

CITY OF BELMOND, IOWA
FINANCIAL STATEMENTS
JUNE 30, 2008

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Officials

Name	Title	Term Expires
Elected Officials		
Before January, 2008		
Rex Peterson	Mayor	January, 2008
Harlan Tulp	Council member	January, 2010
Sidney Swenson	Council member	January, 2010
Earl Kalkwarf	Council member	January, 2010
Todd Buseman	Council member	January, 2008
Bradley Bloemke	Council member	January, 2008
Beginning January 1, 2008		
Rex Peterson	Mayor	January, 2010
Harlan Tulp	Council member	January, 2010
Sidney Swenson	Council member	January, 2010
Earl Kalkwarf	Council member	January, 2010
Todd Buseman	Council member	January, 2012
Leon Robertson	Council member	January, 2012
Appointed Officials		
Lee Ann Waltzing	Manager/Clerk/Treasurer	Indefinite
Gary Berkland	Attorney	Indefinite

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Belmond, Iowa

We have audited the accompanying financial statements of the primary governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Belmond, Iowa, as of and for the year ended June 30, 2008 which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Belmond's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the primary governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Belmond at June 30, 2008, and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

The primary government financial statements do not include the financial data of legally separate component units which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Belmond at June 30, 2008, and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2008 on our consideration of the City of Belmond's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on Pages 4 through 9 and Page 21 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Belmond's basic financial statements. We previously audited the financial statements for the three years ended June 30, 2007 (which are not presented herein) and supplementary data in accordance with the standards referred to in the second paragraph of this report and expressed qualified opinions on the financial statements and supplementary data. Other supplementary information included on Pages 22 through 26 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
September 22, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Belmont provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 33%, or approximately \$1,000,000, from fiscal 2007 to fiscal 2008. The decrease was primarily due to the fact that the City issued bonds for \$130,000 versus \$1,115,000 of bonds issued the previous year.
- Disbursements increased 56%, or approximately \$1,020,000, in fiscal 2008 from fiscal 2007. The street and pool projects significantly increased disbursements.
- The City's total cash basis net assets decreased more than 30%, or approximately \$745,000, from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities decreased approximately \$795,000 and the assets of the business-type activities increased by approximately \$50,000.

USING THIS ANNUAL REPORT

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

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.
- The Government-Wide Financial Statement consists of a Statement of Activities and Net Assets - Cash Basis. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.
- Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

- Required Supplementary Information further explains and supports the financial statements with a comparison of the City’s budget for the year.
- Other Supplementary Information provides detailed information about the non-major governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with the U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this financial report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY’S FINANCIAL ACTIVITIES

Government-Wide Financial Statement

One of the most important questions asked about the City’s finances is, “Is the City as a whole better off or worse off as a result of the year’s activities”. This Statement of Activities and Net Assets - Cash Basis reports information which helps answer this question.

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

The Statement of Activities and Net Assets - Cash Basis is divided into two kinds of activities.

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects.
- Business-Type Activities include the water works and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City’s basic services. These focus on how money flows into and out of those funds and the balances at year end that are available for spending. The governmental funds include: a) the General fund, b) Special Revenue Funds, such as Road Use Tax, Local Option Sales Tax and Economic Development Funds, c) the Debt Service Fund, d) the Capital Projects Fund and e) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs.

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

2. Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business-type activities. The City maintains four Enterprise Funds to provide separate information. The water and sewer funds are considered major funds of the City.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$2,114,423 to \$1,319,910. The analysis that follows focuses on the changes in cash balances for governmental activities.

	Changes in Cash Basis Net Assets of Governmental Activities	
	Year Ended June 30,	
	2008	2007
Receipts and Transfers:		
Program Receipts:		
Charges for service	\$ 56,871	\$ 45,179
Operating grants, contributions and restricted interest	308,348	346,812
Capital grants, contributions and restricted interest	248,402	194,617
General Receipts:		
Property tax	848,526	840,128
Local option sales tax	198,959	197,547
Grants and contributions not restricted to specific purposes	10,174	18,272
Unrestricted investment earnings	50,362	28,485
Other general receipts	74,703	83,885
Refunding bond proceeds	130,000	1,115,000
Transfers, net	<u>131,413</u>	<u>187,165</u>
Total Receipts and Transfers	<u>2,057,758</u>	<u>3,057,090</u>
Disbursements:		
Public safety	394,758	403,876
Public works	257,042	234,675
Health and social services	6,125	13,265
Culture and recreation	258,554	337,101
Community and economic development	98,908	137,154
General government	204,863	185,489
Debt service	484,029	393,643
Capital projects	<u>1,147,992</u>	<u>125,164</u>
Total Disbursements	<u>2,852,271</u>	<u>1,830,367</u>
Increase (Decrease) in Cash Basis Net Assets	(794,513)	1,226,723
Cash Basis Net Assets - Beginning of Year	<u>2,114,423</u>	<u>887,700</u>
Cash Basis Net Assets - End of Year	<u>\$ 1,319,910</u>	<u>\$ 2,114,423</u>

The City's total receipts for governmental activities decreased by 33%, or \$999,332. The total cost of all programs and services increased approximately \$1,021,904, or 56%, with no new programs added this year. The significant decrease in receipts was primarily due to a decrease in bond proceeds. The significant increase in disbursements was due to capital projects, primarily the streets and pool.

Due to a change in valuation, the City's property tax receipts increased by approximately \$8,400 in 2008. Based on the total assessed valuation, property tax receipts are budgeted to increase slightly next year.

