

CITY OF LAMONI

**INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

JUNE 30, 2009

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City of Lamoni

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Hammer	Mayor	January 2010
Roger Potts	Mayor Pro-Tem	January 2012
Mark Ballantyne	Council Member	January 2010
Anthony Crandell	Council Member	January 2010
Diane Gray	Council Member	January 2010
Doug Foster	Council Member	January 2012
Barb Stuck	Clerk/Administrator/Treasurer	Indefinite
Judy Harris	Deputy Clerk	Indefinite
Robert Rolfe	City Attorney	Indefinite



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

October 26, 2009

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni, Iowa, as of and for the year ended June 30, 2009, 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 Lamoni's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

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Independent Auditor's Report
City of Lamoni

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 26, 2009 on our consideration of the City of Lamoni'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 the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, 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 Lamoni's basic financial statements. The financial statements for the six years ended June 30, 2008 (none of which are presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schroer & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lamoni, we offer readers of the City of Lamoni's financial statements this narrative overview and analysis of the financial activities of the City of Lamoni for the fiscal year ending June 30, 2009. This section should be read in conjunction with the financial statements and the accompanying notes that follow.

2009 Financial Highlights

- Receipts of the City's governmental activities decreased by 16.8% or approximately \$330,000 from fiscal 2008 to fiscal 2009. Property tax increased approximately \$79,000. Note proceeds decreased approximately \$385,000 and sale of assets decreased \$205,000.
- Disbursements increased 12.4%, or approximately \$213,000, from fiscal 2008 to fiscal 2009. Public safety increased approximately \$94,000, debt service increased approximately \$56,000, and capital projects increased approximately \$96,000.
- The City's total cash basis net assets decreased by \$482,170 from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased \$234,702 and the assets of the business type activities decreased by \$247,468.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the non-major governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitation 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?" The Statement of Activities and Net Assets reports information which helps answer this question.

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the electric and gas utilities, 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: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The Governmental Fund Financial Statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the electric, gas, water and sewer funds, all considered to be 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 \$234,702 from a year ago. 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,	
	2009	2008
Receipts:		
Program receipts:		
Charges for service	\$ 235,674	298,347
Operating grants, contributions and restricted interest	298,796	288,738
Capital grants, contributions and restricted interest	354,025	456
General receipts:		
Property tax	602,786	523,413
Tax increment financing	28,035	40,923
Local option sales tax	106,920	131,350
Grants and contributions not restricted to specific purpose	1,293	49,972
Unrestricted interest on investments	1,135	979
Bond and note proceeds	-	385,000
Miscellaneous	-	34,344
Sale of assets	-	205,000
Total receipts	<u>1,628,664</u>	<u>1,958,522</u>
Disbursements:		
Public safety	326,683	232,799
Public works	483,886	499,136
Culture and recreation	261,384	226,990
Community and economic development	64,795	137,163
General government	158,924	138,969
Debt service	201,079	144,511
Capital projects	426,256	330,787
Total disbursements	<u>1,923,007</u>	<u>1,710,355</u>
Change in cash basis net assets before transfers	(294,343)	248,167
Transfers, net	<u>59,641</u>	<u>72,323</u>
Change in cash basis net assets	(234,702)	320,490
Cash basis net assets beginning of year	<u>594,537</u>	<u>274,047</u>
Cash basis net assets end of year	<u>\$ 359,835</u>	<u>594,537</u>

The total receipts for governmental activities decreased \$329,858. The total cost of all programs and services increased by \$212,652. The significant decrease in receipts was due to the issuance of note proceeds in the prior year, and the sale of assets in the prior year.

The City property tax collections increased by \$79,373 from the prior year.

The cost of all governmental activities this year was \$1,923,007 compared to \$1,710,355 last year.

Increase in costs noted for public safety, culture and recreation, general government, debt service and capital projects.

As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was \$1,034,512, due to costs paid by those directly benefited from the programs of \$235,674 or by other governments, organizations that subsidized certain programs with grants, contributions and restricted interest of \$298,796 and by a capital grant received of \$354,025.

<u>Changes in Cash Basis Net Assets of Business Type Activities</u>		
	<u>Year ended June 30,</u>	
	<u>2009</u>	<u>2008</u>
Receipts:		
Program receipts:		
Charges for service:		
Electric	\$ 2,164,566	2,085,977
Gas	928,468	939,259
Water	440,746	468,644
Sewer	233,241	257,908
Operating grants, contributions and restricted interest	1,958	-
General receipts:		
Unrestricted interest on investments	61,668	78,804
Bond and note proceeds	30,281	-
Total receipts	<u>3,860,928</u>	<u>3,830,592</u>
Disbursements:		
Electric	2,134,497	1,942,552
Gas	1,149,403	871,837
Water	468,995	459,398
Sewer	295,860	218,048
Total disbursements	<u>4,048,755</u>	<u>3,491,835</u>
Change in cash basis net assets before transfers	(187,827)	338,757
Transfers, net	<u>(59,641)</u>	<u>(72,323)</u>
Change in cash basis net assets	(247,468)	266,434
Cash basis net assets beginning of year	<u>2,115,063</u>	<u>1,848,629</u>
Cash basis net assets end of year	<u>\$ 1,867,595</u>	<u>2,115,063</u>

