

**ANNUAL
FINANCIAL REPORT
OF THE
CITY OF LE MARS, IOWA
FOR THE FISCAL YEAR ENDED
JUNE 30, 2007**

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

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FOR THE YEAR ENDED JUNE 30, 2007
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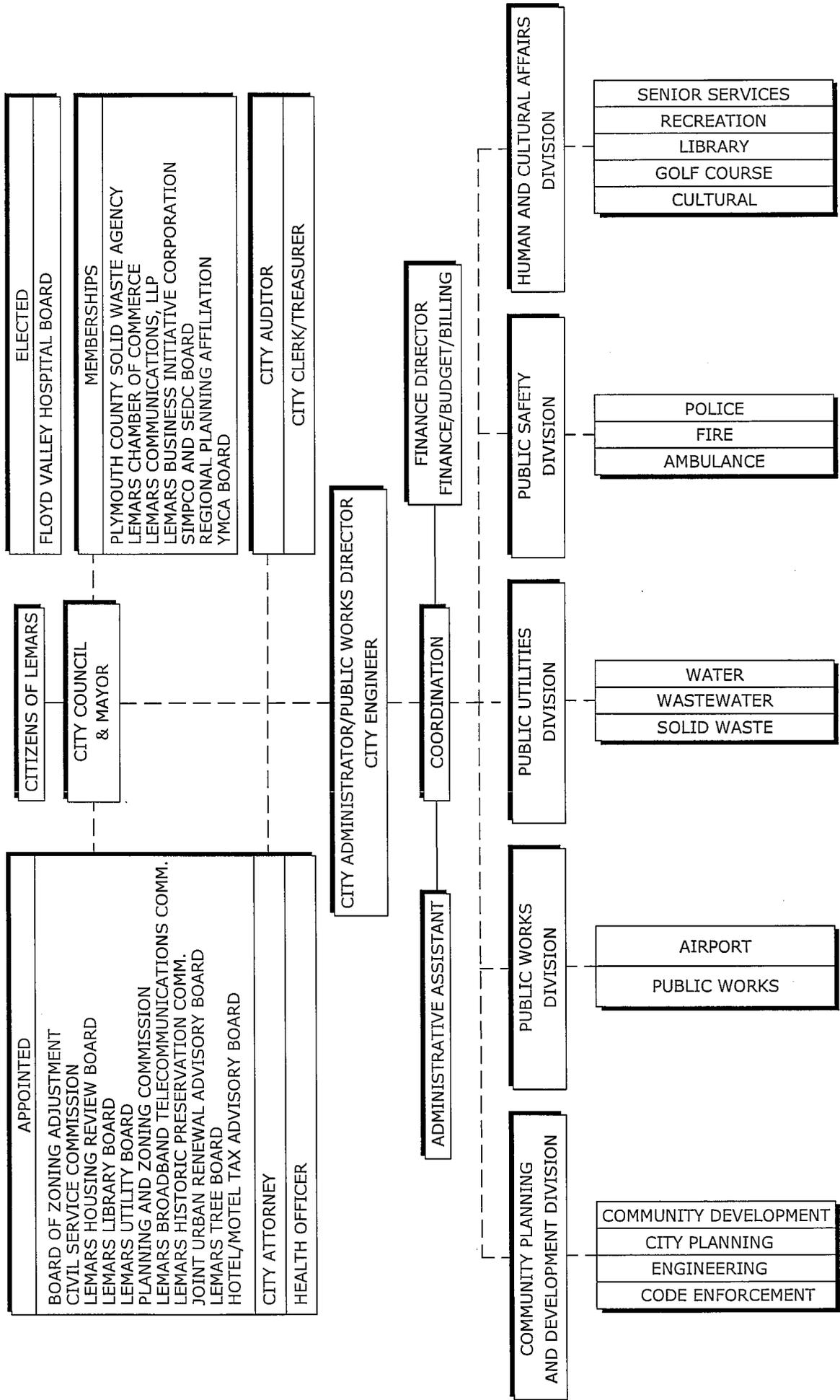
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APPENDIX B
CITY OF LEMARS, IOWA
ORGANIZATIONAL CHART



CITY OF LE MARS
 List of Principal Officials
 June 30, 2007

Title	Name
Mayor	Virgil Van Beek
Council Member and Mayor 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	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 Hansen



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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, 2007, 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 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 \$25,811,982 as of June 30, 2007, and total operating revenues of \$21,438,186 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, 2007, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated

March 10, 2008 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.

The Management's Discussion and Analysis and budgetary comparison information are not required parts of the basic financial statements but are supplementary information required by the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements. The supplementary statistical information is presented for purposes of additional analysis and is 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 our audit of the basic financial statements and, accordingly, we express no opinion on it.

The accompanying combining non-major fund financial statements and the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, 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
March 10, 2008

Management Discussion and Analysis

June 30, 2007

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, 2007. 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, 2007, by \$37,130,411. Of this amount, \$3,269,413 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net assets increased by \$2,666,599 during the year. Of this amount, the assets of our Governmental Activities increased \$1,886,392 and the assets of our Business Activities increased \$780,207.
- 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 2007, that excess was \$3,371,527.

The City's General Obligation debt decreased by \$1,140,000 during FY'07, making the General Obligation debt \$13,565,000 at year end. This decrease is the result of the annual amortization of the City debt and the fact that the City issued no new General Obligation debt in FY '07. The City Revenue Bond debt decreased by \$638,000 during FY '07, making the Revenue Bond debt \$14,677,000 at year end. This decrease is a result of the annual amortization of the debt and the fact that the City issued no new Revenue Bond debt in FY '07.

- The City drew down \$2,000 from Sewer Revenue Bonds (SRF).

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 answers 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, Storm Sewer 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, 2007 and 2006.

	General Governmental Activities		Business Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Current and Other Assets	\$12,668,457	\$ 13,689,763	\$ 1,983,671	\$ 1,944,240	\$14,652,128	\$15,634,003
Capital Assets	26,952,052	23,581,695	35,239,276	35,205,171	62,191,328	58,786,866
Total Assets	39,620,509	37,271,458	37,222,947	37,149,411	76,843,456	74,420,869
Long-Term Liabilities						
Outstanding	12,904,901	13,943,820	16,522,856	17,298,759	29,427,757	31,242,579
Other Liabilities	10,112,965	8,711,387	172,323	244,042	10,285,288	8,955,429
Total Liabilities	23,017,866	22,655,207	16,695,179	17,542,801	39,713,045	40,198,008
Net Assets:						
Invested in Capital Assets, Net of Related Debt	14,715,944	10,452,532	18,837,276	18,020,171	33,553,220	28,472,703
Restricted	307,778	356,237	-	-	307,778	356,237
Unrestricted	1,578,921	3,807,482	1,690,492	1,586,439	3,269,413	5,393,921
Total Net Assets	\$16,602,643	\$ 14,616,251	\$20,527,768	\$19,606,610	\$37,130,411	\$34,222,861

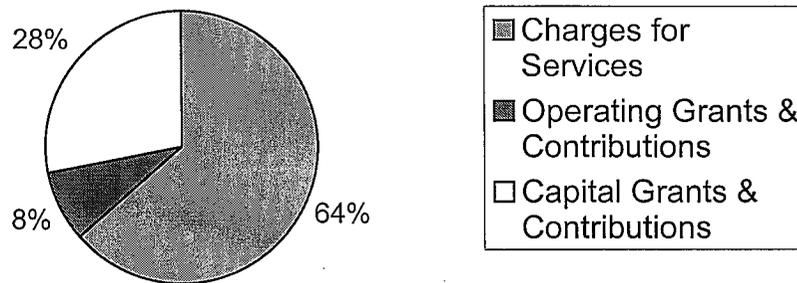
This summary reflects an increase of total net assets of 13.59% for the governmental activities and an increase of 4.70% in the business-type activities.

Total revenue reported in Fiscal 2007 was \$18,099,895. The following table breaks down revenues collected for General Governmental Activities and Business-Type Activities for Fiscal Year 2007 and 2006:

Revenue Source	General Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Program Revenues:						
Charges for Services	\$1,609,165	\$ 1,838,929	\$ 4,904,137	\$ 5,007,287	\$ 6,513,302	\$ 6,846,216
Operating Grants and Contributions	848,900	1,879,202	-	-	848,900	1,879,202
Capital Grants and Contributions	2,872,832	1,882,850	-	493,872	2,872,832	2,376,722
Total Program Revenues	5,330,897	5,600,981	4,904,137	5,501,159	10,235,034	11,102,140
General Revenues & Interfund Transfers:						
Property Taxes	6,280,628	5,207,480	-	-	6,280,628	5,207,480
Other Taxes	71,164	45,655	-	-	71,164	45,655
Local Option Sales Tax	857,002	839,533	-	-	857,002	839,533
Hotel/Motel Taxes	91,912	104,750	-	-	91,912	104,750
Interest	113,959	42,272	30,912	9,689	144,871	51,961
Revenue from Use of Property	-	-	101,063	64,582	101,063	64,582
Gain on Sales of Assets	330	29,982	-	-	330	29,982
Miscellaneous	275,347	234,199	42,544	191,822	317,891	426,021
Total General Revenues	7,690,342	6,503,871	174,519	266,093	7,864,861	6,769,964
Interfund Transfers	(307,396)	(1,856,903)	307,396	1,856,903	-	-
Total Revenues & Interfund Transfers	\$12,713,843	\$10,247,949	\$5,386,052	\$ 7,624,155	\$18,099,895	\$17,872,104

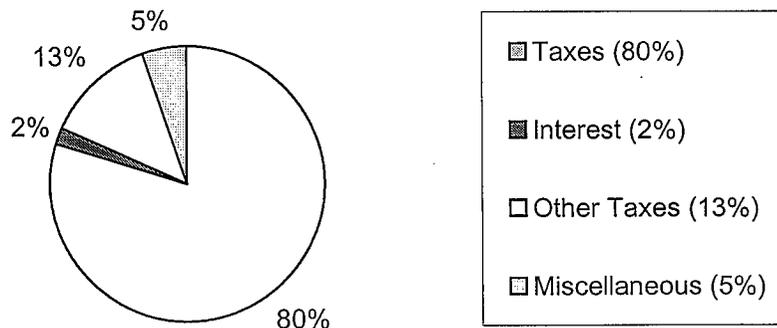
Program revenues totaled \$10,235,034 for fiscal year 2007. Governmental Activities provided \$5,330,897 and Business-Type Activities provided \$4,904,137. Revenue collected for Charges for Services during fiscal year 2007 was \$6,513,302, accounting for 64% of the total program revenues. The following chart breaks down program revenues by source:

Program Revenues



General Revenues for fiscal year 2007 totaled \$7,864,861. Governmental Activities provided \$7,690,342 and Business-Type Activities provided \$174,519. Property Tax Revenues for fiscal year 2007 totaled \$6,280,628, accounting for 80% of General Revenues. The following chart breaks down General Revenues by source:

General Revenues



Expenses for Fiscal 2007 totaled \$15,433,296. Expenses for General Governmental Activities totaled \$10,827,451, accounting for 70% of total expenses. Business-Type Activity expenses totaled \$4,605,845, for 30% of the total.