The cost of all governmental activities this year was \$2,852,271 compared to \$1,830,367 last year. However, as shown in the Statement of Activities and Net Assets - Cash Basis on Page 10, the amount taxpayers ultimately financed for these activities was only \$2,238,650 because some of the cost was paid by those directly benefited from the programs (\$56,871) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$556,750). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2008 from approximately \$587,000 to approximately \$614,000 principally due to more charges for service and contributions being made in the current year. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$848,000 in property taxes (some of which could only be used from certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business-Type Activities

	Year Ended June 30,	
	2008	2007
Receipts:		
Program Receipts:		
Charges for Service and Miscellaneous:		
Water	\$ 287,928	\$ 294,936
Sewer	361,914	354,392
Landfill	71,880	71,475
General Receipts:		
Grants and contributions not restricted to specific purposes	2,238	1,129
Unrestricted investment earnings	12,884	10,333
Total Receipts	736,844	732,265
 Disbursements:		
Water	252,985	294,227
Sewer	236,653	193,101
Landfill	65,928	49,487
Transfers	131,413	187,165
Total Disbursements and Transfers	686,979	723,980
 Increase in Cash Basis Net Assets	49,865	8,285
 Cash Basis Net Assets - Beginning of Year	333,230	324,945
 Cash Basis Net Assets - End of Year	\$ 383,095	\$ 333,230

Total business-type activities receipts for the fiscal year were \$736,844 compared to \$732,265 last year. This increase was due primarily to more rents received. The cash balance increased by approximately \$50,000 from the prior year because there were fewer disbursements from the water fund and fewer transfers out. Total disbursements and transfers for the fiscal year decreased by 5% to a total of \$686,979.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Belmont completed the year, its governmental funds reported a combined fund balance of \$1,319,910, a decrease of \$794,513 from last year's total of \$2,114,423. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased by approximately \$79,000 from the prior year to \$287,228. This decrease was mainly due to decreasing general fund revenue.
- The Road Use Tax Fund cash balance increased by approximately \$21,000 to \$82,781 during the fiscal year. This increase was due to a slight increase in funds received from the state and less transfers to pay street improvements.
- The Local Option Sales Tax Fund cash balance increased by approximately \$61,000 from the prior year as the City is anticipating the need to have additional funds available for capital projects.
- The Capital Projects - Streets cash balance decreased by \$739,336 to \$147,818 as a result of capital outlay.
- The Capital Projects - Pool cash balance decreased by \$74,607 to (\$31,279) due to capital outlay.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

- The Water Fund cash balance increased by approximately \$44,000 to \$276,810 due primarily to the City's desire to build a cash reserve for a new plant and increasing rates to establish the water capital account.
- The Sewer Fund cash balance decreased by \$3,125 to \$1,837 due primarily to additional costs being incurred as the plant ages.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 19, 2008 to decrease disbursements in certain City departments and increase it for others.

DEBT ADMINISTRATION

At June 30, 2008, the City had \$3,545,700 in bonds and other long-term debt, compared to \$3,741,700 last year, as shown below.

	Outstanding Debt at Year End	
	Year Ended June 30,	
	2008	2007
General obligation bonds	\$ 3,329,000	\$ 3,500,000
Urban renewal tax increment financing revenue bonds	<u>216,700</u>	<u>241,700</u>
Total	<u>\$ 3,545,700</u>	<u>\$ 3,741,700</u>

The Constitution of the State of Iowa limits the amount of general obligation and tax increment financing debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding debt of \$3,545,700 is below its constitutional debt limit of \$4,709,510 at June 30, 2008.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Belmond's elected and appointed officials and citizens considered many factors when setting the fiscal year 2008 budget, tax rates and fees that will be charged for various City activities. One of those factors is the economy. During the budget preparation, the consumer price index was listed at 3.6%. In addition, the employees were granted a 3% wage increase for the fiscal year beginning July 1, 2008. Since the budget was approved, gasoline and steel prices have increased substantially.

The City Council implemented new rates for sewer usage.

These indicators were taken into account when adopting the budget for fiscal year 2009. Amounts available for appropriation in the operating budget are \$6,383,877. Included in this amount are \$619,955 of fund transfers between different funds of the City along with anticipated bond sales of \$3,000,000. Net of transfers and bond proceeds, total amounts available for appropriation are \$2,763,922, a decrease of 4.6% from the final 2008 budget. Budgeted disbursements (net of transfers between different funds of the City) are expected to increase by \$1,403,187 from the 2008 budget. The increase is due to the City planning to build a new water plant.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Lee Ann Waltzing, City Manager/Clerk, 112 - 2nd Avenue NE, Belmond, Iowa 50421-1111.