Total business type activities receipts for the fiscal year were \$3,860,928 compared to \$3,830,592 last year. The cash balance decreased by \$247,468. Total disbursements for the fiscal year increased \$556,920.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Lamoni completed the year, its governmental funds reported a combined fund balance of \$359,835, a decrease of \$234,702 from last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund balance at the end of the year was \$25,352, a decrease of \$69,942 from the prior year primarily due to the costs paid for an ice storm in anticipation of FEMA reimbursement which was not received in the current year.
- The Road Use Tax Fund balance at the end of the fiscal year was \$124,595, an increase of \$19,601.
- The Local Option Sales Tax Fund balance at the end of the fiscal year was \$261,985, an increase of \$4,628 from the prior year.
- The Debt Service Fund balance was (49,807), a decrease of \$(35,007) from the prior year due to insufficient levy of taxes.
- The Capital Projects Fund at the end of the fiscal year was \$16,278, a decrease of \$72,231 from the prior year due to costs paid for an airport improvement project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Electric Fund balance at the end of the fiscal year was \$791,320, an increase of \$24,398 from the prior year.
- The Gas Fund balance at the end of the fiscal year was \$237,495, a decrease of \$218,819 due to the purchase of gas inventory for storage in anticipation of much higher prices later in the year.
- The Water Fund balance at the end of the fiscal year was \$399,085, a decrease of \$521 from the prior year.
- The Sewer Fund balance at the end of the fiscal year was \$439,695, a decrease of \$52,526 from the prior year due to the replacement of a sewer jet/truck and repairs made to the main lift station.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City budget was amended by \$554,065 for receipts and \$953,000 for disbursements. City receipts were approximately \$155,000 less than budgeted primarily due to the anticipation of FEMA funds that were not yet received. After the budget amendment, total disbursements were approximately \$66,000 more than anticipated primarily due to additional costs for ice storm repairs and an airport capital project.

DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$1,997,000 in bonds and other long-term debt, compared to approximately \$2,290,000 last year as shown below:

	Outstanding Debt at Year End (Expressed in Thousands)	
	Year ended June 30,	
	2009	2008
General obligation notes and bonds	\$ 898	\$ 1,047
Revenue bonds and notes	1,007	1,161
Other debt	92	82
	<u>\$ 1,997</u>	<u>\$ 2,290</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$898,000 is below its constitutional debt limit of approximately \$2,900,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Lamoni's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates, and fees that will be charged for various City activities.

Due to the global economy and the state of the Iowa economy, the council and administration will be taking a conservative approach to spending in the foreseeable future. The immediate impact on our receipts is not substantial, but over the long term the trickledown effect will have an adverse effect on the City. We are projecting that there will be less funding available for capital improvement projects. Grants will be harder if not impossible to obtain.

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 Barb Stuck, City Clerk, 190 South Chestnut Street, Lamoni, Iowa.

City of Lamoni

City of Lamoni
Basic Financial Statements

City of Lamoni
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2009

		Program Receipts	
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 326,683	3,681	24,142
Public works	483,886	194,987	230,092
Culture and recreation	261,384	34,691	21,663
Community and economic development	64,795	-	10,042
General government	158,924	2,315	12,857
Debt service	201,079	-	-
Capital projects	426,256	-	-
Total governmental activities	1,923,007	235,674	298,796
Business type activities:			
Electric	2,134,497	2,164,566	-
Gas	1,149,403	928,468	-
Water	468,995	440,746	1,958
Sewer	295,860	233,241	-
Total business type activities	4,048,755	3,767,021	1,958
Total	\$ 5,971,762	4,002,695	300,754

General Receipts:

Property tax levied for:
 General purposes
 Debt service
 Tax increment financing
 Local option sales tax
 Grants and contributions not restricted to specific purpose
 Unrestricted interest on investments
 Interim note proceeds
 Transfers
 Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year, restated

Cash basis net assets end of year

Cash Basis Net Assets:

Reserved for debt service
 Restricted:
 Streets
 Local option referendum purposes
 Capital projects
 Unrestricted

Total cash basis net assets

See notes to financial statements.