The following table shows total expenses by Function/Program for FY 2007 and FY 2006:

Program Level	General Governmental Activities		Business-Type		Totals	
	2007	2006	2007	2006	2007	2006
Public Safety	\$2,206,448	\$ 2,144,695	\$ ----	\$ ----	\$2,206,448	\$ 2,144,695
Public Works	2,241,550	3,407,632	----	----	2,241,550	3,407,632
Health & Social Services	40,279	68,698	----	----	40,279	68,698
Culture and Recreation	1,465,935	1,299,237	----	----	1,465,935	1,299,237
Community and Economic Development	2,342,058	2,652,678	----	----	2,342,058	2,652,678
General Government	2,018,570	1,824,628	----	----	2,018,570	1,824,628
Debt Service	512,611	265,934	----	----	512,611	265,934
Sewer System	----	----	2,194,085	1,986,247	2,194,085	1,986,247
Water System	----	----	1,527,779	1,352,830	1,527,779	1,352,830
Solid Waste	----	----	533,615	562,725	533,615	562,725
Golf Course	----	----	350,281	339,058	350,281	339,058
Storm Sewer	----	----	85	----	85	----
Total Expenses	\$10,827,451	\$11,663,502	\$4,605,845	\$4,240,860	\$15,433,296	\$ 15,904,362

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 \$2,206,448 and received \$479,416 in revenue, thus leaving a cost to the taxpayer of \$1,727,032 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 \$10,827,451. Of these costs, \$1,609,165 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 \$3,721,732, leaving a Net Expense of \$5,496,554 for Governmental Activities. These expenses of \$5,496,554 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	
	2007	2006
Governmental Activities:		
Public Safety	\$(1,727,032)	\$ (1,614,196)
Public Works	(466,597)	(1,280,593)
Health & Social Services	(40,279)	(68,698)
Culture and Recreation	(984,206)	(712,707)
Community and Economic Development	(404,359)	(1,063,750)
General Government	(1,361,470)	(1,056,643)
Debt Service	(512,611)	(265,934)
Total Net (Expense)		
Governmental Activities	(5,496,554)	(6,062,521)
General Revenues	7,690,342	6,503,871
Excess of revenues over expenditures	2,193,788	441,350
Interfund Transfers	(307,396)	(1,856,903)
Prior Period Adjustment	100,000	----
Change in Net Assets	\$1,986,392	\$ (1,415,553)

Total resources available during the year to finance governmental operations were \$27,430,094, consisting of Net Assets at July 1, 2006 of \$14,616,251, Program Revenues of \$5,330,897 and General Revenues of \$7,690,342 and interfund transfers of \$(307,396) and prior period adjustment of \$100,000. Total Governmental Activities during the year expended \$10,827,451; thus, Net Assets were increased by \$1,986,392 to \$16,602,643 at June 30, 2007.

Business Type Activities

Business Type Activities increased the City's net assets by \$921,158, accounting for 32% of the growth in the City's net assets.

The cost of all Proprietary Activities this year was \$4,605,845. As shown in the Statement of Activities, the amount paid by users of the systems was \$4,904,137. Costs paid by other governments and organizations that subsidized certain programs with grants and contribution were \$0.00. This resulted in total Net Revenue for Business Type Activities of \$298,292. The Net (Expense) Revenue by Business Type Activity is shown in the following table:

Business-Type Activities	Net (Expense) Revenue	
	2007	2006
Sewer System	\$ 8,988	\$ 704,249
Water System	126,128	514,440
Solid Waste	146,564	96,920
Golf Course	(86,552)	(55,310)
Storm Sewer	103,164	-----
Total Net Revenue		
Business Type Activities	<u>298,292</u>	<u>1,260,299</u>
General Revenues	<u>174,519</u>	<u>266,093</u>
Excess of revenues over expenditures	<u>472,811</u>	<u>1,526,392</u>
Interfund Transfers	307,396	1,856,903
Prior Period Adjustment	140,951	-----
Change in Net Assets	<u>\$ 921,158</u>	<u>\$ 3,383,295</u>

Total resources available during the year to finance Proprietary Fund activities were \$25,133,613, consisting of Net Assets at July 1, 2006 of \$19,606,610, Program Revenues of \$4,904,137, General Revenues of \$174,519 and interfund transfers of \$307,396 and prior period adjustment of \$140,951. Total Proprietary Fund Activities during the year expended \$4,605,845; thus Net Assets were increased by \$921,158, to \$20,527,768.

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 \$669,591. The combined Governmental Funds fund balance decreased \$2,107,040 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 \$81,893. The fund balance of \$1,585,355 which represents 103 days of coverage.

BUDGETARY HIGHLIGHTS

The following table shows the budget variances by program structure:

Expenditures	Amended Budget	Actual (Cash Basis)	Variance Favorable (Unfavorable)
Public Safety	\$ 2,149,443	\$ 2,100,005	\$ 49,438
Public Works	826,526	761,994	64,532
Health and Social Service	40,500	40,279	221
Culture and Recreation	1,385,220	1,271,616	113,604
Community and Economic Development	646,832	537,503	109,329
General Government	1,208,671	1,205,173	3,498
Debt Service	7,811,712	7,210,453	601,259
Capital Projects	2,132,007	1,477,440	654,567
Business Type/Enterprise	27,315,141	26,320,511	994,630
	<u>\$43,516,052</u>	<u>\$40,924,974</u>	<u>\$2,591,078</u>

Budget results were all favorable in the current year. 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, 2007, was \$33,553,220 (net of accumulated depreciation and outstanding financings). The gross additions to capital assets for Fiscal 2007 are as follows:

General Governmental Activities		2007	2006
Land		\$ 153,750	\$ ----
Infrastructure		3,577,475	1,302,969
Buildings		165,112	92,329
Improvements – Other than Buildings		17,243	381,994
Equipment		339,636	353,569
Construction in Progress		4,592,767	3,530,102
Utility Plant		----	----
Total Gross Additions		<u>\$ 8,845,983</u>	<u>\$ 5,660,963</u>

Business Type Activities		Totals	
2007	2006	2007	2006
\$ ----	\$ ----	\$ 153,750	\$ ----
----	----	3,577,475	1,302,969
----	171,748	165,112	264,077
81,820	----	99,063	381,994
56,986	61,242	396,622	414,811
832,034	2,100,306	5,424,801	5,630,408
18,262,396	1,539,382	18,262,396	1,539,382
<u>\$ 19,233,236</u>	<u>\$ 3,872,678</u>	<u>\$ 28,079,219</u>	<u>\$ 9,533,641</u>

Construction in Progress at June 30, 2007 for the governmental activities consisted of costs associated with the Airport Runway Extension Project, the Wellness Center /Convention Center Improvements, Recreation Trail Improvements, and numerous street and infrastructure additions and improvements.

For Business-Type Activities, the Construction in progress at June 30, 2007 consisted of costs associated with the water main extension 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 \$28,638,108 of debt outstanding. This is a decrease of \$1,926,055 from the prior year. This decrease is the result of the normal annual debt amortization and no new debt being issued.

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 \$27,831,534. With outstanding General Obligation Debt applicable to this limit of \$13,761,109, Urban Renewal Debt applicable of \$650,000 and a debt service fund balance of \$6,109, we are utilizing 51.8% 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 2007 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, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Floyd Valley Hospital
ASSETS				
Cash and Cash Equivalents	\$ 519,363	\$ 890,806	\$ 1,410,169	\$ 2,549,616
Investments	139,482	-	139,482	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	140,072	149,241	289,313	3,213,821
Taxes	49,017	-	49,017	-
Subsequent Year Taxes	6,850,587	-	6,850,587	-
Accrued Interest	5,339	-	5,339	-
Other	3,484	-	3,484	41,986
Estimated Unbilled Usage	-	344,466	344,466	-
Special Assessments	34,560	-	34,560	-
Pledges Receivable	1,474,717	-	1,474,717	-
Notes Receivable	1,469,025	-	1,469,025	-
Internal Balances	(263,466)	263,466	-	-
Due from Other Governmental Agencies	1,629,610	-	1,629,610	-
Inventories	-	161,079	161,079	319,097
Land Held for Resale	148,263	-	148,263	-
Prepaid Assets	86,484	-	86,484	203,432
Other	-	-	-	501,903
Restricted Assets:				
Cash and Cash Equivalents	-	-	-	1,470,068
Investments	-	-	-	5,391,328
Accrued Interest Receivable	-	-	-	22,176
Bond Issue Costs	167,360	174,613	341,973	-
Investment in Joint Venture	214,560	-	214,560	-
Land	1,100,787	1,318,661	2,419,448	103,274
Construction in Progress	5,352,801	2,564,104	7,916,905	1,063,695
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	20,498,464	31,356,511	51,854,975	10,931,586
Total Assets	39,620,509	37,222,947	76,843,456	25,811,982
LIABILITIES				
Accounts Payable	1,604,397	97,055	1,701,452	2,200,462
Accrued Wages	44,131	16,447	60,578	673,689
Accrued Revenue Bond Interest	28,220	44,362	72,582	543,046
Accrued Expenses	85,630	14,459	100,089	-
Unearned Revenue - Subsequent Year Taxes	6,850,587	-	6,850,587	-
Contingent Liabilities	1,500,000	-	1,500,000	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	663,000	663,000	695,000
General Obligation Bonds	1,070,000	150,000	1,220,000	-
Notes Payable	148,055	-	148,055	-
Compensated Absences and Benefits	138,803	24,172	162,975	-
Due in more than one year:				
Revenue Bonds Payable	650,000	13,364,000	14,014,000	5,433,660
General Obligation Bonds	10,120,000	2,225,000	12,345,000	-
Notes Payable	248,053	-	248,053	-
Compensated Absences and Benefits, Long-Term	529,990	96,684	626,674	-
Total Liabilities	23,017,866	16,695,179	39,713,045	9,545,857
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	14,715,944	18,837,276	33,553,220	5,969,895
Restricted for:				
Debt Service	145,249	-	145,249	1,773,069
Endowments:				
Expendable	26,597	-	26,597	-
Nonexpendable	135,932	-	135,932	-
Unrestricted	1,578,921	1,690,492	3,269,413	8,523,161
Total Net Assets	\$ 16,602,643	\$ 20,527,768	\$ 37,130,411	\$ 16,266,125

See Accompanying Notes to Financial Statements

CITY OF LE MARS, IOWA
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 2,206,448	\$ 421,653	\$ 57,763	\$ -
Public Works	2,241,550	22,160	772,876	979,917
Health and Social Services	40,279	-	-	-
Culture and Recreation	1,465,935	464,715	17,014	-
Community and Economic Development	2,342,058	44,784	-	1,892,915
General Government	2,018,570	655,853	1,247	-
Interest Expense	512,611	-	-	-
Total governmental activities	<u>10,827,451</u>	<u>1,609,165</u>	<u>848,900</u>	<u>2,872,832</u>
Business-Type Activities:				
Golf Course	350,281	263,729	-	-
Water System	1,527,779	1,653,907	-	-
Sewer System	2,194,085	2,203,073	-	-
Solid Waste System	533,615	680,179	-	-
Storm Sewer System	85	103,249	-	-
Total Business-Type Activities:	<u>4,605,845</u>	<u>4,904,137</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 15,433,296</u>	<u>\$ 6,513,302</u>	<u>\$ 848,900</u>	<u>\$ 2,872,832</u>
Component Unit:				
Floyd Valley Hospital	<u>\$ 20,565,152</u>	<u>\$ 21,438,186</u>	<u>\$ 47,266</u>	<u>\$ 71,340</u>

General Revenues:
Property taxes
Other taxes
Local Option Sales Tax
Hotel/Motel Taxes
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
Prior Period Adjustment
Net assets - beginning, as restated
Net assets - ending

Net (Expense) Revenue and Changes in Net Assets			Component Unit Floyd Valley Hospital
Governmental Activities	Business-Type Activities	Total	
\$ (1,727,032)		\$ (1,727,032)	
(466,597)		(466,597)	
(40,279)		(40,279)	
(984,206)		(984,206)	
(404,359)		(404,359)	
(1,361,470)		(1,361,470)	
(512,611)		(512,611)	
<u>(5,496,554)</u>		<u>(5,496,554)</u>	
	\$ (86,552)	(86,552)	
	126,128	126,128	
	8,988	8,988	
	146,564	146,564	
	<u>103,164</u>	<u>103,164</u>	
	<u>298,292</u>	<u>298,292</u>	
<u>(5,496,554)</u>	<u>298,292</u>	<u>(5,198,262)</u>	
			\$ 991,640
6,280,628	-	6,280,628	-
71,164	-	71,164	-
857,002	-	857,002	-
91,912	-	91,912	-
113,959	30,912	144,871	387,745
-	101,063	101,063	-
330	-	330	2,792
215,481	40,962	256,443	-
47,310	1,582	48,892	84,409
12,556	-	12,556	-
(307,396)	307,396	-	-
<u>7,382,946</u>	<u>481,915</u>	<u>7,864,861</u>	<u>474,946</u>
1,886,392	780,207	2,666,599	1,466,586
14,616,251	19,606,610	34,222,861	14,799,539
100,000	140,951	240,951	-
<u>14,716,251</u>	<u>19,747,561</u>	<u>34,463,812</u>	<u>14,799,539</u>
<u>\$ 16,602,643</u>	<u>\$ 20,527,768</u>	<u>\$ 37,130,411</u>	<u>\$ 16,266,125</u>