Basic Financial Statements

Statement of Activities and Net Assets - Cash Basis

Year Ended June 30, 2008

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements), Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Public safety	\$ 394,758	\$ —	\$ 24,216	\$ —	\$ (370,542)	\$ —	\$ (370,542)
Public works	257,042	11,657	219,322	—	(26,063)	—	(26,063)
Health and social services	6,125	—	—	—	(6,125)	—	(6,125)
Culture and recreation	258,554	45,214	58,981	—	(154,359)	—	(154,359)
Community and economic development	98,908	—	5,829	72,205	(20,874)	—	(20,874)
General government	204,863	—	—	—	(204,863)	—	(204,863)
Debt service	484,029	—	—	—	(484,029)	—	(484,029)
Capital projects	1,147,992	—	—	176,197	(971,795)	—	(971,795)
Total Governmental Activities	<u>2,852,271</u>	<u>56,871</u>	<u>308,348</u>	<u>248,402</u>	<u>(2,238,650)</u>	<u>—</u>	<u>(2,238,650)</u>
Business-Type Activities							
Water	252,985	258,760	—	—	—	5,775	5,775
Sewer	236,653	360,955	—	—	—	124,302	124,302
Landfill	65,928	70,999	—	—	—	5,071	5,071
Total Business-Type Activities	<u>555,566</u>	<u>690,714</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>135,148</u>	<u>135,148</u>
Total	<u>\$ 3,407,837</u>	<u>\$ 747,585</u>	<u>\$ 308,348</u>	<u>\$ 248,402</u>	<u>(2,238,650)</u>	<u>135,148</u>	<u>(2,103,502)</u>
General Receipts							
Property Taxes Levied For							
General purposes					488,766	—	488,766
Tax increment financing					31,553	—	31,553
Debt service					212,208	—	212,208
Employee benefits					115,744	—	115,744
Emergency					223	—	223
Special assessments					32	—	32
Other city tax					35,601	—	35,601
Local option sales tax					198,959	—	198,959
Grants and contributions not restricted to specific purpose					10,174	2,238	12,412
Unrestricted interest on investments					50,362	12,884	63,246
Bond proceeds					130,000	—	130,000
Miscellaneous					38,613	31,008	69,621
Sale of land and equipment					489	—	489
Transfers					<u>131,413</u>	<u>(131,413)</u>	<u>—</u>
Total General Receipts and Transfers					<u>1,444,137</u>	<u>(85,283)</u>	<u>1,358,854</u>
Increase (Decrease) in Cash Basis Net Assets					<u>(794,513)</u>	<u>49,865</u>	<u>(744,648)</u>
Cash Basis Net Assets - Beginning of Year					<u>2,114,423</u>	<u>333,230</u>	<u>2,447,653</u>
Cash Basis Net Assets - End of Year					<u>\$ 1,319,910</u>	<u>\$ 383,095</u>	<u>\$ 1,703,005</u>
Cash Basis Net Assets							
Restricted							
Streets					\$ 82,781	\$ —	\$ 82,781
Urban renewal purposes					6,553	—	6,553
Debt service					7,329	—	7,329
Other purposes					613,507	—	613,507
Unrestricted					<u>609,740</u>	<u>383,095</u>	<u>992,835</u>
Total Cash Basis Net Assets					<u>\$ 1,319,910</u>	<u>\$ 383,095</u>	<u>\$ 1,703,005</u>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2008

	Special Revenue			Debt Service	Capital Projects		Nonmajor Governmental Funds	Total
	General	Road Use Tax	Local Option Sales Tax		Streets	Pool		
Receipts								
Property tax	\$ 488,766	\$ —	\$ —	\$ 212,208	\$ —	\$ —	\$ 115,967	\$ 816,941
TIF collections	—	—	—	—	—	—	31,553	31,553
Other city tax	38,997	—	198,959	9,176	—	—	5,041	252,173
Licenses and permits.....	7,074	—	—	—	—	—	—	7,074
Use of money and property	21,282	—	10,362	315	12,503	3,040	11,424	58,926
Intergovernmental.....	33,204	219,322	—	—	—	—	72,205	324,731
Charges for service	42,258	—	—	—	—	—	—	42,258
Special assessments.....	—	—	—	32	—	—	—	32
Miscellaneous.....	67,426	—	—	—	—	171,598	23,144	262,168
Total Receipts	699,007	219,322	209,321	221,731	12,503	174,638	259,334	1,795,856
Disbursements								
Operating								
Public safety	393,830	—	—	—	—	—	928	394,758
Public works	59,428	197,614	—	—	—	—	—	257,042
Health and social services.....	6,125	—	—	—	—	—	—	6,125
Culture and recreation	257,882	—	—	—	—	—	672	258,554
Community and economic development	15,260	—	—	—	—	—	83,648	98,908
General government.....	204,863	—	—	—	—	—	—	204,863
Debt service.....	—	—	—	453,879	—	—	30,150	484,029
Capital projects.....	4,862	—	—	—	751,839	384,745	6,546	1,147,992
Total Disbursements	942,250	197,614	—	453,879	751,839	384,745	121,944	2,852,271
Receipts Over (Under) Disbursements.....	(243,243)	21,708	209,321	(232,148)	(739,336)	(210,107)	137,390	(1,056,415)
Other Financing Sources (Uses)								
Bond proceeds	—	—	—	—	—	130,000	—	130,000
Interfund loan proceeds.....	(11,000)	—	—	—	—	—	11,000	—
Interfund loan payments	5,638	—	—	—	—	—	(5,638)	—
Sale of assets	489	—	—	—	—	—	—	489
Operating transfers in.....	169,557	—	—	233,704	—	5,500	42,384	451,145
Operating transfers out.....	(74)	(1,000)	(148,406)	—	—	—	(170,252)	(319,732)
Total Other Financing Sources (Uses)	164,610	(1,000)	(148,406)	233,704	—	135,500	(122,506)	261,902
Increase (Decrease) in Cash Balances.....	(78,633)	20,708	60,915	1,556	(739,336)	(74,607)	14,884	(794,513)
Cash Balances - Beginning of Year.....	365,861	62,073	287,655	5,773	887,154	43,328	462,579	2,114,423
Cash Balances - End of Year	\$ 287,228	\$ 82,781	\$ 348,570	\$ 7,329	\$ 147,818	\$ (31,279)	\$ 477,463	\$ 1,319,910
Cash Basis Fund Balances								
Reserved								
Debt service.....	\$ —	\$ —	\$ —	\$ 7,329	\$ —	\$ —	\$ —	\$ 7,329
Unreserved								
General fund.....	287,228	—	—	—	—	—	—	287,228
Special revenue funds.....	—	82,781	348,570	—	—	—	213,765	645,116
Capital projects fund.....	—	—	—	—	147,818	(31,279)	205,973	322,512
Permanent fund.....	—	—	—	—	—	—	57,725	57,725
Total Cash Basis Fund Balances	\$ 287,228	\$ 82,781	\$ 348,570	\$ 7,329	\$ 147,818	\$ (31,279)	\$ 477,463	\$ 1,319,910

See accompanying notes to financial statements.