Capital Grants Contributions and Restricted Interest	Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
-	(298,860)	-	(298,860)
-	(58,807)	-	(58,807)
-	(205,030)	-	(205,030)
-	(54,753)	-	(54,753)
-	(143,752)	-	(143,752)
-	(201,079)	-	(201,079)
354,025	(72,231)	-	(72,231)
<u>354,025</u>	<u>(1,034,512)</u>	<u>-</u>	<u>(1,034,512)</u>
-	-	30,069	30,069
-	-	(220,935)	(220,935)
-	-	(26,291)	(26,291)
-	-	(62,619)	(62,619)
<u>-</u>	<u>-</u>	<u>(279,776)</u>	<u>(279,776)</u>
<u>354,025</u>	<u>(1,034,512)</u>	<u>(279,776)</u>	<u>(1,314,288)</u>
\$	458,961	-	458,961
	143,825	-	143,825
	28,035	-	28,035
	106,920	-	106,920
	1,293	-	1,293
	1,135	61,668	62,803
	-	30,281	30,281
	59,641	(59,641)	-
	<u>799,810</u>	<u>32,308</u>	<u>832,118</u>
	(234,702)	(247,468)	(482,170)
	<u>594,537</u>	<u>2,115,063</u>	<u>2,709,600</u>
\$	<u>359,835</u>	<u>1,867,595</u>	<u>2,227,430</u>
\$	-	251,565	251,565
	124,595	-	124,595
	261,985	-	261,985
	16,278	-	16,278
	(43,023)	1,616,030	(43,023)
\$	<u>359,835</u>	<u>1,867,595</u>	<u>2,227,430</u>

City of Lamoni
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2009

	General	Special Revenue		
		Road Use Tax	Local Option Sales Tax	Debt Service
Receipts				
Property tax	\$ 324,859	-	-	143,534
Tax increment financing collections	-	-	-	-
Other city tax	16,671	-	106,920	291
Licenses and permits	1,330	-	-	-
Use of money and property	13,170	-	-	-
Intergovernmental	13,701	202,778	-	-
Charges for service	215,379	-	-	-
Miscellaneous	35,668	-	-	-
Total receipts	620,778	202,778	106,920	143,825
Disbursements				
Operating:				
Public safety	202,261	-	74,216	-
Public works	214,690	183,177	-	-
Culture and recreation	185,623	-	28,076	-
Community and economic development	17,799	-	-	-
General government	129,780	-	-	-
Debt service	-	-	-	201,079
Capital projects	-	-	-	-
Total disbursements	750,153	183,177	102,292	201,079
Excess (deficiency) of receipts over (under) disbursements	(129,375)	19,601	4,628	(57,254)
Other financing sources (uses):				
Operating transfers in	59,433	-	-	22,247
Operating transfers out	-	-	-	-
Total other financing sources (uses)	59,433	-	-	22,247
Net change in cash balances	(69,942)	19,601	4,628	(35,007)
Cash balances beginning of year	95,294	104,994	257,357	(14,800)
Cash balances end of year	\$ 25,352	124,595	261,985	(49,807)
Cash Basis Fund Balances				
Reserved for debt service	\$ -	-	-	(49,807)
Unreserved:				
General fund	25,352	-	-	-
Special revenue funds	-	124,595	261,985	-
Capital projects fund	-	-	-	-
Total cash basis fund balances	\$ 25,352	124,595	261,985	(49,807)

See notes to financial statements.

Capital Projects	Other Nonmajor Governmental Funds	Total
-	117,188	585,581
-	28,035	28,035
-	243	124,125
-	-	1,330
-	2,535	15,705
350,197	14,864	581,540
-	-	215,379
3,828	37,473	76,969
<u>354,025</u>	<u>200,338</u>	<u>1,628,664</u>
-	50,206	326,683
-	86,019	483,886
-	47,685	261,384
-	46,996	64,795
-	29,144	158,924
-	-	201,079
426,256	-	426,256
<u>426,256</u>	<u>260,050</u>	<u>1,923,007</u>
(72,231)	(59,712)	(294,343)
-	-	81,680
-	(22,039)	(22,039)
-	(22,039)	59,641
<u>(72,231)</u>	<u>(81,751)</u>	<u>(234,702)</u>
88,509	63,183	594,537
<u>16,278</u>	<u>(18,568)</u>	<u>359,835</u>
-	-	(49,807)
-	-	25,352
-	(18,568)	368,012
16,278	-	16,278
<u>16,278</u>	<u>(18,568)</u>	<u>359,835</u>

City of Lamoni
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2009

	Enterprise Funds				
	Electric	Gas	Water	Sewer	Total
Operating receipts:					
Charges for service	\$ 2,032,511	924,431	414,886	230,016	3,601,844
Miscellaneous	129,640	4,037	22,098	3,225	159,000
Total operating receipts	<u>2,162,151</u>	<u>928,468</u>	<u>436,984</u>	<u>233,241</u>	<u>3,760,844</u>
Operating disbursements:					
Business type activities	<u>2,134,497</u>	<u>1,149,403</u>	<u>352,465</u>	<u>221,630</u>	<u>3,857,995</u>
Total operating disbursements	<u>2,134,497</u>	<u>1,149,403</u>	<u>352,465</u>	<u>221,630</u>	<u>3,857,995</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	27,654	(220,935)	84,519	11,611	(97,151)
Non-operating receipts (disbursements):					
Interest on investments	23,081	7,001	20,178	11,408	61,668
Rent	2,415	-	3,762	-	6,177
Intergovernmental	-	-	1,958	-	1,958
Debt service	-	-	(116,530)	(74,230)	(190,760)
Total non-operating receipts (disbursements)	<u>25,496</u>	<u>7,001</u>	<u>(90,632)</u>	<u>(62,822)</u>	<u>(120,957)</u>
Excess (deficiency) of receipts over (under) disbursements	53,150	(213,934)	(6,113)	(51,211)	(218,108)
Other financing sources (uses):					
Interim note proceeds	-	-	30,281	-	30,281
Operating transfers in	22,039	-	-	-	22,039
Operating transfers out	(50,791)	(4,885)	(24,689)	(1,315)	(81,680)
Total other financing sources (uses)	<u>(28,752)</u>	<u>(4,885)</u>	<u>5,592</u>	<u>(1,315)</u>	<u>(29,360)</u>
Net change in cash balances	24,398	(218,819)	(521)	(52,526)	(247,468)
Cash balances beginning of year	<u>766,922</u>	<u>456,314</u>	<u>399,606</u>	<u>492,221</u>	<u>2,115,063</u>
Cash balances end of year	<u>\$ 791,320</u>	<u>237,495</u>	<u>399,085</u>	<u>439,695</u>	<u>1,867,595</u>
Cash Basis Fund Balances					
Reserved for debt service	-	-	176,358	75,207	251,565
Unreserved	<u>791,320</u>	<u>237,495</u>	<u>222,727</u>	<u>364,488</u>	<u>1,616,030</u>
Total cash basis fund balances	<u>\$ 791,320</u>	<u>237,495</u>	<u>399,085</u>	<u>439,695</u>	<u>1,867,595</u>