CITY OF LE MARS, IOWA
BALANCE SHEET
Governmental Funds
JUNE 30, 2007

	General	TIF	Road Use Tax	Local Option Sales Tax
Assets				
Cash and Pooled Investments	\$ 72,585	\$ -	\$ 176,864	\$ 45,688
Investments	4,375	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	78,583	-	-	-
Taxes	16,715	25,767	-	-
Subsequent Year Taxes	2,228,205	3,004,595	-	-
Accrued Interest	5,339	-	-	-
Other	3,484	-	-	-
Special Assessments	31,675	-	-	-
Pledges Receivable	-	-	-	-
Notes Receivable	610,000	-	-	-
Due from Other Funds	1,383,509	-	-	-
Due from Other Governmental Agencies	36,605	-	63,246	134,600
Land Held for Resale	148,263	-	-	-
Total Assets	4,619,338	3,030,362	240,110	180,288
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	136,447	-	336,348	1,019
Accrued Wages	43,413	-	-	-
Due to Other Funds	588,029	-	-	-
Unearned Revenue	31,583	17,825	-	-
Contingent Liabilities	-	-	-	-
Deferred Revenue - Subsequent Year Taxes	2,228,205	3,004,595	-	-
Compensated Absences & Benefits	6,306	-	-	-
Total Liabilities	3,033,983	3,022,420	336,348	1,019
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	827,092	-	-	-
Special Revenue Fund	-	7,942	(96,238)	179,269
Capital Projects Fund	-	-	-	-
Total Fund Balances (Deficits)	1,585,355	7,942	(96,238)	179,269
Total Liabilities and Equity	\$ 4,619,338	\$ 3,030,362	\$ 240,110	\$ 180,288

Debt Service	Capital Project		Other Governmental Funds	Total Governmental Funds
	CWC Renovation Project	Joint Urban Renewal		
\$ 1,435	\$ -	\$ -	\$ 197,930	\$ 494,502
-	-	-	135,107	139,482
-	-	-	-	78,583
4,674	-	-	1,861	49,017
1,158,173	-	-	459,614	6,850,587
-	-	-	-	5,339
-	-	-	-	3,484
-	-	-	2,885	34,560
-	-	-	1,608,897	1,608,897
-	-	425,000	434,025	1,469,025
-	-	1,145,925	1,237,509	3,766,943
-	-	949,738	445,421	1,629,610
-	-	-	-	148,263
1,164,282	-	2,520,663	4,523,249	16,278,292
-	-	784,888	345,695	1,604,397
-	-	-	718	44,131
-	1,674,789	-	2,092,154	4,354,972
-	-	-	1,198,900	1,248,308
-	-	-	1,500,000	1,500,000
1,158,173	-	-	459,614	6,850,587
-	-	-	-	6,306
1,158,173	1,674,789	784,888	5,597,081	15,608,701
6,109	-	-	-	6,109
-	-	-	-	148,263
-	-	-	135,932	135,932
-	-	-	26,597	26,597
-	-	425,000	434,025	1,469,025
-	-	-	-	827,092
-	-	-	(2,798,289)	(2,707,316)
-	(1,674,789)	1,310,775	1,127,903	763,889
6,109	(1,674,789)	1,735,775	(1,073,832)	669,591
\$ 1,164,282	\$ -	\$ 2,520,663	\$ 4,523,249	\$ 16,278,292

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, 2007

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

Total Fund Balance - Governmental Funds (page 19)	\$	669,591
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds		26,952,052
Investment in Joint Venture is not a financial resource and, therefore, not reported in the funds		214,560
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.		325,283
Deferred revenues that provide current financial resources for governmental activities.		1,248,308
Estimated uncollectible on pledges receivable extending beyond one year.		(134,180)
Accrued expenses from the balance sheet that require current financial resources for governmental activities.		(28,220)
Bond issue costs are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		167,360
Prepaid expenses are reported in the governmental activities but are not reported in the funds as they do not provide current economic resources.		86,484
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	\$	11,365,000
Revenue Bonds		475,000
Notes Payable		396,108
Compensated Absences		662,487
		<u>(12,898,595)</u>
 Total Net Assets - Governmental Activities (page 15)	 \$	 <u><u>16,602,643</u></u>

CITY OF LE MARS, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Funds
For the Year Ended June 30, 2007

	General	TIF	Road Use Tax
Revenue:			
Taxes	\$ 2,331,927	\$ 2,749,604	\$ -
Licenses and Permits	114,812	-	-
Intergovernmental Revenue	96,187	-	772,876
Charges for Services	590,940	-	-
Fines and Forfeits	29,501	-	-
Contributions	38,930	-	-
Refunds/Reimbursements	41,066	-	-
Rental Income	240,300	-	-
Interest	73,579	15,026	-
Miscellaneous	25,886	-	-
Total Revenue	3,583,128	2,764,630	772,876
Expenditures:			
Public Safety	1,915,746	-	-
Public Works	773,879	-	-
Health and Social Services	-	-	-
Culture and Recreation	1,322,918	-	-
Community and Economic Development	392,190	-	-
General Government	1,185,444	-	-
Capital Outlay	700	-	944,333
Debt Service	-	-	-
Total Expenditures	5,590,877	-	944,333
Excess (deficiency) of revenues over expenditures	(2,007,749)	2,764,630	(171,457)
Other financing sources (uses):			
Proceeds from Sale of Assets	6,152	-	-
Transfers In	2,188,990	-	-
Transfers Out	(105,500)	(2,771,501)	(437,309)
Total other financing sources (uses)	2,089,642	(2,771,501)	(437,309)
Net Change in Fund Balance	81,893	(6,871)	(608,766)
Fund balances (deficits)-beginning of year	1,503,462	14,813	512,528
Prior Period Adjustment	-	-	-
Fund balances (deficits)-beginning of year, as restated	1,503,462	14,813	512,528
Fund balances (deficits)- end of year	\$ 1,585,355	\$ 7,942	\$ (96,238)

Local Option Sales Tax	Debt Service	Capital Project		Other Governmental Funds	Total Governmental Funds
		CWC Renovation Project	Joint Urban Renewal		
\$ 857,002	\$ 792,350	\$ -	\$ -	\$ 492,417	\$ 7,223,300
-	-	-	-	-	114,812
-	-	-	1,641,980	1,197,167	3,708,210
-	-	-	-	825	591,765
-	-	-	-	777	30,278
-	-	-	-	305,565	344,495
-	-	-	26,185	126,682	193,933
-	-	-	-	-	240,300
5,113	5,276	-	-	7,202	106,196
-	-	-	-	-	25,886
862,115	797,626	-	1,668,165	2,130,635	12,579,175
-	-	-	-	236,114	2,151,860
-	-	-	-	-	773,879
-	-	-	-	40,279	40,279
-	-	-	-	7,288	1,330,206
200,264	-	-	1,463,799	88,391	2,144,644
-	-	-	-	20,357	1,205,801
-	-	1,752,051	723,906	2,428,728	5,849,718
-	1,477,440	-	50,000	112,763	1,640,203
200,264	1,477,440	1,752,051	2,237,705	2,933,920	15,136,590
661,851	(679,814)	(1,752,051)	(569,540)	(803,285)	(2,557,415)
-	-	-	-	7,904	14,056
-	652,281	200,000	-	3,215,609	6,256,880
(886,009)	-	-	(340,321)	(1,379,921)	(5,920,561)
(886,009)	652,281	200,000	(340,321)	1,843,592	350,375
(224,158)	(27,533)	(1,552,051)	(909,861)	1,040,307	(2,207,040)
403,427	33,642	(122,738)	2,545,636	(2,114,139)	2,776,631
-	-	-	100,000	-	100,000
403,427	33,642	(122,738)	2,645,636	(2,114,139)	2,876,631
\$ 179,269	\$ 6,109	\$ (1,674,789)	\$ 1,735,775	\$ (1,073,832)	\$ 669,591

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, 2007

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

Net change in fund balances - total governmental funds (page 22) \$ (2,207,040)

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:

	\$	5,123,707	
Expenditures for capital assets			
Depreciation expense		(1,752,180)	3,371,527

Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain on the sale of fixed assets. This is the effect on the change in net assets on the statement of activities. (1,170)

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: (270,880)

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: (8,532)

Revenues reported in the funds that are not available to provide current financial resources: 3,357

Prepaid insurance is not reported in the governmental funds as it is not available to provide current financial resources: 9,068

Accrued interest expense that does not require current financial resources: 4,442

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: (97,830)

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: (39,700)

The effect of bond issuance costs when new debt is issued, whereas, these amounts are deferred and amortized in the Statement of Activities: (19,905)

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: 1,143,055

Change in net assets of governmental activities (page 17) \$ 1,886,392

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF NET ASSETS
Proprietary Funds
JUNE 30, 2007

	Business Type Activities	
	Water System	Sewer System
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 366,647	\$ 350,967
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	62,187	47,317
Estimated Unbilled Usage	142,471	161,736
Due from Other Funds	263,466	-
Inventories	161,079	-
Total Current Assets	<u>995,850</u>	<u>560,020</u>
Noncurrent Assets:		
Bond Issue Costs	75,245	99,368
Land	174,357	843,418
Construction in Progress	421,895	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	13,285,592	17,465,022
Total Noncurrent Assets	<u>13,957,089</u>	<u>18,407,808</u>
Total Assets	<u><u>14,952,939</u></u>	<u><u>18,967,828</u></u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	35,697	27,066
Accrued Wages	7,289	9,158
Accrued Revenue Bond Interest	17,023	27,339
Accrued Expenses	14,459	-
Revenue Bonds Payable- Current	338,000	325,000
General Obligation Bonds- Current	-	150,000
Compensated Absences and Benefits	14,103	10,069
Total Current Liabilities	<u>426,571</u>	<u>548,632</u>
Noncurrent Liabilities:		
Due in more than one year:		
Revenue Bonds Payable	6,431,000	6,933,000
General Obligation Bonds	-	2,225,000
Compensated Absences and Benefits	56,410	40,274
Total Noncurrent Liabilities	<u>6,487,410</u>	<u>9,198,274</u>
Total Liabilities	<u><u>6,913,981</u></u>	<u><u>9,746,906</u></u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	7,112,844	8,675,440
Unrestricted	926,114	545,482
Total Net Assets	<u><u>\$ 8,038,958</u></u>	<u><u>\$ 9,220,922</u></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>
\$ 173,192	\$ 890,806	\$ 24,861
39,737	149,241	61,489
40,259	344,466	-
-	263,466	324,563
-	161,079	-
<u>253,188</u>	<u>1,809,058</u>	<u>410,913</u>
-	174,613	-
300,886	1,318,661	-
2,142,209	2,564,104	-
605,897	31,356,511	-
<u>3,048,992</u>	<u>35,413,889</u>	<u>-</u>
<u>3,302,180</u>	<u>37,222,947</u>	<u>410,913</u>
34,292	97,055	-
-	16,447	-
-	44,362	-
-	14,459	85,630
-	663,000	-
-	150,000	-
-	24,172	-
<u>34,292</u>	<u>1,009,495</u>	<u>85,630</u>
-	13,364,000	-
-	2,225,000	-
-	96,684	-
<u>-</u>	<u>15,685,684</u>	<u>-</u>
<u>34,292</u>	<u>16,695,179</u>	<u>85,630</u>
3,048,992	18,837,276	-
218,896	1,690,492	325,283
<u>\$ 3,267,888</u>	<u>\$ 20,527,768</u>	<u>\$ 325,283</u>

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Proprietary Funds
For the Year Ended June 30, 2007

	Business Type Activities	
	Water System	Sewer System
Operating Revenues:		
Charges for Services	\$ 1,653,907	\$ 2,203,073
Total Operating Revenue	<u>1,653,907</u>	<u>2,203,073</u>
Operating Expenses:		
Employee Services	477,086	664,326
Contract Services	43,204	163,310
Supplies	101,471	83,156
Repairs and Improvements	48,783	42,670
Utilities	144,506	190,156
Miscellaneous	20,014	4,605
Bad Debt Expense	1,268	1,207
Depreciation	453,828	671,241
Amortization	4,906	7,176
Total Operating Expenses	<u>1,295,066</u>	<u>1,827,847</u>
Operating Income (Loss)	358,841	375,226
Non-Operating Income (Expense):		
Interest Income	14,444	16,468
Refunds and Reimbursements	24,773	15,472
Revenue from Use of Property	40,169	29,824
Other Non-operating Income	570	-
Interest Expense	(232,713)	(366,238)
Total Non-Operating Income (Expenses)	<u>(152,757)</u>	<u>(304,474)</u>
Income (Loss) Before Transfers and Contributions	206,084	70,752
Contributed Capital Revenue	404,308	239,408
Transfers In	-	-
Transfers (Out)	<u>(255,755)</u>	<u>(273,835)</u>
Change in Net Assets	354,637	36,325
Net Assets - Beginning	7,603,139	9,135,075
Prior Period Adjustment	81,182	49,522
Fund balances - Beginning, as restated	<u>7,684,321</u>	<u>9,184,597</u>
Net Assets - Ending	<u>\$ 8,038,958</u>	<u>\$ 9,220,922</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>
\$ 1,047,157	\$ 4,904,137	\$ 626,324
1,047,157	4,904,137	626,324
28,638	1,170,050	-
657,471	863,985	-
86,652	271,279	-
13,276	104,729	-
18,078	352,740	-
16,845	41,464	736,401
1,489	3,964	-
61,532	1,186,601	-
-	12,082	-
883,981	4,006,894	736,401
163,176	897,243	(110,077)
-	30,912	7,763
717	40,962	62,614
31,070	101,063	-
1,011	1,581	-
-	(598,951)	-
32,798	(424,433)	70,377
195,974	472,810	(39,700)
-	643,716	-
350,000	350,000	-
(156,729)	(686,319)	-
389,245	780,207	(39,700)
2,868,396	19,606,610	364,983
10,247	140,951	-
2,878,643	19,747,561	364,983
\$ 3,267,888	\$ 20,527,768	\$ 325,283

