enterprise Nonmajor Funds
 June 30, 2006

	Business Type Activities		
	Golf Course	Solid Waste	Total
ASSETS			
Cash and Cash Equivalents	\$ 99,207	\$ 16,420	\$ 115,627
Receivables (Net, where applicable, of allowance for uncollectibles)			
Accounts	2,328	22,771	25,099
Estimated Unbilled Usage	-	31,913	31,913
Land	300,886	-	300,886
Construction in Progress	2,059,137	-	2,059,137
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	480,360	102,811	583,171
Total Assets	2,941,918	173,915	3,115,833
LIABILITIES			
Accounts Payable	43,887	42,941	86,828
Due to Other Funds	160,609	-	160,609
Total Liabilities	204,496	42,941	247,437
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,840,383	102,811	2,943,194
Unrestricted	(102,961)	28,163	(74,798)
Total Net Assets	\$ 2,737,422	\$ 130,974	\$ 2,868,396

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Enterprise Nonmajor Funds
For the Year Ended June 30, 2006

	Business Type Activities		
	Golf Course	Solid Waste	Total
Operating Revenues:			
Charges for Services	\$ 283,748	\$ 659,645	\$ 943,393
Total Operating Revenue	<u>283,748</u>	<u>659,645</u>	<u>943,393</u>
Operating Expenses:			
Commissions	27,187	-	27,187
Contract Services	135,189	542,465	677,654
Supplies	78,100	4,175	82,275
Repairs and Improvements	16,814	-	16,814
Utilities	11,589	-	11,589
Miscellaneous	17,175	4,082	21,257
Depreciation	53,004	12,003	65,007
Total Operating Expenses	<u>339,058</u>	<u>562,725</u>	<u>901,783</u>
Operating Income (Loss)	(55,310)	96,920	41,610
Non-Operating Income:			
Interest Income	301	1	302
Refund and Reimbursements	3,406	408	3,814
Total Non-Operating Income	<u>3,707</u>	<u>409</u>	<u>4,116</u>
Income (Loss) Before Transfers and Contributions	(51,603)	97,329	45,726
Contributed Capital	1,589	-	1,589
Transfers In	450,000	-	450,000
Transfers (Out)	<u>(21,500)</u>	<u>(35,000)</u>	<u>(56,500)</u>
Change in Net Assets	378,486	62,329	440,815
Net assets - beginning	<u>2,358,936</u>	<u>68,645</u>	<u>2,427,581</u>
Net assets - ending	<u>\$ 2,737,422</u>	<u>\$ 130,974</u>	<u>\$ 2,868,396</u>

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF CASH FLOWS
Enterprise Nonmajor Funds
For the Year Ended June 30, 2006

	Business Type Activities		
	Golf Course	Solid Waste	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 283,095	\$ 662,175	\$ 945,270
Cash Paid to Suppliers for Goods and Services	(284,091)	(536,192)	(820,283)
Other Nonoperating Income	3,406	408	3,814
Net Cash Provided by Operating Activities	<u>2,410</u>	<u>126,391</u>	<u>128,801</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition and Construction of Capital Assets	(1,178,783)	(1,500)	(1,180,283)
Net Cash (Used) for Capital and Related Financing Activities	<u>(1,178,783)</u>	<u>(1,500)</u>	<u>(1,180,283)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers From (To) Other Funds	428,500	(35,000)	393,500
Due From (To) Other Funds	717,944	(73,472)	644,472
Net Cash Provided (Used) for Non-Capital Financing Activities	<u>1,146,444</u>	<u>(108,472)</u>	<u>1,037,972</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	301	1	302
Net (Decrease) in Cash and Cash Equivalents	(29,628)	16,420	(13,208)
Cash and Cash Equivalents at Beginning of Year	128,835	-	128,835
Cash and Cash Equivalents at End of Year	<u>\$ 99,207</u>	<u>\$ 16,420</u>	<u>\$ 115,627</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Net Operating Income (Loss)	\$ (55,310)	\$ 96,920	\$ 41,610
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	53,004	12,003	65,007
Miscellaneous Non-Operating Income	3,406	408	3,814
(Increase) Decrease in Assets:			
Accounts Receivable	(653)	(2,328)	(2,981)
Estimated Unbilled Usage	-	4,858	4,858
Increase (Decrease) in Liabilities:			
Accounts Payable	1,963	14,530	16,493
Net Cash Provided by Operating Activities	<u>\$ 2,410</u>	<u>\$ 126,391</u>	<u>\$ 128,801</u>