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

Year Ended June 30, 2008

	Water	Sewer	Nonmajor Proprietary Funds	Total
Operating Receipts				
Use of money and property	\$ 14,968	\$ 1,009	\$ 1,707	\$ 17,684
Charges for service	258,760	360,955	70,999	690,714
Miscellaneous.....	22,683	959	2,566	26,208
Total Operating Receipts.....	<u>296,411</u>	<u>362,923</u>	<u>75,272</u>	<u>734,606</u>
Operating Disbursements				
Business-type activities	<u>230,870</u>	<u>236,653</u>	<u>66,161</u>	<u>533,684</u>
Operating Receipts Over Operating Disbursements				
	<u>65,541</u>	<u>126,270</u>	<u>9,111</u>	<u>200,922</u>
Nonoperating Receipts (Disbursements)				
Intergovernmental.....	1,220	1,018	—	2,238
Capital projects.....	(21,882)	—	—	(21,882)
Net Nonoperating Receipts (Disbursements).....	<u>(20,662)</u>	<u>1,018</u>	<u>—</u>	<u>(19,644)</u>
Receipts Over Disbursements				
	<u>44,879</u>	<u>127,288</u>	<u>9,111</u>	<u>181,278</u>
Other Financing Sources (Uses)				
Operating transfers in.....	—	53,600	—	53,600
Operating transfers out.....	(1,000)	(184,013)	—	(185,013)
Total Other Financing Uses	<u>(1,000)</u>	<u>(130,413)</u>	<u>—</u>	<u>(131,413)</u>
Increase (Decrease) in Cash Balances..				
Cash Balances - Beginning of Year.....	<u>232,931</u>	<u>4,962</u>	<u>95,337</u>	<u>333,230</u>
Cash Balances - End of Year.....	<u>\$ 276,810</u>	<u>\$ 1,837</u>	<u>\$ 104,448</u>	<u>\$ 383,095</u>
Cash Basis Fund Balances				
Unreserved	<u>\$ 276,810</u>	<u>\$ 1,837</u>	<u>\$ 104,448</u>	<u>\$ 383,095</u>

See accompanying notes to the financial statements.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The City of Belmond, Iowa, is a political subdivision of the State of Iowa located in Wright County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and council members elected on a nonpartisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

Reporting Entity

For financial reporting purposes, the City of Belmond 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 Belmond (the primary government) and do not include its component units, Belmond Community Hospital (Hospital) and the Belmond Public Library Foundation (Foundation) which also includes Friends of the Talbot Belmond Public Library (Friends).

Excluded Component Units

The Hospital is governed by its own Board of Trustees and is dependent on the City Council to approve any debt or payment thereof in excess of the amount of taxes already levied. The Hospital issues its own financial statements prepared in accordance with generally accepted accounting principles. Management has elected to exclude all financial information of the Hospital for financial reporting purposes. A copy of the Hospital's financial statements may be obtained from Lee Ann Waltzing, City Manager/Clerk, Belmond City Hall, Belmond, Iowa.

The Foundation and Friends (an Iowa nonprofit corporation) is a legally separate entity from the City. The Foundation and Friends are governed by their own board. The Foundation and Friends were formed for the direct benefit of the Talbot Belmond Public Library (Library). Economic resources received by the Foundation and Friends are used for the direct benefit of the Library and, therefore, the City's constituents.

The Foundation and Friends have a November fiscal year end. The Foundation and Friends do not prepare financial statements; therefore, audited financial statements are not available. Management has elected to exclude the cash transactions of the Foundation and Friends from City financial statements. Unaudited financial information from the Foundation and Friends' fiscal year end 2007 tax return includes total receipts of \$16,762, cash disbursements of \$15,985, a beginning balance of \$103,894 and an ending balance of \$104,671. Therefore, to avoid material misstatements of governmental activities and aggregate nonmajor fund information of the City, the Foundation and Friends should be included as a discrete component unit in the City's financial statements.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods and services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Wright County Assessor's Conference Board, Wright County Communications Commission, Wright County Area Landfill Authority, MIDAS Council of Government and the Mid-Iowa Regional Housing Association.

Basis of Presentation

Government-Wide Financial Statements

The statement of activities and net assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities and net assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Total restricted net assets at June 30, 2008 were \$710,170.

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

The statement of activities and net assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Special Revenue

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

The *Local Option Sales Tax Fund* is used to account for local option sales tax collections and transfers.

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

The *Capital Projects - Streets Fund* is used to account for bond proceeds and construction costs related to the street improvement project.

The *Capital Projects - Pool Fund* is used to account for bond proceeds and construction costs related to the pool improvement project.

The City reports the following major proprietary funds:

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

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

Basis of Accounting

The City of Belmond maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the fund in accordance with accounting principles generally accepted in the United States of America.

Proprietary funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2008, the City did not exceed the amounts budgeted.

(2) Deposits and Investments

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

Notes to the Financial Statements

(2) Deposits and Investments

The City is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities, certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council, prime eligible bankers acceptances, certain high-rated commercial paper, perfected repurchase agreements, certain registered open-end management investment companies, certain joint investment trusts and warrants or improvement certificates of a drainage district.