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF CASH FLOWS
Proprietary Funds
For the Year Ended June 30, 2007

	Business Type Activities	
	Water System	Sewer System
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 1,866,196	\$ 2,410,297
Cash Paid to Suppliers for Goods and Services	(376,396)	(473,147)
Cash Paid to Employees for Services	(471,207)	(661,835)
Other Nonoperating Income	65,512	45,296
Net Cash Provided (Used) by Operating Activities	<u>1,084,105</u>	<u>1,320,611</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition and Construction of Capital Assets	(343,743)	(115,377)
Principal Paid on Notes and Bonds	(323,000)	(460,000)
Interest Paid on Notes and Bonds	(233,534)	(367,472)
Net Cash (Used) for Capital and Related Financing Activities	<u>(900,277)</u>	<u>(942,849)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Transfers From (To) Other Funds	(255,755)	(273,835)
Due From (To) Other Funds	(263,466)	(368,836)
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>(519,221)</u>	<u>(642,671)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest and Dividends on Investments	14,444	16,468
Net Cash Provided from Investing Activities	<u>14,444</u>	<u>16,468</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(320,949)	(248,441)
Cash and Cash Equivalents at Beginning of Year	<u>687,596</u>	<u>599,408</u>
Cash and Cash Equivalents at End of Year	<u>\$ 366,647</u>	<u>\$ 350,967</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>
\$ 1,034,420	\$ 5,310,913	\$ 564,955
(840,207)	(1,689,750)	(707,967)
-	(1,133,042)	-
32,798	143,606	62,614
<u>227,011</u>	<u>2,631,727</u>	<u>(80,398)</u>
(202,108)	(661,228)	-
-	(783,000)	-
-	(601,006)	-
<u>(202,108)</u>	<u>(2,045,234)</u>	<u>-</u>
193,271	(336,319)	-
(160,609)	(792,911)	(324,563)
<u>32,662</u>	<u>(1,129,230)</u>	<u>(324,563)</u>
-	30,912	7,763
<u>-</u>	<u>30,912</u>	<u>7,763</u>
57,565	(511,825)	(397,198)
115,627	1,402,631	422,059
<u>\$ 173,192</u>	<u>\$ 890,806</u>	<u>\$ 24,861</u>

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF CASH FLOWS (Continued)
Proprietary Funds
For the Year Ended June 30, 2007

	Business Type Activities	
	Water System	Sewer System
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	\$ 358,841	\$ 375,226
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Depreciation	453,828	671,241
Amortization	4,906	7,176
Miscellaneous Non-Operating Income	65,512	45,296
(Increase) Decrease in Assets:		
Accounts Receivable	77,873	160,968
Estimated Unbilled Usage	(7,307)	46,256
Due From Other Governments	141,723	-
Inventories	(36,251)	-
Increase (Decrease) in Liabilities		
Accounts Payable	20,492	11,957
Accrued Wages and Compensated Absences	5,879	2,491
Accrued Expenses	-	-
Customer Deposits	(1,391)	-
Total Adjustments	<u>725,264</u>	<u>945,385</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,084,105</u>	<u>\$ 1,320,611</u>
 Supplemental Schedule of Noncash Capital and Related Financing Activities:		
Contributed Capital	<u>\$ 404,308</u>	<u>\$ 239,408</u>
 Reconciliation of Cash and Cash Equivalents to the Balance Sheet:		
Cash and Cash Equivalents	<u>\$ 366,647</u>	<u>\$ 350,967</u>
	<u>\$ 366,647</u>	<u>\$ 350,967</u>

<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Governmental Activities Internal Service</u>
\$ 163,176	\$ 897,243	\$ (110,077)
61,532	1,186,601	-
-	12,082	-
32,798	143,606	62,614
(4,391)	234,450	(61,369)
(8,346)	30,603	-
-	141,723	-
-	(36,251)	-
(17,758)	14,691	-
-	8,370	-
-	-	28,434
-	(1,391)	-
<u>63,835</u>	<u>1,734,484</u>	<u>29,679</u>
<u>\$ 227,011</u>	<u>\$ 2,631,727</u>	<u>\$ (80,398)</u>
<u>\$ -</u>	<u>\$ 643,716</u>	<u>\$ -</u>
<u>\$ 173,192</u>	<u>\$ 890,806</u>	<u>\$ 24,861</u>
<u>\$ 173,192</u>	<u>\$ 890,806</u>	<u>\$ 24,861</u>

CITY OF LE MARS, IOWA
STATEMENT OF FIDUCIARY NET ASSETS
Agency Funds
JUNE 30, 2007

ASSETS

Cash and Pooled Investments	\$	<u>669</u>
Total Assets		<u>669</u>

LIABILITIES

Accounts Payable		<u>669</u>
Total Liabilities		<u>669</u>

NET ASSETS

Unrestricted		<u>-</u>
Total Net Assets	\$	<u><u>-</u></u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

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 have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board.

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.

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.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

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

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 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.

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.

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

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

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

The City reports the following major governmental funds:

- 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.

- 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 CWC Renovation Project Fund is used to account for the renovations of capital assets related to the City's Community Wellness Center.

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.

The City reports the following major proprietary funds:

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, 2007

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

The City reports the following internal service fund:

The Health Insurance Fund is used 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.

The City reports the following fiduciary fund:

The Flex Account is an agency fund is used to account for the City's cafeteria plan funds.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

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

The proprietary funds of the City apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses consist of cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

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 maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested. Interest earned on investments is recorded in the General Fund unless otherwise provided by law.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

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

Investments consist of the following:

<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

Property Tax Receivable, Including Tax Increment Financing - Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date 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 current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2005 assessed property valuations; is for the tax accrual period July 1, 2006 through June 30, 2007 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2006. Any county collections on the 2006-2007 tax levy remitted to the City within 60 days subsequent to June 30, 2007, are recorded as property tax revenue.

Customer Accounts and Unbilled Usage – Accounts receivable are recorded in the Enterprise Funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

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,

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

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

and service debt. To the extent certain transactions between funds have not been paid or received as of June 30, 2007, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively in the fund financial statements. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

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.

Restricted Assets – Funds set aside for payment of Enterprise Fund revenue notes are classified as restricted assets since their use is restricted by applicable note indentures. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Prepaid Items - Payments made to vendors for services that will benefit periods beyond June 30, 2007 are recorded as prepaid items.

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 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 over the following useful lives:

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

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

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

Deferred Revenue – Although certain revenues are measurable, they are not available, Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, as well as delinquent property tax receivable and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

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, 2007. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Assets and the proprietary fund Statement of Net Assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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, 2007

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

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.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements did not exceed the amounts budgeted in any of the City's budgeted functions.

Note 2 - CASH AND CASH EQUIVALENTS AND INVESTMENTS

The City's deposits at June 30, 2007, 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, 2007, are shown below:

	Primary Government	Component Unit	Fair Value	Rating
Demand Deposits	\$ (216,267)	\$ 4,019,684	\$3,803,417	N/A
Savings Deposits	1,627,838	-	1,627,838	N/A
Time Deposits	138,080	5,391,328	5,529,408	N/A
	<u>\$ 1,549,651</u>	<u>\$ 9,411,012</u>	<u>\$10,290,663</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, 2007 are net of allowance for uncollectibles. The allowance for uncollectibles of the enterprise funds of the primary government was \$35,457 at June 30, 2007. The component unit had an allowance for uncollectibles of \$1,778,129 at June 30, 2007.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

Note 4 - DUE FROM OTHER GOVERNMENTS

At June 30, 2007, amounts due from other governments were as follows:

Due from the Iowa Department of Transportation for road use tax allocations	\$ 63,246
Due from the Iowa Department of Transportation for construction projects	53,794
Due from the State of Iowa for local option sales taxes	134,600
Due from the State of Iowa for licenses	5,434
Due from the Federal Aviation Administration for Airport Improvements	356,711
Due from the State of Iowa for hotel and motel sales taxes	22,474
Due from the State of Iowa for miscellaneous grants	978,858
Due from Plymouth County for court fines	2,174
Due from Plymouth County for construction projects	12,319
Total Due from Other Governments	<u>\$ 1,629,610</u>

Note 5 - INTERFUND RECEIVABLES AND PAYABLES

As of June 30, 2007, short-term interfund borrowings were as follows:

<u>Fund Due To</u>	<u>Fund Due From</u>	<u>Amount</u>
General	Nonmajor Governmental Funds	\$ 1,383,509
Water	General	263,466
Nonmajor Internal Service Fund	General	324,563
Nonmajor Governmental Funds	Capital Project – CWC Renovation Project	1,219,963
Capital Project - Joint Urban Renewal	Capital Project – CWC Renovation Project	454,826
Capital Project - Joint Urban Renewal	Nonmajor Governmental Funds	691,099
Nonmajor Governmental Funds	Nonmajor Governmental Funds	17,546
		<u>\$ 4,354,972</u>

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, 2007

Note 6 - CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Primary Government

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 947,037	\$ 153,750	\$ -	\$ 1,100,787
Construction in Progress	4,482,280	4,592,767	3,722,246	5,352,801
Total capital assets not being depreciated	5,429,317	4,746,517	3,722,246	6,453,588
Capital assets being depreciated:				
Buildings	7,891,711	165,112	-	8,056,823
Improvements	3,442,857	17,213	-	3,460,070
Equipment	4,407,308	339,636	1,950	4,744,994
Infrastructure	20,060,051	3,577,475	-	23,637,526
Total capital assets being depreciated	35,801,927	4,099,436	1,950	39,899,413
Less: Accumulated Depreciation for:				
Buildings	3,896,491	347,302	-	4,243,793
Improvements	2,043,781	127,938	-	2,171,719
Equipment	3,730,875	316,083	780	4,046,178
Infrastructure	7,978,402	960,857	-	8,939,259
Total Accumulated Depreciation	17,649,549	1,752,180	780	19,400,949
Total capital assets being depreciated, net	18,152,378	2,347,256	1,170	20,498,464
Governmental activities capital assets, net	\$ 23,581,695	\$ 7,093,773	\$ 3,723,416	\$ 26,952,052

Construction in progress at June 30, 2007, for the governmental activities consisted of costs associated with the Airport Runway Extension Project, the Wellness Center/Convention Center Improvements, Recreation Trail Improvements, and numerous street and infrastructure additions and improvements.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

Note 6 - CAPITAL ASSETS – (Continued)

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 1,318,661	\$ -	\$ -	\$ 1,318,661
Construction in Progress	19,744,600	832,034	18,012,530	2,564,104
Total capital assets not being depreciated	<u>21,063,261</u>	<u>832,034</u>	<u>18,012,530</u>	<u>3,882,765</u>
Capital assets being depreciated:				
Buildings	344,699	-	-	344,699
Improvements	523,786	81,820	-	605,606
Equipment	881,416	56,986	-	938,402
Utility Plant	23,874,233	18,262,396	-	42,136,629
Total capital assets being depreciated	<u>25,624,134</u>	<u>18,401,202</u>	<u>-</u>	<u>44,025,336</u>
Less: Accumulated Depreciation	11,482,224	1,186,601	-	12,668,825
Total capital assets being depreciated, net	<u>14,141,910</u>	<u>17,214,601</u>	<u>-</u>	<u>31,356,511</u>
Business-type activities capital assets, net	<u>\$ 35,205,171</u>	<u>\$ 18,046,635</u>	<u>\$ 18,012,530</u>	<u>\$ 35,239,276</u>

Construction in progress at June 30, 2007 consisted of costs associated with the water main extension 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	\$ 1,031,264
Public Works	206,154
Culture and Recreation	187,058
Community and Economic Development	242,153
General Government	<u>85,551</u>
Total depreciation expense – governmental activities	<u>\$ 1,752,180</u>
Business-Type Activities:	
Water	\$ 453,828
Sewer	671,241
Golf Course	49,210
Solid Waste	<u>12,322</u>
Total depreciation expense – business-type activities	<u>\$ 1,186,601</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

Note 6 - CAPITAL ASSETS – (Continued)

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

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Component Unit:				
Capital assets not being depreciated:				
Land	\$ 103,274	\$ -	\$ -	\$ 103,274
Construction in Progress	-	1,251,226	187,531	1,063,695
Total capital assets not being depreciated	103,274	1,251,226	187,531	1,166,969
Capital assets being depreciated:				
Land Improvements	703,637	-	-	703,637
Buildings and Fixed Equipment	12,979,119	41,509	-	13,020,628
Major Movable Equipment	5,565,467	293,348	246,290	5,612,525
Land and Buildings Leased to Others	2,957,580	-	-	2,957,580
Total capital assets being depreciated	22,205,803	334,857	246,290	22,294,370
Less: Accumulated Depreciation	10,424,271	1,181,370	242,857	11,362,784
Total capital assets being depreciated, net	11,781,532	(846,513)	3,433	10,931,586
Component unit capital assets, net	\$ 11,884,806	\$ 404,713	\$ 190,964	\$ 12,098,555

Construction in progress at June 30, 2007, consisted of renovations to the Hospital.