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF NET ASSETS
Agency Funds
JUNE 30, 2006

	Flex Account	Payroll Clearing	Total
ASSETS			
Cash and Cash Equivalents	\$ 5,299	\$ -	\$ 5,299
Total Assets	<u>5,299</u>	<u>-</u>	<u>5,299</u>
LIABILITIES			
Accounts Payable	5,299	-	5,299
Due to Other Governments	-	-	-
Total Liabilities	<u>5,299</u>	<u>-</u>	<u>5,299</u>
NET ASSETS			
Unrestricted	-	-	-
Total Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF LE MARS, IOWA
 Combining Statement of Changes in Assets and Liabilities
 Agency Funds
 For the Year Ended June 30, 2006

	Balance July 1, 2005	Additions	Deductions	Balance June 30, 2006
<u>PAYROLL CLEARING</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 69,552	\$ 2,773,211	\$ 2,842,763	\$ -
Total Assets	69,552	2,773,211	2,842,763	-
<u>Liabilities</u>				
Accounts Payable	69,552	2,773,211	2,842,763	-
Total Liabilities	69,552	2,773,211	2,842,763	-
<u>FLEX</u>				
<u>Assets</u>				
Cash and Cash Equivalents	9,785	20,621	25,107	5,299
Total Assets	9,785	20,621	25,107	5,299
<u>Liabilities</u>				
Accounts Payable	9,035	20,621	24,357	5,299
Due to Other Governments	750	-	750	-
Total Liabilities	\$ 9,785	\$ 20,621	\$ 25,107	\$ 5,299
<u>ALL AGENCY FUNDS TOTAL</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 79,337	\$ 2,793,832	\$ 2,867,870	\$ 5,299
Total Assets	79,337	2,793,832	2,867,870	5,299
<u>Liabilities</u>				
Accounts Payable	78,587	2,793,832	2,867,120	5,299
Due to Other Governments	750	-	750	-
Total Liabilities	\$ 79,337	\$ 2,793,832	\$ 2,867,870	\$ 5,299

CITY OF LE MARS, IOWA

TABLE I

Principal Taxpayers

TAXPAYER	TYPE OF BUSINESS	ESTIMATED ACTUAL VALUE	PERCENTAGE OF TOTAL ESTIMATED ACTUAL VALUE
WELLS DAIRY, INC.	COMMERICAL DAIRY	\$47,651,719	9.83%
MID AMERICAN ENERGY	UTILITY COMPANY	15,075,895	3.11%
NOR-AM COLD STORAGE INC.	COLD STORAGE FACILITY	12,087,130	2.49%
WAL-MART STORES INC.	DISCOUNT RETAIL STORE	7,908,087	1.63%
CCS REALTY CO. (CLOVERLEAF)	COLD STORAGE FACILITY	5,025,364	1.04%
STEVE SCHUSTER	COMMERCIAL TRUCKING	4,984,746	1.03%
ROGER AND BETTY ATHENS	REAL ESTATE	4,351,004	0.90%
ILP ONE MASTER, LLC (BEKINS)	COLD STORAGE FACILITY	4,058,832	0.84%
HARKER'S DISTRIBUTION, INC.	FOOD PROCESSOR	3,603,583	0.74%
DEAN JACOBSON	COMMERCIAL BAKERY	3,291,711	0.68%
	TOTAL	108,038,071	22.29%
	ALL OTHERS	376,762,541	77.71%
		<u>\$ 484,800,612</u>	<u>100.00%</u>