See notes to financial statements.

City of Lamoni
Notes to Financial Statements
June 30, 2009

NOTE (1) Summary of Significant Accounting Policies

The City of Lamoni is a political subdivision of the State of Iowa located in Decatur County. It was first incorporated in 1885 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides electric, gas, water and sewer utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Decatur County Assessor's Conference Board, the Decatur County Emergency Management Commission, and the Wayne-Ringgold-Decatur County Solid Waste Management Commission and Southern Iowa Council of Governments.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

City of Lamoni
Notes to Financial Statements
June 30, 2009

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

City of Lamoni
Notes to Financial Statements
June 30, 2009

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue - Continued:

The Local Option Sales Tax Fund accounts for the local option sales tax received to be used for property tax relief, public safety and culture and recreation.

The Capital Projects Fund is used to account for all resources used in the construction of capital facilities with the exception of those that are financed through enterprise funds.

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

The City reports the following major proprietary funds:

The Electric Fund accounts for the delivery of electricity to the citizens and businesses of the City.

The Gas Fund accounts for the delivery of natural gas to the citizens and businesses of the City.

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 sanitary sewer system.

C. Measurement Focus and Basis of Accounting

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis 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 receipts.

City of Lamoni
Notes to Financial Statements
June 30, 2009

NOTE (1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting - Continued

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the public safety, community and economic development, debt service and business type activities functions.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2007, to compute the amounts which became liens on property on July 1, 2008. These taxes were due and payable in two installments on September 30, 2008 and March 31, 2009, at the Decatur County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2009, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
EE bonds	\$ 275	\$ 275	January 2015

City of Lamoni
Notes to Financial Statements
June 30, 2009

NOTE (2) Cash and Pooled Investments – Continued

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$865 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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.

Credit risk – The City’s investment in the Iowa Public Agency Trust is unrated.

NOTE (3) Bonds and Notes Payable

Annual debt service requirements to maturity of general obligation, revenue, and other debt, are as follows:

Year Ending June 30,	General Obligation Bonds & Notes Principal	Revenue Bonds & Notes Principal	Other Debt Principal	Total Principal
2010	\$ 160,000	155,000	10,291	325,291
2011	165,000	162,000	10,420	327,000
2012	86,000	54,000	10,553	140,000
2013	92,000	56,000	6,000	148,000
2014	97,000	57,000	6,000	154,000
2015-2019	276,000	311,000	30,000	587,000
2020-2022	22,000	212,000	8,500	234,000
Total	\$ 898,000	1,007,000	81,764	1,915,291

Year Ending June 30,	General Obligation Bonds & Notes Interest	Revenue Bonds & Notes Interest	Other Debt Interest	Total Interest
2010	\$ 38,771	31,720	398	70,889
2011	31,390	26,440	269	57,830
2012	23,584	20,700	137	44,284
2013	20,150	19,080	-	39,230
2014	16,432	17,400	-	33,832
2015-2019	30,205	60,330	-	90,535
2020-2022	845	12,810	-	13,655
Total	\$ 161,377	188,480	804	350,255

Interest costs paid during the year ended June 30, 2009 totaled \$82,857.

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

The City has a general obligation debt limit of approximately \$2,900,000 which was not exceeded during the year ended June 30, 2009.

City of Lamoni
Notes to Financial Statements
June 30, 2009

NOTE (3) Bonds and Notes Payable - Continued

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$700,000 in water revenue notes issued in November 2004. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2011. Annual principal and interest payments on the notes are expected to require less than 80% of net receipts. Total principal and interest remaining to be paid on the notes is \$227,140. For the current year, principal and interest paid and total customer net receipts were \$116,530 and \$84,519, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$514,000 in sewer revenue notes issued in June 2002, and \$594,000 in sewer revenue notes issued in October 2002. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 90% of net receipts. The total principal and interest remaining to be paid on the notes is \$968,340. For the current year, principal and interest paid and total customer net receipts were \$74,230 and \$11,611, respectively.