Reconciliation of Investment in Capital Assets:

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 1,100,787	\$ 1,318,661	\$ 103,274
Construction in Progress	5,352,801	2,564,104	1,063,695
Capital Assets (net of accumulated depreciation)	20,498,464	31,356,511	10,931,586
Less: General Obligation Bonds Payable	11,190,000	2,375,000	-
Notes Payable	396,108	-	-
Revenue Bonds	650,000	14,027,000	6,128,660
Investment in Capital Assets, Net of Related Debt	\$ 14,715,944	\$ 18,837,276	\$ 5,969,895

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

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 were used to finance capital improvements as well as a 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, 2007 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	\$ 7,125,000
Governmental Activities	1.9-5.90%	June 1, 2016	1,820,000
Governmental Activities – Refunding 2002	3.35-4.60%	June 1, 2008	35,000
Governmental Activities – Refunding 2003	3.15%	June 1, 2011	2,210,000
Business-Type Activities	1.9-5.60%	June 1, 2018	2,375,000
			<u>\$ 13,565,000</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>
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	900,000	276,038	225,000	82,168
2013-2017	3,615,000	891,019	1,310,000	232,099
2018-2021	2,070,000	219,513	85,000	4,080
Total	<u>\$ 11,190,000</u>	<u>\$ 2,904,012</u>	<u>\$ 2,375,000</u>	<u>\$ 736,665</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

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. 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 10 years at an interest rate ranging from 4.15 to 4.75%.

The City drew down an additional \$2,000 of funds from the 2004 series sewer revenue bonds, which have a total par of \$7,900,000, leaving nothing 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. The City drew the final \$2,000 of these bonds in FY 2007 to close this series of bonds.

Revenue bonds outstanding at June 30, 2007 are as follows:

Primary Government

Purpose	Interest Rates	Maturity Date	Amounts
Business-type Activities-Sewer SRF	3.0%	June 1, 2020 – June 1, 2025	\$7,258,000
Business-type Activities -Water SRF	3.0-3.53%	June 1, 2024	6,769,000
Governmental Activities-Urban Renewal Tax Increment Bonds	4.15-4.75%	June 1, 2017	650,000
			\$14,677,000

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

Note 7 - LONG-TERM DEBT (CONTINUED)

Component Unit

Purpose	Interest Rates	Amounts
Hospital/Component Unit	5.5-5.9%	\$ 61,185
Hospital/Component Unit	4.3-4.5%	231,475
Hospital/Component Unit	3.0-5.45%	1,396,500
Hospital/Component Unit	2.5-5.9%	3,689,700
Hospital/Component Unit	1.8-3.35%	237,600
Hospital/Component Unit	3.4-5.15%	512,200
		<u>\$ 6,128,660</u>

These notes are reported net of unamortized discount of \$126,340.

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
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	754,000	340,507	80,000	21,595	265,000	226,365
2013-2017	4,158,000	1,342,541	400,000	50,902	1,550,000	910,777
2018-2022	4,716,000	669,638	-	-	2,005,000	435,409
2023-2025	1,607,000	68,100	-	-	470,000	13,865
Total	<u>\$ 14,027,000</u>	<u>\$ 3,998,770</u>	<u>\$ 650,000</u>	<u>\$ 181,007</u>	<u>\$ 6,255,000</u>	<u>\$ 2,655,840</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 Refunding 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, 2007

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 was used in a 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. 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>
2008	\$ 148,054	\$ 9,805
2009	148,054	4,903
2010	50,000	-
2011	50,000	-
	<hr/>	<hr/>
Total	<u>\$ 396,108</u>	<u>\$ 14,708</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

Note 7 - LONG-TERM DEBT (CONTINUED)

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
Notes Payable	\$ 544,163	\$ -	\$ 148,055	\$ 396,108	\$ 148,055
Bonds Payable:					
General Obligation	12,185,000	-	995,000	11,190,000	1,070,000
Revenue Bonds	650,000	-	-	650,000	-
Compensated Absences	564,657	242,939	138,803	668,793	138,803
Governmental Activity Long-Term Liabilities	13,943,820	242,939	1,281,858	12,904,901	1,356,858
Business-Type Activities:					
Bonds Payable:					
General Obligation	2,520,000	-	145,000	2,375,000	150,000
Revenue Bonds	14,665,000	2,000	640,000	14,027,000	663,000
Compensated Absences	113,759	31,269	24,172	120,856	24,172
Business-Type Activity Long-Term Liabilities	17,298,759	33,269	809,172	16,522,856	837,172
Component Unit:					
Bonds Payable:					
Revenue Bonds	6,930,000	-	675,000	6,255,000	695,000
Less Deferred Amounts:					
Of Bond Discount	140,647	-	14,307	126,340	-
Total Bonds Payable	\$ 6,789,353	\$ -	\$ 660,693	\$ 6,128,660	\$ 695,000

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

Note 8 - TRANSFERS

The following is a summary of transfers between funds:

	General	CWC Renovation Project	Debt Service	Nonmajor Governmental	Nonmajor Enterprise	Transfer Out
General	\$ -	\$ -	\$ 65,000	\$ 40,500	\$ -	\$ 105,500
Road Use Tax	420,000	-	-	17,309	-	437,309
Local Option Sales Tax	117,000	-	90,238	674,771	-	886,009
TIF	1,002,896	-	215,897	1,552,708	-	2,771,501
Joint Urban Renewal	-	-	-	340,321	-	340,321
Nonmajor Governmental	52,775	200,000	277,146	500,000	350,000	1,379,921
Sewer	273,835	-	-	-	-	273,835
Water	255,755	-	-	-	-	255,755
Nonmajor Enterprise	66,729	-	-	90,000	-	156,729
Transfers In	\$ 2,188,990	\$ 200,000	\$ 652,281	\$ 3,215,609	\$ 350,000	\$ 8,381,854

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 9- 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's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$232,731, \$133,709, and \$121,666, respectively, equal to the required contributions for each year.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

Note 9- 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, 2007, 2006 and 2005 were \$211,015, \$203,347, and \$170,260, respectively, which met the required minimum contribution for each year.

Note 10- MAJOR CUSTOMER

During the year ended June 30, 2007, charges for services provided by the sewer utility of the City to Wells' Dairy, Inc. was \$1,499,865. This represents 68% of total sewer charges for service. Charges for services provided by the water utility of the City to Wells' Dairy, Inc. was \$500,415 which represents 30% of total water charges for services.

Note 11- 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			\$ 26,597			26,597
Debt Service		\$ 6,109				6,109
Capital Projects						
Industrial Park	434,025					434,025
Joint Urban Renewal	425,000					425,000
Permanent Fund						
Cemetary Perpetual Care				\$ 135,932		135,932
Total Reserves of Fund Balances	\$1,469,025	\$ 6,109	\$ 26,597	\$ 135,932	\$ 148,263	\$1,785,926

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

Note 12 - DEFICIT FUND EQUITY

The City has twelve funds with deficit equity balances at June 30, 2007. The City intends to finance these deficits from various resources including; general funds, special assessments, water fund reserves, and capital project debt financing.

The individual fund deficits were as follows:

Road Use Tax	\$ 96,238
Special Revenue – Unemployment.....	9,477
Special Revenue – Westmar University TIF	1,382,323
Special Revenue – LeMars Coal Gas Site Cleanup	1,500,000
Special Revenue – Fire Department Service.....	447
Capital Project – Industrial Park.....	13,704
Capital Project – 1997 Storm Sewer Drainage Imp	221,284
Capital Project – US 75 Intersections	170,000
Capital Project – Business Park	40,251
Capital Project – Mahogany Ave. Project	19,416
Capital Project – TIF Capital Projects	115
Capital Project – CWC Renovation Project.....	1,674,789

Note 13- 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>2007</u>	<u>2006</u>
Unpaid claims, beginning of fiscal year	\$ 57,196	\$ 50,856
Incurred claims (including IBNR's)	599,299	511,180
Claim payments	(570,865)	(488,727)
Unpaid claims, end of fiscal year	<u>\$ 85,630</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, 2007

Note 13- 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, 2007 were \$97,632.

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, 2007, no liability has been recorded in the City's financial statements. As of June 30, 2007, 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

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

Note 13- RISK MANAGEMENT – (Continued)

refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution, which the withdrawing member would have made for the one-year period following withdrawal.

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

Note 14- COMMITMENTS

During the year ended June 30, 2007, the City had entered into several construction contracts totaling approximately \$18,002,813 of which approximately \$17,077,342 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, 2007, the City has made payments totaling \$728,721.

Note 15 - 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. Since the City utilized debt financing in August 2007 to satisfy this contingent liability, the entire amount was treated as current and thus recorded in the fund level statements. The City paid the full amount of \$1,500,000 plus interest of \$206 on August 15, 2007.

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 16 - 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, 2007

Note 16 - JOINT VENTURE (CONTINUED)

initially provide telephone, internet, and high-speed data transmission service to customers in the community. The City owns a 33 percent share of the venture. Summary financial information of the joint venture for the year ended December 31, 2006 follows:

	Total
Assets	\$ 656,995
Liabilities	21,114
Equity	635,881
	656,995
Revenues	314,302
Expenses.....	340,159
Net Decrease in Equity.....	\$ (25,857)

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, 2007:

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

Note 17 - 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, 2007 was \$1,850,000.

Note 18 - 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, 2007 is \$434,025.

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

Note 18 - 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.

Beginning in FY 2006 the City to date has contributed \$425,000 to the LBIC, with another \$100,000 to be contributed in FY 2008 for the acquisition of the Winter's feedlot property to initiate development near the Well's Dairy Corporate Campus. Plymouth County also contributed in equal amounts to this project. These amounts will be repaid as funds are available from the sales of any of the property.

In April 2006 the City made an economic development loan to Harker's Distribution, Inc. The loan was for \$500,000 and accrues interest at 4.25% with monthly payments commencing on October 21, 2007, and continuing through March 21, 2010. At June 30, 2007 the note balance was \$500,000.

Note 19- 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, 2007 is recorded net of allowance for uncollectible of \$163,858 in the government-wide financial statements. In the fund level statements, the receivable, net of allowance for uncollectible of \$29,678, is recorded in the Community Betterment Fund with a deferred revenue for the proceeds to be received after one year.