TABLE II

Computation of Legal Debt Margin

June 30, 2006

2005-06 ACTUAL VALUATION:	\$484,800,612	
LESS: MILITARY EXEMPTION	<u>(1,086,198)</u>	
	\$483,714,414	
DEBT LIMIT - 5% OF ESTIMATED ACTUAL VALUATION		\$24,185,721
AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT		
GENERAL OBLIGATION DEBT	14,999,164	
URBAN RENEWAL REVENUE DEBT	650,000	
* OTHER DEBT	<u>21,704,353</u>	
	37,353,517	
LESS:		
* REVENUE BONDS/NOTES	<u>21,704,353</u>	
	15,649,164	
AMOUNT AVAILABLE FOR REPAYMENT OF GENERAL OBLIGATION DEBT	<u>33,642</u>	
TOTAL DEBT APPLICABLE TO DEBT LIMIT		<u>15,615,522</u>
LEGAL DEBT MARGIN		<u>\$8,570,199</u>

*Includes Floyd Valley Hospital(Discrete Component Unit).

CITY OF LE MARS, IOWA
TABLE III
Miscellaneous Statistics
June 30, 2006

Date of Incorporation	1881
Date City was Platted	1869
Form of Government	Mayor-Council
Population	9237
Term of Office:	
Mayor	2
Council Members	4
City Administrator	appointed by City Council
Number of Employees:	
Regular Full Time	57
Regular Part Time	7
Fire	25
Ambulance	14
Area in Square Miles	5.7
Miles of Streets	63
Percent of Streets Paved	99%
Number of Street Lights	752
Building Permits 2005-06	151
Total Building Permits Less	
Demolition and Moving	6
New Single and Multi-Family Dwellings	41
Municipal Water System:	
Number of Wells	6
Number of Fire Hydrants	597
Number of Customers	4,081
Storage Capacity (Gallons)	2,800,000
Average Daily Consumption (Gallons)	2,750,000
Peak Daily Consumption (Gallons)	4,805,000
Miles of Water Main	65
Sewer System:	
Miles of Sanitary Sewer	50
Miles of Storm Sewer	11
Number of Sanitary Sewer Customers	3,936
Average Daily Sewer Usage (Gallons)	1,746,500
Peak Load (Gallons)	2,950,000
Design Flow	4,256,000 @ 24,000 SUMMER / 18,000 WINTER
Number of Lift Stations	8
Number of Treatment Plants	1
Culture and Recreation:	
Number of Parks	14
Number of Libraries	1
Number of Volumes	41,855
Golf Courses	27
Swimming Pools	1
Tennis Courts	7
Campgrounds	1
Softball/Baseball fields	11
Theatre	1
Art Center	1
Recreation Building	1
Fire Stations	2
Police Stations	1
Airports	1
Convention Center	1

CITY OF LE MARS, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) No material weaknesses were identified during the audit of the financial statements.
- (c) The results of our test disclosed no instances of noncompliance that is required to be reported under *Government Auditing Standards*.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.
There were no prior year audit findings.

Reportable Conditions:

No matters were noted.

Part III: Other Findings Related to Statutory Reporting:

IV-A-06 - Certified Budget – Disbursements during the year ended June 30, 2006, did not exceed the amounts budgeted in any of the City's budgeted functions.

IV-B-06 - Questionable Expenditures - We noted no questionable expenditures during our audit.