City investments are categorized to give an indication of the level of risk assumed by the City at year end. The City had no investments at June 30, 2008.

(3) Bonded Indebtedness

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

Year Ending 6-30	General Obligation Bonds		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 311,000	\$ 133,238	\$ 216,700	\$ 34,443	\$ 527,700	\$ 167,681
2010	331,000	119,697	—	—	331,000	119,697
2011	346,000	105,081	—	—	346,000	105,081
2012	291,000	90,468	—	—	291,000	90,468
2013	190,000	81,267	—	—	190,000	81,267
2014-18	1,045,000	285,462	—	—	1,045,000	285,462
2019-23	605,000	97,571	—	—	605,000	97,571
2024-25	210,000	9,091	—	—	210,000	9,091
	<u>\$ 3,329,000</u>	<u>\$ 921,875</u>	<u>\$ 216,700</u>	<u>\$ 34,443</u>	<u>\$ 3,545,700</u>	<u>\$ 956,318</u>

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City.

Notes to the Financial Statements

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 3.9% of their annual covered salary and the City is required to contribute 6.05% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$41,091, \$37,065 and \$36,983, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2008, primarily relating to the General Fund is as follows:

Type of Benefit	June 30, 2008
Vacation.....	<u>\$ 19,415</u>

This liability has been computed based on rates of pay as of June 30, 2008.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer To	Transfer From	Amount
General	Special Revenue	
	Road Use Tax	\$ 1,000
	Employee Benefits	127,502
	Emergency	440
	Enterprise	
	Water	1,000
	Sewer Rental	<u>39,615</u>
		<u>169,557</u>
Special Revenue	General	
Employee Benefits		<u>74</u>

Notes to the Financial Statements

(6) Interfund Transfers

Transfer To	Transfer From	Amount
Debt Service	Special Revenue	
	Local Option Sales Tax	\$ 89,306
	Enterprise	
	Sewer Rental	<u>144,398</u>
		<u>233,704</u>
Special Revenue	Special Revenue	
TIF Sinking	Urban Renewal Tax Increment	
	Financing	<u>42,310</u>
Capital Projects	Special Revenue	
Pool	Local Option Sales Tax	<u>5,500</u>
Enterprise	Special Revenue	
Sewer Rental	Local Option Sales Tax	<u>53,600</u>
Total		<u>\$ 504,745</u>

(7) Risk Management

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 563 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200% 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.

Notes to the Financial Statements

(7) Risk Management

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2008 were \$44,856.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2008, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation and airport liability. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Wright County Area Landfill Authority

The City is a member of the Wright County Area Landfill Authority (Authority) which provides for the collection and disposal of solid waste produced or generated within the municipalities that are members. On dissolution of the corporation, the net assets of the Authority will be prorated among municipalities. The Authority is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction.

The Authority is not accumulating sufficient financial resources and the participating governments are obligated for a proportionate share of the debts; therefore, the City of Belmond has an ongoing financial responsibility.

Notes to the Financial Statements

(8) Wright County Area Landfill Authority

During 1994, the Authority issued \$460,000 in notes and used the proceeds to finance the costs of acquiring and constructing works and facilities useful for the collection and disposal of solid waste, including costs incurred or to be funded by the Authority on behalf of the County and the other Municipalities, consisting of certain landfill closure costs, the acquisition of equipment and machinery, transfer station improvements and composting facilities and the refunding of outstanding indebtedness incurred by the Authority with respect thereto. The City's share of the debt totaled approximately \$9,293 at June 30, 2008.

The City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2008, the City of Belmond paid the Authority \$64,000 for its share of the costs. Financial statements for the Authority can be obtained from the Wright County Area Landfill Authority.

(9) Deficit Balance

The Capital Projects - Pool Fund had a deficit balance of \$31,279 at June 30, 2008. The deficit balance was a result of insufficient contributions and transfers. The deficit will be eliminated with additional contributions and transfers.

(10) Health Care Facility Revenue Bond

During 1997, the City issued a \$287,722 health care facility bond under the provisions of Chapter 419 of the Code of Iowa, of which \$172,844 was outstanding at June 30, 2008. The bond and related interest are payable from the rents paid by tenants of the borrower's facilities. The bond principal and interest do not constitute liabilities of the City.

(11) Commitments

At June 30, 2008, the City had entered into various contracts totaling approximately \$1.4 million for street improvement, swimming pool improvement and sanitary sewer projects and contracts for engineering services related to these projects. The unpaid commitment on these contracts totaled approximately \$168,000 at June 30, 2008.

Required Supplementary Information



Schedule of Budgetary Comparison of Receipts, Disbursements and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Year Ended June 30, 2008