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

- a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to a separate water revenue note sinking account for the purpose of making the note principal and interest payments when due.
- c) \$70,000 is required to be maintained in a water revenue note reserve account. The account is restricted for the purpose of paying the note principal and interest payments whenever, for any reason, the funds in the water revenue note sinking account is insufficient to pay such principal and interest when due.
- d) Monthly transfers of \$1,500 shall be made to the water revenue note improvement and extension account, after the sinking and reserve funds have been adequately funded. Transfers are to be made until \$125,000 has been accumulated. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for correcting any deficiencies in the sinking and revenue accounts.

City of Lamoni
Notes to Financial Statements
June 30, 2009

NOTE (3) Bonds and Notes Payable – Continued

- e) All funds remaining in the water account after the payment of all maintenance and operating expenses and required transfers shall be placed in the water revenue surplus account within the Enterprise Funds until a minimum of \$125,000 is accumulated. This account is restricted for the purpose of correcting any deficiencies in the sinking, reserve, and improvement and extension accounts.
- f) User rates shall be established at a level which produces and maintains net receipts at a level not less than 125% of the amount of principal and interest on the notes falling due in the next year.

The resolution providing for the issuance of the sewer revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- c) All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in the sewer revenue surplus account within the Enterprise Funds. This account is restricted for the purpose of correcting any deficiencies in the sinking account.
- d) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the next year.

Though current year net receipts do not meet the provisions of the bond resolutions above, the enterprise funds have excess fund balances which exceed the total debt service requirements falling due in the next year.

City of Lamoni
Notes to Financial Statements
June 30, 2009

NOTE (4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. 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, 2009, 2008, and 2007, were \$61,984, \$60,100, and \$55,193, respectively, equal to the required contributions for each year.

NOTE (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. City employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon retirement, up to a maximum of 480 hours. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2009, primarily relating to the General Fund and Proprietary Funds are as follows:

Type of Benefit	Amount
Vacation	\$ 33,984
Sick leave	82,763
	<u>\$ 116,747</u>

This liability is computed on rates of pay effective as of June 30, 2009.

City of Lamoni
Notes to Financial Statements
June 30, 2009

NOTE (6) Other Postemployment Benefits (OPEB)

City Employee Benefits

The City implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions* during the year ended June 30, 2009.

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 7 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$312 for single coverage and \$780 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2009, the City contributed \$390 and the plan member eligible for benefits contributed \$780 to the plan.

Utility Employee Benefits

The Lamoni Municipal Utilities implemented GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits other than Pensions* during the year ended June 30, 2009.

Plan Description - The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 16 active and 3 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which results in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utility and plan members are \$346 for single coverage and \$864 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2009, the Utility contributed \$5040 and plan members eligible for benefits contributed \$10,080 to the plan.

City of Lamoni
Notes to Financial Statements
June 30, 2009

NOTE (7) Interim Loan

The City entered into an interim loan agreement with Iowa Finance Authority, not to exceed \$49,625, for planning and design costs to upgrade the water system. The City drew down \$30,281 on the loan in October 2008. The loan bears 0% interest and is due January 10, 2011, or upon permanent financing.

NOTE (8) Commitment - Colony Housing Authority

In December 1979, the City entered into an agreement with Colony Housing Authority (CHA) of Lamoni, whereby CHA, who constructed and maintains a multiple dwelling complex for senior citizens, agreed to provide dining facilities for 30 additional persons. In consideration for the above, the City agreed to pay CHA \$500 per month commencing October 1, 1980, for a period of 480 months. The remaining balance at June 30, 2009 is \$68,500.

NOTE (9) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

Transfer to	Transfer from	Amount
General	Proprietary: Electric	\$ 50,791
	Gas	4,885
	Water	2,442
	Sewer	1,315
Debt Service	Proprietary: Water	22,247
Proprietary: Electric	Special Revenue: Trust Accounts	22,039
		<u>\$ 103,719</u>

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

NOTE (10) Risk Management

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

City of Lamoni
Notes to Financial Statements
June 30, 2009

NOTE (11) Economic Development

On August 9, 2001, the City entered into an agreement with Saab Auto and Lease, L.L.C. whereby the City will make economic development tax rebate payments to the Company for ten fiscal years during the term of the agreement. The amounts paid will represent the incremental property taxes paid with respect to the project by the Company in that fiscal year. The tax rebate payments shall not constitute general obligations of the City, but shall be paid solely and only from incremental property taxes received by the City attributable to the property. The City paid the Company \$8,478 during the fiscal year ended June 30, 2009.

On April 10, 2003, the City entered into a developing agreement with Southern Iowa Building Center, Inc. whereby the City agreed to make economic development tax rebate payments to the developer for ten fiscal years during the term of the agreement. The amounts paid will represent the property taxes paid with respect to the incremental value of the project, minus the amount of taxes levied. The rebate payments will be made on December 1 and June 1 of each fiscal year, beginning December 1, 2005 and continuing through and including June 1, 2014. The tax rebate payments shall not constitute general obligations of the City, but shall be paid solely and only from incremental property taxes received by the City. The City paid the developer \$21,463 during the fiscal year ended June 30, 2009.