NOTE 20 - PRIOR PERIOD ADJUSTMENT

In the financial statements for the year ended June 30, 2006, a \$100,000 note receivable related to the Joint Urban Renewal Fund was excluded from the financial statements. In the prior year financial statements the expense was recorded for the first payment on the Winter's land but the corresponding note receivable was not recorded. The effect on the individual fund balance was as follows:

	Joint Urban Renewal
Beginning fund balance as previously reported	\$ 2,545,636
Prior period adjustment	100,000
Beginning fund balance, restated	<u>\$ 2,645,636</u>

CITY OF LE MARS, IOWA
Notes to Financial Statements
June 30, 2007

NOTE 20 - PRIOR PERIOD ADJUSTMENT (CONTINUED)

In the financial statements for the year ended June 30, 2006, accounts receivable was incorrectly recorded in the Water Fund, Sewer Fund, and Landfill Fund. The effects on the individual fund balances was as follows:

	<u>Water</u>	<u>Sewer</u>	<u>Landfill</u>
Beginning fund balance as previously reported	\$ 7,603,139	\$ 9,135,075	\$ 130,974
Prior period adjustment	81,182	49,522	10,247
Beginning fund balance, restated	<u>\$ 7,684,321</u>	<u>\$ 9,184,597</u>	<u>\$ 141,221</u>

NOTE 21 - SUBSEQUENT EVENT

In July 2007, the City issued \$1,510,000 of General Obligation Pollution Control Bonds to pay the costs of the EPA settlement. The bonds are payable from a continuing annual levy of taxes against all taxable property of the City.

CITY OF LE MARS, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
Governmental Funds and Proprietary Funds
REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2007

	Governmental Fund Type Actual	Proprietary Funds Actual	Floyd Valley Hospital
Revenue:			
Taxes	\$ 3,266,186	\$ -	\$ -
Tax Increment Financing	3,024,708	-	-
Other Tax	1,029,301	-	-
Licenses and Permits	56,805	-	-
Use of Money and Property	235,645	98,004	-
Intergovernmental	2,698,899	-	-
Miscellaneous	676,050	215,178	-
Total Revenue	11,652,075	5,478,582	21,936,845
Expenditures:			
Public Safety	2,100,005	-	-
Public Works	761,994	-	-
Health and Social Services	40,279	-	-
Culture and Recreation	1,271,616	-	-
Community and Economic Development	537,503	-	-
General Government	1,205,173	-	-
Capital Projects	7,210,453	-	-
Debt Service	1,477,440	-	-
Business Type Activities	-	4,863,177	21,457,334
Total Expenditures	14,604,463	4,863,177	21,457,334
Excess (deficiency) of revenues over expenditures	(2,952,388)	615,405	479,511
Other financing sources net:			
Proceeds from Debt Financing	-	2,000	-
Interfund Transfers In	6,256,880	350,000	-
Interfund Transfers Out	(5,920,561)	(686,319)	-
Total other financing sources net	336,319	(334,319)	-
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(2,616,069)	281,086	479,511
Fund balances - beginning of year	2,662,024	873,186	8,931,501
Fund balances - end of year	\$ 45,955	\$ 1,154,272	\$ 9,411,012

Total Actual	Budgeted Amounts		Final Budget Favorable (Unfavorable)
	Original	Final	
\$ 3,266,186	\$ 3,053,939	\$ 3,053,939	\$ (212,247)
3,024,708	3,031,665	3,031,665	6,957
1,029,301	1,088,823	1,088,823	59,522
56,805	169,450	169,450	112,645
333,649	309,300	309,300	(24,349)
2,698,899	830,700	3,091,700	392,801
891,228	327,323	742,173	(149,055)
<u>39,067,502</u>	<u>37,518,000</u>	<u>40,383,850</u>	<u>1,316,348</u>
2,100,005	2,015,443	2,149,443	49,438
761,994	826,526	826,526	64,532
40,279	40,500	40,500	221
1,271,616	1,172,020	1,385,220	113,604
537,503	596,832	646,832	109,329
1,205,173	1,180,071	1,208,671	3,498
7,210,453	2,811,712	7,811,712	601,259
1,477,440	1,132,654	2,132,007	654,567
<u>26,320,511</u>	<u>26,875,141</u>	<u>27,315,141</u>	<u>994,630</u>
<u>40,924,974</u>	<u>36,650,899</u>	<u>43,516,052</u>	<u>2,591,078</u>
(1,857,472)	867,101	(3,132,202)	1,274,730
2,000	-	-	2,000
6,606,880	5,897,680	5,897,680	709,200
<u>(6,606,880)</u>	<u>(5,897,680)</u>	<u>(5,897,680)</u>	<u>(709,200)</u>
<u>2,000</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
(1,855,472)	867,101	(3,132,202)	1,276,730
12,466,711	12,466,711	12,466,711	-
<u>\$ 10,611,239</u>	<u>\$ 13,333,812</u>	<u>\$ 9,334,509</u>	<u>\$ 1,276,730</u>

**CITY OF LE MARS, IOWA
 BUDGET TO GAAP RECONCILIATION
 REQUIRED SUPPLEMENTARY INFORMATION
 For the Year Ended June 30, 2007**

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 11,652,075	\$ 927,100	\$ 12,579,175
Expenditures	14,604,463	532,127	15,136,590
Net	(2,952,388)	394,973	(2,557,415)
Other Financing Sources, net	336,319	14,056	350,375
Beginning Fund Balance	2,662,024	214,607	2,876,631
Ending Fund Balance	<u>\$ 45,955</u>	<u>\$ 623,636</u>	<u>\$ 669,591</u>

	Enterprise Funds		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 5,478,582	\$ (399,927)	\$ 5,078,655
Expenses	4,863,177	(257,332)	4,605,845
Net	615,405	(142,595)	472,810
Other Financing Sources, net	(334,319)	641,716	307,397
Beginning Net Assets	873,186	18,874,375	19,747,561
Ending Net Assets	<u>\$ 1,154,272</u>	<u>\$ 19,373,496</u>	<u>\$ 20,527,768</u>

	Component Unit		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 21,936,845	\$ 94,893	\$ 22,031,738
Expenses	21,457,334	(892,182)	20,565,152
Net	479,511	987,075	1,466,586
Other Financing Sources, net	-	-	-
Beginning Net Assets	8,931,501	5,868,038	14,799,539
Ending Net Assets	<u>\$ 9,411,012</u>	<u>\$ 6,855,113</u>	<u>\$ 16,266,125</u>

CITY OF LE MARS
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2007

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except 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. 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, one budget amendment increased budgeted disbursements by \$6,865,153. The budget amendment is reflected in the final budgeted amounts.

During the fiscal year ended June 30, 2007, disbursements did not exceed the amounts budgeted in any of the City's budgeted functions.

CITY OF LE MARS, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2007

	Special Revenue Funds			
	Fire Department Service	Westmar University TIF	LeMars Coal Gas Site Cleanup	CDBG Home Fund
Assets				
Cash and Pooled Investments	\$ -	\$ -	\$ -	\$ 25,595
Investments	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Taxes	-	89	-	-
Subsequent Year Taxes	-	231,608	-	-
Special Assessments	-	2,885	-	-
Pledges Receivable	-	-	-	-
Notes Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Due from Other Governmental Agencies	-	-	-	-
Total Assets	-	234,582	-	25,595
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	-	1,070	-	-
Accrued Wages	-	718	-	-
Due to Other Funds	447	1,383,509	-	-
Unearned Revenue	-	-	-	-
Contingent Liabilities	-	-	1,500,000	-
Deferred Revenue - Subsequent Year Taxes	-	231,608	-	-
Total Liabilities	447	1,616,905	1,500,000	-
Fund Balances:				
Reserved for:				
Perpetual Care	-	-	-	-
Tree Farm	-	-	-	-
Long-term Notes	-	-	-	-
Unreserved	(447)	(1,382,323)	(1,500,000)	25,595
Total Fund Balances (Deficits)	(447)	(1,382,323)	(1,500,000)	25,595
Total Liabilities and Equity	\$ -	\$ 234,582	\$ -	\$ 25,595

Special Revenue Funds							
CDBG Land Fund	Hospital TIF	Housing Review Board	Police Pension Fund	Unemploy- ment	Special Law Enforcement	Tree Farm	
\$ 33,017	\$ -	\$ 2,026	\$ 9,312	\$ -	\$ 22,874	\$ 16,455	
-	-	-	-	-	-	-	-
-	-	-	1,554	218	-	-	-
-	-	-	199,994	28,012	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	10,142	-
-	-	-	-	-	-	-	-
33,017	-	2,026	210,860	28,230	22,874	26,597	
-	-	420	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	9,695	-	-	-
-	-	-	-	-	-	-	-
-	-	-	199,994	28,012	-	-	-
-	-	420	199,994	37,707	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	26,597	-
-	-	-	-	-	-	-	-
33,017	-	1,606	10,866	(9,477)	22,874	-	-
33,017	-	1,606	10,866	(9,477)	22,874	26,597	-
\$ 33,017	\$ -	\$ 2,026	\$ 210,860	\$ 28,230	\$ 22,874	\$ 26,597	

CITY OF LE MARS, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2007

Capital Project Funds

	Capital Project Funds		
	24th St. SE Infrastructure	Industrial Park	Recreation Trail Improvements
Assets			
Cash and Pooled Investments	\$ 22,782	\$ -	\$ -
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Taxes	-	-	-
Subsequent Year Taxes	-	-	-
Special Assessments	-	-	-
Pledges Receivable	-	-	-
Notes Receivable	-	434,025	-
Due from Other Funds	4,300	-	116,517
Due from Other Governmental Agencies	12,319	22,597	-
Total Assets	39,401	456,622	116,517
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	2,779	-	32,165
Accrued Wages	-	-	-
Due to Other Funds	-	470,326	-
Unearned Revenue	-	-	-
Contingent Liabilities	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	-	-
Total Liabilities	2,779	470,326	32,165
Fund Balances:			
Reserved for:			
Perpetual Care	-	-	-
Tree Farm	-	-	-
Long-term Notes	-	434,025	-
Unreserved	36,622	(447,729)	84,352
Total Fund Balances	36,622	(13,704)	84,352
Total Liabilities and Equity	\$ 39,401	\$ 456,622	\$ 116,517

Capital Project Funds		
Airport Runway Extension	2006 Street Construction	Two Rivers Development
\$ -	\$ -	\$ 29,533
-	-	-
-	-	-
-	-	-
-	-	-
459,493	291,569	119,501
356,711	-	-
<u>816,204</u>	<u>291,569</u>	<u>149,034</u>
32,552	-	15,236
-	-	-
-	-	-
-	-	-
-	-	-
<u>32,552</u>	<u>-</u>	<u>15,236</u>
-	-	-
-	-	-
-	-	-
783,652	291,569	133,798
<u>783,652</u>	<u>291,569</u>	<u>133,798</u>
<u>\$ 816,204</u>	<u>\$ 291,569</u>	<u>\$ 149,034</u>

CITY OF LE MARS, IOWA
COMBINING BALANCE SHEET
Governmental Nonmajor Funds
JUNE 30, 2007

	Capital Project Funds		
	TIF Capital Projects	Community Betterment	2003 STP-FHWA Projects
Assets			
Cash and Pooled Investments	\$ -	\$ 35,511	\$ -
Investments	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)			
Taxes	-	-	-
Subsequent Year Taxes	-	-	-
Special Assessments	-	-	-
Pledges Receivable	-	1,608,897	-
Notes Receivable	-	-	-
Due from Other Funds	-	3,103	232,884
Due from Other Governmental Agencies	-	-	53,794
Total Assets	<u>-</u>	<u>1,647,511</u>	<u>286,678</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts Payable	90	-	38,584
Accrued Wages	-	-	-
Due to Other Funds	25	-	-
Unearned Revenue	-	1,198,900	-
Contingent Liabilities	-	-	-
Deferred Revenue - Subsequent Year Taxes	-	-	-
Total Liabilities	<u>115</u>	<u>1,198,900</u>	<u>38,584</u>
Fund Balances:			
Reserved for:			
Perpetual Care	-	-	-
Tree Farm	-	-	-
Long-term Notes	-	-	-
Unreserved	(115)	448,611	248,094
Total Fund Balances	<u>(115)</u>	<u>448,611</u>	<u>248,094</u>
Total Liabilities and Equity	<u>\$ -</u>	<u>\$ 1,647,511</u>	<u>\$ 286,678</u>