	Govern- mental Funds Actual	Propri- etary Funds Actual	Net	Budget Amounts		Final to Variance
				Original	Final	
Receipts						
Property tax	\$ 816,941	\$ —	\$ 816,941	\$ 814,397	\$ 814,621	\$ 2,320
TIF collections	31,553	—	31,553	32,068	32,068	(515)
Other city tax	252,173	—	252,173	180,205	232,205	19,968
Licenses and permits	7,074	—	7,074	5,280	5,280	1,794
Use of money and property	58,926	17,684	76,610	24,580	61,274	15,336
Intergovernmental	324,731	2,238	326,969	241,000	327,114	(145)
Charges for service	42,258	690,714	732,972	789,800	750,872	(17,900)
Special assessments	32	—	32	—	32	—
Miscellaneous	262,168	26,208	288,376	112,655	320,502	(32,126)
Total Receipts	1,795,856	736,844	2,532,700	2,199,985	2,543,968	(11,268)
Disbursements						
Public safety	394,758	—	394,758	403,117	405,019	10,261
Public works	257,042	—	257,042	242,950	264,252	7,210
Health and social services	6,125	—	6,125	8,050	8,075	1,950
Culture and recreation	258,554	—	258,554	289,175	285,449	26,895
Community and economic development	98,908	—	98,908	159,800	152,861	53,953
General government	204,863	—	204,863	210,701	217,344	12,481
Debt service	484,029	—	484,029	480,870	510,430	26,401
Capital projects	1,147,992	21,882	1,169,874	896,893	1,298,799	128,925
Business-type activities	—	533,684	533,684	2,529,368	565,002	31,318
Total Disbursements	2,852,271	555,566	3,407,837	5,220,924	3,707,231	299,394
Receipts Over (Under) Disbursements	(1,056,415)	181,278	(875,137)	(3,020,939)	(1,163,263)	(288,126)
Other Financing Sources, Net	261,902	(131,413)	130,489	35,500	165,988	35,499
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(794,513)	49,865	(744,648)	(2,985,439)	(997,275)	(252,627)
Balances - Beginning of Year	2,114,423	333,230	2,447,653	6,140,538	2,447,650	(3)
Balances - End of Year	\$ 1,319,910	\$ 383,095	\$ 1,703,005	\$ 3,155,099	\$ 1,450,375	\$(252,630)

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 a permanent fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and nonprogram. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects funds and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by approximately \$1.5 million. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements did not exceed the amounts budgeted.

Other Supplementary Information 

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

Year Ended June 30, 2008

	Special Revenue											Capital Projects			Permanent Cemetery	Total	
	Employee Benefits	Emergency	Urban Renewal Tax Increment	Community Room	Economic Development	Housing Assistance	Library Improvement	TIF Sinking Fund	Memorial Park Fund	Veterans Memorial Fund	Resti-tution Fund	Christmas Decoration Fund	Industrial Park	150th Street	Traffic Lights		Perpetual Care
Receipts																	
Property tax.....	\$ 115,744	\$ 223	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 115,967
TIF collections.....	—	—	31,553	—	—	—	—	—	—	—	—	—	—	—	—	—	31,553
Other city tax.....	5,041	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	5,041
Use of money and property.....	—	—	18	1,204	3,056	—	198	775	187	79	18	1,034	2,320	2,295	240	—	11,424
Intergovernmental.....	—	—	—	—	—	72,205	—	—	—	—	—	—	—	—	—	—	72,205
Miscellaneous.....	8,106	—	—	—	7,118	—	4,600	—	1,578	15	777	—	—	—	—	950	23,144
Total Receipts	128,891	223	31,571	1,204	10,174	72,205	4,798	775	1,765	94	795	1,034	2,320	2,295	240	950	259,334
Disbursements																	
Operating																	
Public safety.....	—	—	—	—	—	—	—	—	—	—	928	—	—	—	—	—	928
Culture and recreation.....	—	—	—	—	—	—	—	—	—	—	—	672	—	—	—	—	672
Community and economic development	—	—	4,533	1,451	2,983	74,681	—	—	—	—	—	—	—	—	—	—	83,648
Debt service.....	—	—	—	—	—	—	—	30,150	—	—	—	—	—	—	—	—	30,150
Capital projects.....	—	—	—	—	—	—	6,399	—	—	—	—	—	145	2	—	—	6,546
Total Disbursements	—	—	4,533	1,451	2,983	74,681	6,399	30,150	—	—	928	672	145	2	—	—	121,944
Receipts Over (Under) Disbursements	128,891	223	27,038	(247)	7,191	(2,476)	(1,601)	(29,375)	1,765	94	(133)	362	2,175	2,293	240	950	137,390
Other Financing Sources (Uses)																	
Interfund loan proceeds.....	—	—	11,000	—	—	—	—	—	—	—	—	—	—	—	—	—	11,000
Interfund loan payments.....	—	—	(5,638)	—	—	—	—	—	—	—	—	—	—	—	—	—	(5,638)
Operating transfers in.....	74	—	—	—	—	—	—	42,310	—	—	—	—	—	—	—	—	42,384
Operating transfers out.....	(127,502)	(440)	(42,310)	—	—	—	—	—	—	—	—	—	—	—	—	—	(170,252)
Total Other Financing Sources (Uses)	(127,428)	(440)	(36,948)	—	—	—	—	42,310	—	—	—	—	—	—	—	—	(122,506)
Increase (Decrease) in Cash Balances	1,463	(217)	(9,910)	(247)	7,191	(2,476)	(1,601)	12,935	1,765	94	(133)	362	2,175	2,293	240	950	14,884
Cash Balances - Beginning of Year.....	495	217	16,463	3,646	104,520	33,781	9,424	(12,430)	7,412	2,761	1,998	36,252	95,923	97,000	8,342	56,775	462,579
Cash Balances - End of Year	\$ 1,958	\$ —	\$ 6,553	\$ 3,399	\$ 111,711	\$ 31,305	\$ 7,823	\$ 505	\$ 9,177	\$ 2,855	\$ 1,865	\$ 36,614	\$ 98,098	\$ 99,293	\$ 8,582	\$ 57,725	\$ 477,463
Cash Basis Fund Balances																	
Unreserved																	
Special Revenue Funds.....	\$ 1,958	\$ —	\$ 6,553	\$ 3,399	\$ 111,711	\$ 31,305	\$ 7,823	\$ 505	\$ 9,177	\$ 2,855	\$ 1,865	\$ 36,614	\$ —	\$ —	\$ —	\$ —	\$ 213,765
Capital Projects Funds.....	—	—	—	—	—	—	—	—	—	—	—	—	98,098	99,293	8,582	—	205,973
Permanent Fund.....	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	57,725	57,725
Total Cash Basis Fund Balances	\$ 1,958	\$ —	\$ 6,553	\$ 3,399	\$ 111,711	\$ 31,305	\$ 7,823	\$ 505	\$ 9,177	\$ 2,855	\$ 1,865	\$ 36,614	\$ 98,098	\$ 99,293	\$ 8,582	\$ 57,725	\$ 477,463