NOTE (12) Wayne- Ringgold- Decatur County Solid Waste Management Commission

The City, in conjunction with thirty-one other municipalities and counties, has created the Wayne-Ringgold-Decatur County Solid Waste Management Commission. The Commission was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Commission is governed by a board composed of an elected representative of the governed body of each participating governmental jurisdiction. During the year ended June 30, 2009, the City of Lamoni paid the Wayne-Ringgold Decatur County Solid Waste Management Commission \$24,502. The City's future commitment is based on its population, which is currently computed at \$2.50 per capita per quarter.

Completed financial statements for the Commission can be obtained from the Commission.

City of Lamoni
Notes to Financial Statements
June 30, 2009

NOTE (13) Deficit Fund Balances

At June 30, 2009, the City had the following deficit fund balances:

Special Revenue Fund - Trust Accounts	\$	41,096	
Debt Service		49,807	
Capital Projects Fund – Airport Account		82,084	
Total	\$	172,987	

The deficits will be eliminated with transfers and grant reimbursements.

NOTE (14) Construction Commitments

In January 2009, the City was awarded a \$156,880 grant for an airport turnaround project. The City has the following commitments on the project:

	Contract Amount		Paid to Date		Remaining Commitment
Engineer	\$ 24,492	\$	15,952	\$	8,540
Contract	118,986	-	-	-	118,986
				\$	127,526

NOTE (15) Subsequent Events

In September 2009, the City entered into a construction contract for improvements to the water treatment plant for \$615,000.

Required Supplementary Information

City of Lamoni
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Actual
Receipts			
Property tax	\$ 585,581	-	585,581
Tax increment financing collections	28,035	-	28,035
Other city tax	124,125	-	124,125
Licenses and permits	1,330	-	1,330
Use of money and property	15,705	67,845	83,550
Intergovernmental	581,540	-	581,540
Charges for service	215,379	3,628,939	3,844,318
Miscellaneous	76,969	131,905	208,874
Total receipts	<u>1,628,664</u>	<u>3,828,689</u>	<u>5,457,353</u>
Disbursements			
Public safety	326,683	-	326,683
Public works	483,886	-	483,886
Culture and recreation	261,384	-	261,384
Community and economic development	64,795	-	64,795
General government	158,924	-	158,924
Debt service	201,079	-	201,079
Capital projects	426,256	-	426,256
Business type activities	-	4,048,755	4,048,755
Total disbursements	<u>1,923,007</u>	<u>4,048,755</u>	<u>5,971,762</u>
Excess (deficiency) of receipts over (under) disbursements	(294,342)	(220,066)	(514,409)
Other financing sources, net	<u>59,641</u>	<u>(27,402)</u>	<u>32,239</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(234,702)	(247,468)	(482,170)
Balances beginning of year	<u>594,537</u>	<u>2,115,063</u>	<u>2,709,600</u>
Balances end of year	<u>\$ 359,835</u>	<u>1,867,595</u>	<u>2,227,430</u>

See accompanying independent auditors' report.

<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Budget to Actual Variance</u>
595,232	595,232	(9,651)
23,500	28,000	35
146,000	146,000	(21,875)
4,468	4,668	(3,338)
5,250	6,000	77,550
259,806	744,776	(163,236)
3,993,785	4,003,935	(159,617)
30,025	83,520	125,354
<u>5,058,066</u>	<u>5,612,131</u>	<u>(154,778)</u>
289,037	309,037	(17,646)
405,880	551,380	67,494
264,387	264,387	3,003
26,750	60,750	(4,045)
146,262	164,762	5,838
178,433	178,433	(22,646)
-	535,000	108,744
<u>3,641,799</u>	<u>3,841,799</u>	<u>(206,956)</u>
<u>4,952,548</u>	<u>5,905,548</u>	<u>(66,214)</u>
105,518	(293,417)	(220,992)
-	-	32,239
105,518	(293,417)	(188,753)
<u>2,307,124</u>	<u>2,709,599</u>	<u>1</u>
<u>2,412,642</u>	<u>2,416,182</u>	<u>(188,752)</u>

City of Lamoni
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2009

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

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, 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 Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$953,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amended amounts budgeted in the public safety, community and economic development, debt service and business type activities functions.