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

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

<u>Name, Title and Business Connection</u>	<u>Transaction/Description</u>	<u>Amount</u>	
Greg Smidt, City of Le Mars, Police Officer	Labor, Material	\$270.00	(1)
Gus Pech Manufacturing Co., Inc., Cris Collins, President, spouse of employee	Supplies	\$1,043.08	(1)
Kayser Electric, Owned by sibling of City employee, Ron Kayser	Supplies	\$431.64	(1)
Mother Nature Greenhouse, Owned by spouse of Employee, Gayle Sitzmann	Plants	\$78.69	(1)
Ruhland, Donna (Full time City of Le Mars Recreation Director)	Commissions 10% Convention Center rentals separate contract	\$5,187.75	(3)
Van's Sanitation, Scott Vander Sluis, Owner Spouse of City employee, Lisa Vander Sluis	Solid Waste Services	\$166,245.60	(3)
Professional Surveying Services, Dave Wilberding, Owner, Planning & Zoning Board Member	Surveying	\$54,712.00	(5)
Oak & Treasures, Dennis Bollin, Owner, Planning & Zoning Board Member	Appliances, Furniture	\$2,878.85	(4)
Dreckman Excavating, Jerome Dreckman, Owner Planning & Zoning Board Member	Rock	\$675.82	(1)
Ludwig, Bruce, Le Mars Broadband Telecomm. Mbr	Maintenance Contract	\$1,200.00	(1)
Eppling, Brad, City of Le Mars Public Facilities Employee	Labor, Material	\$560.00	(1)

CITY OF LE MARS, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2006

Becker/Kraai, Ken Becker, Owner, City of Le Mars Fireman	Labor, Material	\$388.64	(1)
Primebank, Matt Ahlers, Part Owner, Le Mars Housing Review Board Member	Interest, Autopay Fees	\$2,480.07	(2)
Langel, Julie, City of Le Mars Ambulance Employee	Design/Decorating Earnings	\$2,684.60	(3)
Sitzmann, Lisa, City of Le Mars, PT Secretary	Design/Decorating Earnings	\$2,042.35	(3)
Hansen, Steve, City of Le Mars Street Dept. Employee	Fire Department Earnings	\$1,616.50	(3)
Schwartz, Steve, City of Le Mars Public Works Dept Employee	Fire Department Earnings	\$1,672.50	(3)
Kramer, Jeff, City of Le Mars Police Officer	Ambulance Dept. Earnings	\$3,528.69	(3)
Vande Vegte, Kevin, City of Le Mars Police Officer	Code Enforcement Dept Earnings	\$129.00	(3)

- (1) The transaction does not appear to represent a conflict of interest since the total transaction was less than \$1,500 during the year, per Chapter 362.5(10) of the code of Iowa.
- (2) This transaction does not appear to represent a conflict of interest, as when the City utilized short-term borrowings, the amounts were split evenly among the City's five financial institutions at a common interest rate.
- (3) Per Chapter 362.5 of the Code of Iowa this transaction does not represent a conflict of interest.
- (4) This transaction may represent a conflict of interest and the City should contact legal council for determination.
- (5) These transactions may represent a conflict of interest and the City should contact legal council for determination. Per City management it was noted that the City did utilize several other local and regional firms for surveying services.

IV-E-06 - Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. However, we recommend that the amount of coverage be reviewed annually to insure that the coverage is adequate for current operations.

IV-F-06 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.

IV-G-06 - Revenue Bonds - No violations of revenue bond resolutions were noted.

IV-H-06 - Cash and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Members of the City Council
City of Le Mars, Iowa

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 LE MARS, IOWA as of and for the year ended June 30, 2006, which collectively comprise the City of Le Mars, Iowa's basic financial statements and have issued our report thereon dated September 22, 2006. We did not audit the financial statements of Floyd Valley Municipal Hospital (a discretely presented component unit) which statements reflect total assets of \$24,139,215 and operating revenues of \$20,113,281 for the year then ended. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion on these financial statements, insofar as it relates to the amounts included for Floyd Valley Municipal Hospital, was based solely on the report of other auditors. 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.

Compliance:

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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 all been resolved.

Internal Control over Financial Reporting:

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit.

If you have any questions concerning the above matters, we would be pleased to discuss them with you at your convenience.

Williams & Company, P.C.
Certified Public Accountants

September 22, 2006
Le Mars, Iowa