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

Year Ended June 30, 2008

	Customer Deposits	Landfill	Total
Operating Receipts			
Use of money and property	\$ —	\$ 1,707	\$ 1,707
Charges for service	—	70,999	70,999
Miscellaneous.....	1,685	881	2,566
Total Operating Receipts	<u>1,685</u>	<u>73,587</u>	<u>75,272</u>
Operating Disbursements			
Business-type activities	<u>233</u>	<u>65,928</u>	<u>66,161</u>
Increase in Cash Balances	1,452	7,659	9,111
Cash Balances - Beginning of Year.....	<u>28,435</u>	<u>66,902</u>	<u>95,337</u>
Cash Balances - End of Year	<u>\$ 29,887</u>	<u>\$ 74,561</u>	<u>\$ 104,448</u>
Cash Basis Fund Balances			
Unreserved	<u>\$ 29,887</u>	<u>\$ 74,561</u>	<u>\$ 104,448</u>

Schedule of Indebtedness

Year Ended June 30, 2008

	Amount Originally Issued	Date of Issue	Interest Rates	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds									
Fire station.....	\$ 400,000	4-15-02	4.50%	\$ 220,000	\$ —	\$ 50,000	\$ 170,000	\$ 9,900	\$ —
Street improvement	1,800,000	3-20-03	2.85 - 4.55	1,530,000	—	110,000	1,420,000	56,193	—
G.O. Refunding Capital Loan Bonds	850,000	12-1-05	4.15 - 5.50	635,000	—	115,000	520,000	29,398	—
Street improvement	1,115,000	3-27-07	3.70 - 4.30	1,115,000	—	—	1,115,000	53,797	—
Pool improvement.....	130,000	8-1-07	3.70 - 3.80	—	130,000	26,000	104,000	3,560	—
Total General Obligation Bonds.....				<u>\$ 3,500,000</u>	<u>\$ 130,000</u>	<u>\$ 301,000</u>	<u>\$ 3,329,000</u>	<u>\$ 152,848</u>	<u>\$ —</u>
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds									
Dumond Estates	\$ 400,000	2-18-98	5.00%	<u>\$ 241,700</u>	<u>\$ —</u>	<u>\$ 25,000</u>	<u>\$ 216,700</u>	<u>\$ 5,150</u>	<u>\$ 23,622</u>

Schedule of Bond and Note Maturities

At June 30, 2008

Year Ending June 30,	General Obligation Notes										Urban Renewal Tax Increment (TIF) Revenue Bond Dumond Estates Issued 2-18-98		
	Fire Station Issued 4-15-02		Street Improvement Issued 3-20-03		Refunding Capital Loan Issued 12-1-05		Street Improvement Issued 3-27-07		Pool Improvement Issued 8-1-07		Total	Interest Rates	Amount
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount			
2009.....	4.50%	\$ 55,000	2.85%	\$ 110,000	5.30%	\$ 120,000	—	\$ —	3.70%	\$ 26,000	\$ 311,000	5.00%	\$ 216,700
2010.....	4.50	55,000	3.05	115,000	5.40	130,000	3.70%	5,000	3.70	26,000	331,000	—	—
2011.....	4.50	60,000	3.35	120,000	5.50	135,000	3.75	5,000	3.75	26,000	346,000	—	—
2012.....	—	—	3.55	125,000	4.15	135,000	3.80	5,000	3.80	26,000	291,000	—	—
2013.....	—	—	3.75	130,000	—	—	3.85	60,000	—	—	190,000	—	—
2014.....	—	—	3.95	130,000	—	—	3.88	70,000	—	—	200,000	—	—
2015.....	—	—	4.05	130,000	—	—	3.90	72,000	—	—	202,000	—	—
2016.....	—	—	4.15	130,000	—	—	3.95	75,000	—	—	205,000	—	—
2017.....	—	—	4.30	140,000	—	—	4.00	78,000	—	—	218,000	—	—
2018.....	—	—	4.45	140,000	—	—	4.05	80,000	—	—	220,000	—	—
2019.....	—	—	4.55	150,000	—	—	4.10	84,000	—	—	234,000	—	—
2020.....	—	—	—	—	—	—	4.15	87,000	—	—	87,000	—	—
2021.....	—	—	—	—	—	—	4.20	90,000	—	—	90,000	—	—
2022.....	—	—	—	—	—	—	4.20	95,000	—	—	95,000	—	—
2023.....	—	—	—	—	—	—	4.20	99,000	—	—	99,000	—	—
2024.....	—	—	—	—	—	—	4.25	103,000	—	—	103,000	—	—
2025.....	—	—	—	—	—	—	4.30	107,000	—	—	107,000	—	—
Totals.....		\$ 170,000		\$ 1,420,000		\$ 520,000		\$ 1,115,000		\$ 104,000	\$ 3,329,000		\$ 216,700