Capital Project Funds					Permanent Fund	Total Governmental Nonmajor Funds
Business Park	Storm Sewer Drainage Imp.	Mahogany Avenue Project	US 75 Intersections	Cemetery Perpetual Care Fund		
\$ -	\$ -	\$ -	\$ -	\$ 825	\$	197,930
-	-	-	-	135,107		135,107
-	-	-	-	-		1,861
-	-	-	-	-		459,614
-	-	-	-	-		2,885
-	-	-	-	-		1,608,897
-	-	-	-	-		434,025
-	-	-	-	-		1,237,509
-	-	-	-	-		445,421
-	-	-	-	135,932		4,523,249
35,951	510	16,338	170,000	-		345,695
-	-	-	-	-		718
4,300	220,774	3,078	-	-		2,092,154
-	-	-	-	-		1,198,900
-	-	-	-	-		1,500,000
-	-	-	-	-		459,614
40,251	221,284	19,416	170,000	-		5,597,081
-	-	-	-	135,932		135,932
-	-	-	-	-		26,597
-	-	-	-	-		434,025
(40,251)	(221,284)	(19,416)	(170,000)	-		(1,670,386)
(40,251)	(221,284)	(19,416)	(170,000)	135,932		(1,073,832)
\$ -	\$ -	\$ -	\$ -	\$ 135,932	\$	4,523,249

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2007

	Special Revenue Funds			
	Fire Department Service	Westmar University TIF	LeMars Coal Gas Site Cleanup	CDBG Home Fund
Revenue:				
Taxes	\$ -	\$ 225,980	\$ -	\$ -
Intergovernmental Revenue	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeits	-	-	-	-
Contributions	-	-	-	-
Refunds/Reimbursements	-	3,341	-	9,107
Interest	-	-	-	486
Total Revenue	-	229,321	-	9,593
Expenditures:				
Public Safety	1,435	-	-	-
Health and Social Services	-	-	-	-
Culture and Recreation	-	-	-	-
Community and Economic Development	-	87,906	-	-
General Government	-	-	-	-
Capital Projects	-	-	-	-
Debt Service	-	-	-	-
Total Expenditures	1,435	87,906	-	-
Excess (deficiency) of revenues over expenditures	(1,435)	141,415	-	9,593
Other financing sources (uses):				
Proceeds from Sale of Assets	-	300	-	-
Transfers In	1,500	39,000	-	-
Transfers Out	-	(22,776)	-	-
Total other financing sources (uses)	1,500	16,524	-	-
Net Change in Fund Balance	65	157,939	-	9,593
Fund balances (deficits) -beginning of year	(512)	(1,540,262)	(1,500,000)	16,002
Fund balances (deficits) - end of year	\$ (447)	\$ (1,382,323)	\$ (1,500,000)	\$ 25,595

Special Revenue Funds						
CDBG Land Fund	Hospital TIF	Housing Review Board	Police Pension Fund	Unemploy- ment	Special Law Enforcement	Tree Farm
\$ -	\$ 40,279	\$ -	\$ 208,002	\$ 18,156	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	777	-
-	-	-	-	-	-	1,000
9,107	-	-	-	-	-	-
652	-	-	-	-	291	-
9,759	40,279	-	208,002	18,156	1,068	1,000
-	-	-	211,015	-	23,664	-
-	40,279	-	-	-	-	-
-	-	-	-	-	-	7,288
-	-	485	-	-	-	-
-	-	-	-	20,357	-	-
-	-	-	-	-	-	-
-	40,279	485	211,015	20,357	23,664	7,288
9,759	-	(485)	(3,013)	(2,201)	(22,596)	(6,288)
-	-	-	-	-	7,604	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	7,604	-
9,759	-	(485)	(3,013)	(2,201)	(14,992)	(6,288)
23,258	-	2,091	13,879	(7,276)	37,866	32,885
\$ 33,017	\$ -	\$ 1,606	\$ 10,866	\$ (9,477)	\$ 22,874	\$ 26,597

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2007

	Capital Project Funds		
	24th St. SE Infrastructure	Industrial Park	Recreation Trail Improvements
Revenue:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenue	-	-	-
Charges for Services	-	-	-
Fines and Forfeits	-	-	-
Contributions	-	-	-
Refunds/Reimbursements	12,319	-	-
Interest	-	-	-
Total Revenue	12,319	-	-
Expenditures:			
Public Safety	-	-	-
Health and Social Services	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	-	-	-
General Government	-	-	-
Capital Projects	263,302	15,542	289,890
Debt Service	-	-	-
Total Expenditures	263,302	15,542	289,890
Excess (deficiency) of revenues over expenditures	(250,983)	(15,542)	(289,890)
Other financing sources (uses):			
Proceeds from Sale Assets	-	-	-
Transfers In	-	-	500,000
Transfers Out	-	-	-
Total other financing sources (uses)	-	-	500,000
Net Change in Fund Balance	(250,983)	(15,542)	210,110
Fund balances (deficits) -beginning of year	287,605	1,838	(125,758)
Fund balances (deficits) - end of year	\$ 36,622	\$ (13,704)	\$ 84,352

Capital Project Funds		
Airport Runway Extension	2006 Street Construction	Two Rivers Development
\$ -	\$ -	\$ -
409,030	-	-
-	-	-
-	-	-
-	-	6,397
-	-	-
409,030	-	6,397
-	-	-
-	-	-
-	-	-
-	-	-
412,542	8,431	243,456
-	-	-
412,542	8,431	243,456
(3,512)	(8,431)	(237,059)
-	-	-
631,185	-	-
-	-	(28,822)
631,185	-	(28,822)
627,673	(8,431)	(265,881)
155,979	300,000	399,679
\$ 783,652	\$ 291,569	\$ 133,798

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
Governmental Nonmajor Funds
For the Year Ended June 30, 2007

	Capital Project Funds		
	TIF Capital Projects	CWC Renovation Project	2003 STP-FHWA Projects
Revenue:			
Taxes	\$ -	\$ -	\$ -
Intergovernmental Revenue	-	217,250	570,887
Charges for Services	-	-	-
Fines and Forfeits	-	-	-
Contributions	-	304,565	-
Refunds/Reimbursements	-	-	1,768
Interest	-	5,773	-
Total Revenue	<u>-</u>	<u>527,588</u>	<u>572,655</u>
Expenditures:			
Public Safety	-	-	-
Health and Social Services	-	-	-
Culture and Recreation	-	-	-
Community and Economic Development	-	-	-
General Government	-	-	-
Capital Projects	16,524	13,114	864,366
Debt Service	-	-	-
Total Expenditures	<u>16,524</u>	<u>13,114</u>	<u>864,366</u>
Excess (deficiency) of revenues over expenditures	<u>(16,524)</u>	<u>514,474</u>	<u>(291,711)</u>
Other financing sources (uses):			
Proceeds from Sale Assets	-	-	-
Transfers In	426,894	692,080	-
Transfers Out	-	(1,328,323)	-
Total other financing sources (uses)	<u>426,894</u>	<u>(636,243)</u>	<u>-</u>
Net Change in Fund Balance	410,370	(121,769)	(291,711)
Fund balances (deficits) -beginning of year	<u>(410,485)</u>	<u>570,380</u>	<u>539,805</u>
Fund balances (deficits) - end of year	<u>\$ (115)</u>	<u>\$ 448,611</u>	<u>\$ 248,094</u>

Capital Project Funds				Permanent Fund	Total Governmental Nonmajor Funds
Business Park	Storm Sewer Drainage Imp.	Mahogany Avenue Project	US 75 Intersections	Cemetery Perpetual Care Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 492,417
-	-	-	-	-	1,197,167
-	-	-	-	825	825
-	-	-	-	-	777
-	-	-	-	-	305,565
39,992	44,651	-	-	-	126,682
-	-	-	-	-	7,202
39,992	44,651	-	-	825	2,130,635
-	-	-	-	-	236,114
-	-	-	-	-	40,279
-	-	-	-	-	7,288
-	-	-	-	-	88,391
-	-	-	-	-	20,357
231,552	64,699	5,310	-	-	2,428,728
112,763	-	-	-	-	112,763
344,315	64,699	5,310	-	-	2,933,920
(304,323)	(20,048)	(5,310)	-	825	(803,285)
-	-	-	-	-	7,904
834,950	90,000	-	-	-	3,215,609
-	-	-	-	-	(1,379,921)
834,950	90,000	-	-	-	1,843,592
530,627	69,952	(5,310)	-	825	1,040,307
(570,878)	(291,236)	(14,106)	(170,000)	135,107	(2,114,139)
\$ (40,251)	\$ (221,284)	\$ (19,416)	\$ (170,000)	\$ 135,932	\$ (1,073,832)

CITY OF LE MARS, IOWA
 COMBINING STATEMENT OF NET ASSETS
 Enterprise Nonmajor Funds
 JUNE 30, 2007

	Business Type Activities			
	Golf Course	Solid Waste	Storm Sewer	Total
ASSETS				
Cash and Cash Equivalents	\$ 53,467	\$ 119,502	\$ 223	\$ 173,192
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	2,263	32,426	5,048	39,737
Estimated Unbilled Usage	-	32,311	7,948	40,259
Land	300,886	-	-	300,886
Construction in Progress	2,142,209	-	-	2,142,209
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	512,970	92,927	-	605,897
Total Assets	3,011,795	277,166	13,219	3,302,180
LIABILITIES				
Accounts Payable	10,573	23,664	55	34,292
Total Liabilities	10,573	23,664	55	34,292
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	2,956,065	92,927	-	3,048,992
Unrestricted	45,157	160,575	13,164	218,896
Total Net Assets	\$ 3,001,222	\$ 253,502	\$ 13,164	\$ 3,267,888

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Enterprise Nonmajor Funds
For the Year Ended June 30, 2007

	Business Type Activities			
	Golf Course	Solid Waste	Storm Sewer	Total
Operating Revenues:				
Charges for Services	\$ 263,729	\$ 680,179	\$ 103,249	\$ 1,047,157
Total Operating Revenue	<u>263,729</u>	<u>680,179</u>	<u>103,249</u>	<u>1,047,157</u>
Operating Expenses:				
Commissions	28,638	-	-	28,638
Contract Services	139,300	518,171	-	657,471
Supplies	86,652	-	-	86,652
Repairs and Improvements	13,276	-	-	13,276
Utilities	18,078	-	-	18,078
Miscellaneous	15,127	1,718	-	16,845
Bad Debt Expense	-	1,404	85	1,489
Depreciation	49,210	12,322	-	61,532
Total Operating Expenses	<u>350,281</u>	<u>533,615</u>	<u>85</u>	<u>883,981</u>
Operating Income (Loss)	(86,552)	146,564	103,164	163,176
Non-Operating Income:				
Refund and Reimbursements	-	717	-	717
Revenue from Use of Property	31,070	-	-	31,070
Other Non-operating Income	1,011	-	-	1,011
Total Non-Operating Income	<u>32,081</u>	<u>717</u>	<u>-</u>	<u>32,798</u>
Income (Loss) before Contributions and Transfers	(54,471)	147,281	103,164	195,974
Transfers In	350,000	-	-	350,000
Transfers (Out)	<u>(31,729)</u>	<u>(35,000)</u>	<u>(90,000)</u>	<u>(156,729)</u>
Change in Net Assets	263,800	112,281	13,164	389,245
Net Assets - Beginning	2,737,422	130,974	-	2,868,396
Prior Period Adjustment	-	10,247	-	10,247
Fund balances - Beginning, as restated	<u>2,737,422</u>	<u>141,221</u>	<u>-</u>	<u>2,878,643</u>
Net Assets - Ending	<u>\$ 3,001,222</u>	<u>\$ 253,502</u>	<u>\$ 13,164</u>	<u>\$ 3,267,888</u>

CITY OF LE MARS, IOWA
COMBINING STATEMENT OF CASH FLOWS
Enterprise Nonmajor Funds
For the Year Ended June 30, 2007

	Business Type Activities			
	Golf Course	Solid Waste	Storm Sewer	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 263,794	\$ 680,373	\$ 90,253	\$ 1,034,420
Cash Paid to Suppliers for Goods and Services	(299,607)	(540,570)	(30)	(840,207)
Other Nonoperating Income	32,081	717	-	32,798
Net Cash Provided (Used) by Operating Activities	(3,732)	140,520	90,223	227,011
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and Construction of Capital Assets	(199,670)	(2,438)		(202,108)
Net Cash (Used) for Capital and Related Financing Activities	(199,670)	(2,438)	-	(202,108)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Transfers From (To) Other Funds	318,271	(35,000)	(90,000)	193,271
Due From (To) Other Funds	(160,609)	-	-	(160,609)
Net Cash Provided (Used) for Non-Capital Financing Activities	157,662	(35,000)	(90,000)	32,662
Net Increase (Decrease) in Cash and Cash Equivalents	(45,740)	103,082	223	57,565
Cash and Cash Equivalents at Beginning of Year	99,207	16,420	-	115,627
Cash and Cash Equivalents at End of Year	\$ 53,467	\$ 119,502	\$ 223	\$ 173,192
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Net Operating Income (Loss)	\$ (86,552)	\$ 146,564	\$ 103,164	\$ 163,176
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation	49,210	12,322	-	61,532
Miscellaneous Non-Operating Income	32,081	717	-	32,798
(Increase) Decrease in Assets:				
Accounts Receivable	65	592	(5,048)	(4,391)
Estimated Unbilled Usage	-	(398)	(7,948)	(8,346)
Increase (Decrease) in Liabilities:				
Accounts Payable	1,464	(19,277)	55	(17,758)
Total Adjustments	82,820	(6,044)	(12,941)	63,835
Net Cash Provided (Used) by Operating Activities	\$ (3,732)	\$ 140,520	\$ 90,223	\$ 227,011