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

Years Ended June 30, 2005 Through 2008

	2008	2007	2006	2005
Receipts				
Property taxes	\$ 816,941	\$ 807,969	\$ 799,193	\$ 803,228
Tax increment financing	31,553	32,141	28,059	27,919
Other city taxes.....	252,173	250,913	207,637	255,355
Licenses and permits.....	7,074	5,199	6,178	5,070
Use of money and property	58,926	37,314	22,272	16,687
Intergovernmental.....	324,731	369,554	247,258	246,822
Charges for service	42,258	45,179	37,609	43,958
Special assessments.....	32	18	—	18
Miscellaneous.....	<u>262,168</u>	<u>203,188</u>	<u>213,431</u>	<u>142,723</u>
Total Receipts	<u>\$ 1,795,856</u>	<u>\$ 1,751,475</u>	<u>\$ 1,561,637</u>	<u>\$ 1,541,780</u>
Disbursements				
Public safety	\$ 394,758	\$ 403,876	\$ 374,039	\$ 329,833
Public works	257,042	234,675	267,905	193,829
Health and social services.....	6,125	13,265	625	12,125
Culture and recreation	258,554	337,101	321,933	252,874
Community and economic development	98,908	137,154	30,618	41,922
General government.....	204,863	185,489	164,758	175,801
Debt service.....	484,029	393,643	1,294,286	476,996
Capital projects.....	<u>1,147,992</u>	<u>125,164</u>	<u>33,284</u>	<u>1,024,701</u>
Total Disbursements	<u>\$ 2,852,271</u>	<u>\$ 1,830,367</u>	<u>\$ 2,487,448</u>	<u>\$ 2,508,081</u>

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

To the Honorable Mayor and
Members of the City Council
City of Belmond, Iowa

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Belmond, Iowa, as of and for the year ended June 30, 2008, and have issued our report thereon dated September 22, 2008. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Belmond'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 of Belmond's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Belmond'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 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 of Belmond's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Belmond's financial statements that is more than inconsequential will not be prevented or detected by the City of Belmond's internal control. We consider the deficiencies in internal control described below to be significant deficiencies in internal control over financial reporting.

The prior year significant deficiency has not been resolved and is repeated below as 08-IC-1.

08-IC-1 Segregation of Duties

Prior Year Finding and Recommendation - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that incompatible duties are being performed by the same person. We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Current Year Finding - We found that the same conditions existed.

Auditor's Recommendation - We reiterate the prior year recommendation.

City's Response - The City is aware of the lack of segregation of duties and has considered alternatives to improve this situation.

Auditor's Conclusion - Response accepted.

08-IC-2 Financial Statement Preparation - The City does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with generally accepted accounting principles. As is inherent in many organizations of this size, the City has management and employees who, while knowledgeable and skillful, do not have the time to maintain the current knowledge and expertise to fully apply cash basis accounting principles in preparing the financial statements and the related disclosures.

Auditor's Recommendation - The City should obtain additional knowledge through reading relevant accounting literature and attending local professional education courses.

City's Response - The City will consider obtaining additional knowledge where cost effective but will continue to rely on its audit firm for assistance with drafting the financial statements and disclosures.

Auditor's Conclusion - Response accepted.

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 of Belmont'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. We believe the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Belmond'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 or other matters that are required to be reported under *Government Auditing Standards*.

The following comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have all been resolved, except comments 08-C-8 and 08-C-9 which are repeated below.

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

- 08-C-1 Certified Budget** - Disbursements for the year ended June 30, 2008 did not exceed the amounts budgeted.
- 08-C-2 Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion.
- 08-C-3 Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 08-C-4 Business Transactions** - Business transactions between the City and City officials or employees were as follows:

Name, Title and Business Connection	Transaction Description	Amount
Harlan Tulp, Council Member, owner of H & K Plumbing & Heating	Plumbing repair	\$ 1,014
Bradley Bloemke, Council Member, owner of Bloemke Pharmacy	Office supplies	28
Sidney Swenson, Council Member, owner of Swenson Signs	Cemetery signs	150

In accordance with Chapter 362.5 of the Code of Iowa, the above transactions do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year.

- 08-C-5 Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

08-C-6 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

08-C-7 Deposits and Investments - We noted no instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

08-C-8 TIF Urban Renewal Notes

Prior Year Finding and Recommendation - The sinking fund is not adequately funded and the City did not pay a portion of the principal and interest that was due on the notes. The notes are not general obligations of the City, but have the first lien on revenue from the TIF Urban Renewal Project. Some of the TIF revenue was not used to fund the sinking fund or pay principal and interest due. The lender has the first right to the funds, and TIF revenue should not be used for other purposes until the sinking fund is adequately funded and payments are current. The City should adequately fund the sinking fund if possible and first use the revenue from the TIF Urban Renewal Project to make the necessary transfers of principal and interest into these accounts before making other disbursements.

Current Year Finding - We found that the same conditions existed.

Auditor's Recommendation - We reiterate the prior year recommendation.

City's Response - The City will use future TIF revenue to pay minor maintenance costs and the remaining revenue will be used to fund the proper sinking fund accounts.

Auditor's Conclusion - Response accepted.

08-C-9 Financial Condition - The Capital Projects - Pool Fund had a deficit balance at June 30, 2008 of \$31,279.

Auditor's Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

City's Response - The deficit was due to insufficient contributions and transfers. The deficit will be eliminated in the next year.

Auditor's Conclusion - Response accepted.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Belmond and other parties to whom the City of Belmond may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

HOGAN - HANSEN

HOGAN - HANSEN

Mason City, Iowa
September 22, 2008