CITY OF LE MARS, IOWA
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 Agency Funds
 For the Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
<u>FLEX</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 5,299	\$ 27,145	\$ 31,775	\$ 669
Total Assets	5,299	27,145	31,775	669
<u>Liabilities</u>				
Accounts Payable	5,299	27,145	31,775	669
Total Liabilities	\$ 5,299	\$ 27,145	\$ 31,775	\$ 669

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	\$50,227,826	9.01%
MID AMERICAN ENERGY	UTILITY COMPANY	15,075,895	2.70%
NOR-AM COLD STORAGE INC.	COLD STORAGE FACILITY	12,652,340	2.27%
WAL-MART STORES INC.	DISCOUNT RETAIL STORE	7,975,810	1.43%
STEVE SCHUSTER	COMMERCIAL TRUCKING	5,189,112	0.93%
CCS REALTY CO. (CLOVERLEAF)	COLD STORAGE FACILITY	5,068,400	0.91%
DEAN JACOBSON	COMMERCIAL BAKERY	4,839,870	0.87%
ILP ONE MASTER, LLC (BEKINS)	COLD STORAGE FACILITY	4,774,740	0.86%
ROGER ATHENS	REAL ESTATE	4,457,923	0.80%
HARKER'S DISTRIBUTION, INC.	FOOD PROCESSOR	3,633,946	0.65%
	TOTAL	113,895,862	20.42%
	ALL OTHERS	443,800,650	79.58%
		<u>\$ 557,696,512</u>	<u>100.00%</u>

TABLE II

Computation of Legal Debt Margin

June 30, 2007

2006-07 ACTUAL VALUATION:	\$557,696,512	
LESS: MILITARY EXEMPTION	<u>(1,065,826)</u>	
	\$556,630,686	
DEBT LIMIT - 5% OF ESTIMATED ACTUAL VALUATION		\$27,831,534
AMOUNT OF DEBT APPLICABLE TO DEBT LIMIT		
GENERAL OBLIGATION DEBT	13,761,109	
URBAN RENEWAL REVENUE DEBT	650,000	
* OTHER DEBT	<u>20,355,659</u>	
	34,766,768	
LESS:		
* REVENUE BONDS/NOTES	<u>20,355,659</u>	
	14,411,109	
AMOUNT AVAILABLE FOR REPAYMENT OF GENERAL OBLIGATION DEBT	<u>6,109</u>	
TOTAL DEBT APPLICABLE TO DEBT LIMIT		<u>14,405,000</u>
LEGAL DEBT MARGIN		<u>\$13,426,534</u>

*Includes Floyd Valley Hospital (Discrete Component Unit).

CITY OF LE MARS, IOWA
TABLE III
Miscellaneous Statistics
June 30, 2007

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	58
Regular Part Time	6
Fire	25
Ambulance	15
Area in Square Miles	8.52
Miles of Streets	63
Percent of Streets Paved	99%
Number of Street Lights	822
Building Permits 2006-07	142
Total Building Permits Less	
Demolition and Moving	6
New Single and Multi-Family Dwellings	23
Municipal Water System:	
Number of Wells	6
Number of Fire Hydrants	600
Number of Customers	4,150
Storage Capacity (Gallons)	2,500,000
Average Daily Consumption (Gallons)	2,750,000
Peak Daily Consumption (Gallons)	5,150,000
Miles of Water Main	68
Sewer System:	
Miles of Sanitary Sewer	55
Miles of Storm Sewer	11
Number of Sanitary Sewer Customers	3,940
Average Daily Sewer Usage (Gallons)	1,685,000
Peak Load (Gallons)	3,233,000
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	2
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 Expenditures of Federal Awards (Cash Basis)
Year Ended June 30, 2007

	CFDA Number	Project/Contract Number	Program Disburse- ments
Direct:			
FEDERAL AVIATION ADMINISTRATION			
Airport Improvement Program	20.106	AIP #3-19-0127-02	\$ 38,125
Airport Improvement Program	20.106	AIP #3-19-0127-03	151,828
Airport Improvement Program	20.106	AIP #3-19-0127-04	188,571
Total Direct			<u>378,524</u>
Indirect:			
DEPARTMENT OF TRANSPORTATION:			
Iowa Department of Transportation:			
Highway Planning and Construction	20.205	STP-U-4257(616) & (620)	<u>570,887</u>
Governor's Traffic Safety Bureau, Iowa Department of Public Safety:			
State and Community Highway Safety	20.600	PAP 06-163, Task 39	3,709
OWI Prevention Grant	20.601	PAP 07-163, Task 48	4,006
Safety Incentive Grants for Use of Seat Belts	20.604	PAP 06-157, Task 94	2,497
Safety Incentive Grants for Use of Seat Belts	20.604	PAP 07-157, Task 103	4,000
			<u>14,212</u>
FEDERAL EMERGENCY MANAGEMENT AGENCY			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	EM-3275-IA	<u>18,464</u>
Total Indirect			<u>603,563</u>
Total Expenditures of Federal Awards			<u>\$ 982,087</u>

CITY OF LE MARS, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A significant deficiency in internal control over major programs was disclosed by the audit of the financial statements, which is also considered to be a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major programs.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were as follows:
 - CFDA #20.106 – Airport Improvement Program
 - CFDA #20.205 – Highway Planning and Construction
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Le Mars did not qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

Instances of Non-Compliance:

No matters were noted.

Significant Deficiencies:

II-A-07 Financial Reporting

Observation - During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the City's financial statements. Cash reclassifications were also identified. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables, capital asset additions and cash reclassifications are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid any missing receivables, payables, capital asset or cash reclassification transactions.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs For Federal Awards:

Instances of Non-Compliance:

No matters were reported.

CITY OF LE MARS, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Significant Deficiencies:

III-A-07 Financial Reporting

Observation - During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the City's financial statements. Cash reclassifications were also identified. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation - The City should implement procedures to ensure all receivables, payables, capital asset additions and cash reclassifications are identified and included in the City's financial statements.

Response - We will double check these in the future to avoid any missing receivables, payables, capital asset or cash reclassification transactions.

Conclusion - Response accepted.

Part IV: Other Findings Related to Statutory Reporting:

IV-A-07 - Certified Budget - Disbursements during the year ended June 30, 2007, did not exceed the amounts budgeted in any of the City's budgeted functions.

IV-B-07 - Questionable Expenditures - We noted no questionable expenditures during our audit.

IV-C-07 - Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-07 - 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	\$ 1,425.00	(1)
Gus Pech Manufacturing Co., Inc., Cris Collins, President, spouse of employee	Supplies	\$5,394.14	(3)
Mother Nature Greenhouse, Owned by spouse of Employee, Gayle Sitzmann	Plants	\$423.89	(1)
Ruhland, Donna (Former full time City of Le Mars Recreation Director)	Commissions 10% Convention Center rentals separate contract	\$311.50	(1)
Van's Sanitation, Scott Vander Sluis, Owner Spouse of City employee, Lisa Vander Sluis	Solid Waste Services	\$189,341.84	(2)
Professional Surveying Services, Dave Wilberding, Owner, Planning & Zoning Board Member	Surveying	\$51,070.00	(4)
Oak & Treasures, Dennis Bollin, Owner, Planning & Zoning Board Member	Appliances, Furniture	\$2,573.00	(3)
Dreckman Excavating, Jerome Dreckman, Owner Planning & Zoning Board Member	Rock	\$5,662.45	(3)
Ludwig, Bruce, Le Mars Broadband Telecomm. Mbr	Maintenance Contract	\$1,200.00	(1)
Motor Inn, Owned by Spouse of Ambulance Employee, Jolynn Ohm	Vehicle Repair	\$3,548.22	(3)
Lancaster Realty, Owned by LHRB Member,			

CITY OF LE MARS, IOWA
Schedule of Findings and Questioned Costs
Year Ended June 30, 2007

Darrel Lancaster Le Mars Flower House, Owned by Ken Nelson, Councilman	Land Lease	\$600.00	(1)
Hansen, Steve, City of Le Mars Street Dept. Employee	Flowers	\$52.00	(1)
Schwartz, Steve, City of Le Mars Public Works Dept Employee	Fire Department Earnings	\$1,494.00	(1)
Kramer, Jeff, City of Le Mars Police Officer	Fire Department Earnings	\$1,452.50	(1)
Vande Viegt, Kevin, City of Le Mars Police Officer	Ambulance Dept. Earnings	\$552.51	(1)
	Code Enforcement Dept Earnings	\$45.16	(1)

- (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) Per Chapter 362.5 of the Code of Iowa this transaction does not represent a conflict of interest.
- (3) This transaction may represent a conflict of interest and the City should contact legal council for determination.
- (4) 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-07 - 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-07 - Council Minutes - We noted no transactions requiring approval which had not been approved by the Council.

IV-G-07 - Revenue Bonds - No violations of revenue bond resolutions were noted.

IV-H-07 - 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.

CITY OF LE MARS, IOWA
Schedule of Prior Year Findings and Questioned Costs
Year Ended June 30, 2007

There were no prior year audit findings.

**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 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 as of and for the year ended June 30, 2007, which collectively comprise the City of Le Mars, Iowa's basic financial statements and have issued our report thereon dated March 10, 2008. We did not audit the financial statements of Floyd Valley Municipal Hospital (a discretely presented component unit) which statements reflect total assets of \$25,811,982 and operating revenues of \$21,438,186 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.

Internal Control over Financial Reporting:

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and a material weakness.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, the significant deficiency described above, item II-A-07 we believe to be a material weakness.

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, 2007 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.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

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

Le Mars, Iowa
March 10, 2008

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

The Mayor and Members of the
City Council
Le Mars, Iowa

Compliance

We have audited the compliance of the City of Le Mars, Iowa (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2007. The City's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in a City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. The significant deficiency noted above and on the schedule of findings and questioned costs is considered a material weakness.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and accordingly, we express no opinion on them.

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 these specified parties.

Williams & Company, P.C.
Certified Public Accountants

Le Mars, Iowa
March 10, 2008



CITY OF LE MARS, IOWA

40 CENTRAL AVENUE SE • P.O. BOX 1130 • LE MARS, IOWA 51031 • PHONE: (712) 546-7018 • FAX: (712) 548-4976

Corrective Action Plan March 10, 2008

**Federal Aviation Administration:
Iowa Department of Transportation:**

The City of Le Mars, Iowa, respectfully submits the following corrective action plan for the year ended June 30, 2007.

The audit was performed by Williams & Company, P.C., P.O. Box 1010, Le Mars, Iowa, for the fiscal year ended June 30, 2007.

The findings from the June 30, 2007 Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Part II - Findings Related to the Financial Statements Reported in Accordance with *Government Auditing Standards*.

Significant Deficiencies:

II-A-07 – Financial Reporting

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the City's financial statements. Cash reclassifications were also identified. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables, capital asset additions and cash reclassifications are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid any missing receivables, payables, capital asset or cash reclassification transactions.

Part III - Findings Related to Federal Awards.

Significant Deficiencies:

III-A-07 – Financial Reporting

Observation – During the audit, we identified material amounts of receivables, payables and capital asset additions not recorded in the City's financial statements. Cash reclassifications were also identified. Adjustments were subsequently made by the City to properly include these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all receivables, payables, capital asset additions and cash reclassifications are identified and included in the City's financial statements.

Response – We will double check these in the future to avoid any missing receivables, payables, capital asset or cash reclassification transactions.

If the Federal Aviation Administration or the Iowa Department of Transportation has questions regarding this plan, please call Bill Cole at 712-548-4965.

Sincerely yours,
CITY OF LE MARS, IOWA

Bill Cole, Finance Director