Other Supplementary Information

City of Lamoni
 Schedule of Cash Receipts, Disbursements and Changes
 in Cash Balances – Nonmajor Governmental Funds
 As of and for the year ended June 30, 2009

	Special Revenue			Total
	Employee Benefits	Urban Renewal Tax Increment	Trust Accounts	
Receipts				
Property tax	\$ 117,188	-	-	117,188
Tax increment financing collections	-	28,035	-	28,035
Other city tax	243	-	-	243
Use of money and property	-	-	2,535	2,535
Intergovernmental	-	-	14,864	14,864
Miscellaneous	-	-	37,473	37,473
Total receipts	<u>117,431</u>	<u>28,035</u>	<u>54,872</u>	<u>200,338</u>
Disbursements				
Operating:				
Public safety	33,312	-	16,894	50,206
Public works	32,243	-	53,776	86,019
Culture and recreation	20,500	-	27,185	47,685
Community and economic development	848	29,941	16,207	46,996
General government	28,601	-	543	29,144
Capital projects	-	-	-	-
Total disbursements	<u>115,504</u>	<u>29,941</u>	<u>114,605</u>	<u>260,050</u>
Excess (deficiency) of receipts over (under) disbursements	1,927	(1,906)	(59,733)	(59,712)
Other financing sources (uses):				
Operating transfers out	-	-	(22,039)	(22,039)
Net change in cash balances	1,927	(1,906)	(81,772)	(81,751)
Cash balances beginning of year	113	22,394	40,676	63,183
Cash balances end of year	<u>\$ 2,040</u>	<u>20,488</u>	<u>(41,096)</u>	<u>(18,568)</u>
 Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	2,040	20,488	(41,096)	(18,568)
Total cash basis fund balances	<u>\$ 2,040</u>	<u>20,488</u>	<u>(41,096)</u>	<u>(18,568)</u>

See accompanying independent auditors' report.

City of Lamoni
Combining Schedule of Cash Receipts, Disbursements and Changes
in Cash Balances – Capital Projects Fund
As of and for the year ended June 30, 2009

	Capital Projects			
	Street	Trail	Airport	Total
Receipts				
Intergovernmental	\$ -	-	350,197	350,197
Miscellaneous	-	-	3,828	3,828
Total receipts	-	-	354,025	354,025
Disbursements				
Capital projects	-	-	426,256	426,256
Total disbursements	-	-	426,256	426,256
Net change in cash balances	-	-	(72,231)	(72,231)
Cash balances beginning of year	86,008	12,354	(9,853)	88,509
Cash balances end of year	\$ 86,008	12,354	(82,084)	16,278
 Cash Basis Fund Balances				
Unreserved:				
Capital Projects Fund	\$ 86,008	12,354	(82,084)	16,278
Total cash basis fund balances	\$ 86,008	12,354	(82,084)	16,278

See accompanying independent auditors' report.

City of Lamoni
Schedule of Indebtedness
Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Street improvement	Dec 1, 2000	5.50-5.60 %	\$ 530,000
Water improvement	Mar 1, 2001	3.84 %	298,000
Fire Station	Jul 7, 2005	3.60-4.10 %	300,000
Street improvement	Oct 15, 2007	4.00-4.50 %	385,000
Revenue bonds and notes:			
Sewer	Jun 30, 2002	3.00 %	\$ 514,000
Sewer	Oct 15, 2002	3.00 %	594,000
Water	Nov 15, 2004	3.40-3.80 %	700,000
Other debt:			
Crown colony contract	Oct 1, 1980	0.00 %	\$ 240,000
Airport loan	Apr 12, 2002	3.00 %	40,000
Interim Loan:			
Water	Oct 2, 2008	0.00 %	\$ 49,625

See accompanying independent auditors' report.

City of Lamoni
Bond and Note Maturities
June 30, 2009

Year Ending June 30,	General Obligation					
	Street Improvement Issued Dec 1, 2000		Water Improvement Issued Mar 1, 2001		Fire Station Issued Jul 7, 2005	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2010	5.50 %	\$ 75,000	3.84 %	\$ 15,000	3.60 %	\$ 30,000
2011	5.60 %	80,000	3.84 %	15,000	3.70 %	30,000
2012	-	-	3.84 %	16,000	3.80 %	30,000
2013	-	-	3.84 %	17,000	3.90 %	35,000
2014	-	-	3.84 %	17,000	4.00 %	35,000
2015	-	-	3.84 %	18,000	4.10 %	35,000
2016	-	-	3.84 %	18,000	-	-
2017	-	-	3.84 %	19,000	-	-
2018	-	-	3.84 %	20,000	-	-
2019	-	-	3.84 %	21,000	-	-
2020	-	-	3.84 %	22,000	-	-
		<u>\$ 155,000</u>		<u>\$ 198,000</u>		<u>\$ 195,000</u>

Year Ending June 30,	Revenue Bonds and Notes						
	Sewer Issued Jun 30, 2002		Sewer Issued Oct 15, 2002		Water Issued Nov 15, 2004		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2010	3.00 %	\$ 23,000	3.00 %	\$ 27,000	3.60 %	\$ 105,000	\$ 155,000
2011	3.00 %	24,000	3.00 %	28,000	3.80 %	110,000	162,000
2012	3.00 %	25,000	3.00 %	29,000	-	-	54,000
2013	3.00 %	26,000	3.00 %	30,000	-	-	56,000
2014	3.00 %	26,000	3.00 %	31,000	-	-	57,000
2015	3.00 %	27,000	3.00 %	32,000	-	-	59,000
2016	3.00 %	28,000	3.00 %	32,000	-	-	60,000
2017	3.00 %	29,000	3.00 %	33,000	-	-	62,000
2018	3.00 %	30,000	3.00 %	34,000	-	-	64,000
2019	3.00 %	31,000	3.00 %	35,000	-	-	66,000
2020	3.00 %	32,000	3.00 %	37,000	-	-	69,000
2021	3.00 %	33,000	3.00 %	38,000	-	-	71,000
2022	3.00 %	33,000	3.00 %	39,000	-	-	72,000
		<u>\$ 367,000</u>		<u>\$ 425,000</u>		<u>\$ 215,000</u>	<u>\$ 1,007,000</u>

See accompanying independent auditors' report.

Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
225,000	-	70,000	155,000	12,420	-
212,000	-	14,000	198,000	8,141	-
225,000	-	30,000	195,000	8,580	-
385,000	-	35,000	350,000	16,433	-
<u>1,047,000</u>	<u>-</u>	<u>149,000</u>	<u>898,000</u>	<u>45,574</u>	<u>-</u>
390,000	-	23,000	367,000	11,700	-
451,000	-	26,000	425,000	13,530	-
320,000	-	105,000	215,000	11,530	-
<u>1,161,000</u>	<u>-</u>	<u>154,000</u>	<u>1,007,000</u>	<u>36,760</u>	<u>-</u>
74,500	-	6,000	68,500	-	-
17,430	-	4,166	13,264	523	-
<u>91,930</u>	<u>-</u>	<u>10,166</u>	<u>81,764</u>	<u>523</u>	<u>-</u>
<u>-</u>	<u>30,281</u>	<u>-</u>	<u>30,281</u>	<u>-</u>	<u>-</u>

Bonds

Street Improvement
Issued Oct 15, 2007

Interest		
Rates	Amount	Total
4.00 %	\$ 40,000	\$ 160,000
4.10 %	40,000	165,000
4.20 %	40,000	86,000
4.25 %	40,000	92,000
4.35 %	45,000	97,000
4.40 %	45,000	98,000
4.45 %	50,000	68,000
4.50 %	50,000	69,000
-	-	20,000
-	-	21,000
-	-	22,000
	<u>\$ 350,000</u>	<u>\$ 898,000</u>

Other Debt

Year Ending June 30,	Crown Colony Contract Issued Oct 1, 1980		Airport Loan Issued Apr 12, 2002		Total
	Interest Rates	Amount	Interest Rates	Amount	
2010	0.00 %	\$ 6,000	3.00%	\$ 4,291	\$ 10,291
2011	0.00 %	6,000	3.00 %	4,420	10,420
2012	0.00 %	6,000	3.00 %	4,553	10,553
2013	0.00 %	6,000	-	-	6,000
2014	0.00 %	6,000	-	-	6,000
2015	0.00 %	6,000	-	-	6,000
2016	0.00 %	6,000	-	-	6,000
2017	0.00 %	6,000	-	-	6,000
2018	0.00 %	6,000	-	-	6,000
2019	0.00 %	6,000	-	-	6,000
2020	0.00 %	6,000	-	-	6,000
2021	0.00 %	2,500	-	-	2,500
2022	-	-	-	-	-
		<u>\$ 68,500</u>		<u>\$ 13,264</u>	<u>\$ 81,764</u>

City of Lamoni
 Schedule of Receipts By Source and Disbursements By Function -
 All Governmental Funds
 For the Last Six Years

	2009	2008	2007	2006	2005	2004
Receipts						
Property tax	\$ 585,581	522,565	528,850	516,208	472,696	470,646
Tax increment financing collections	28,035	40,922	37,754	48,751	46,607	30,214
Other city tax	124,125	132,198	122,015	103,695	123,931	102,130
Licenses and permits	1,330	17,848	2,923	5,320	3,238	4,340
Use of money and property	15,705	14,939	15,587	16,966	21,302	15,397
Intergovernmental	581,540	281,586	296,819	646,347	445,651	272,793
Charges for service	215,379	190,563	190,790	185,773	172,962	151,651
Miscellaneous	76,969	167,901	207,189	131,358	360,411	127,047
Total	\$ 1,628,664	1,368,522	1,401,927	1,654,418	1,646,798	1,174,218
Disbursements						
Operating:						
Public safety	\$ 326,683	232,799	282,443	764,396	240,241	253,426
Public works	483,886	499,136	421,147	422,318	395,564	373,860
Culture and recreation	261,384	226,990	197,735	311,418	280,795	232,608
Community and economic development	64,795	137,163	95,912	73,196	75,298	47,938
General government	158,924	138,969	126,163	139,699	136,823	138,504
Debt service	201,079	144,511	343,423	338,720	275,348	122,947
Capital projects	426,256	330,787	123,014	412,303	578,299	39,103
Total	\$ 1,923,007	1,710,355	1,589,837	2,462,050	1,982,368	1,208,386

See accompanying independent auditors' report.

City of Lamoni



Marilyn Schroer, CPA
Diane McGrain, CPA
Jim Menard, CPA

October 26, 2009

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 26, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lamoni'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 City of Lamoni's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Lamoni'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 control deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

Continued...

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City of Lamoni
Independent Auditors' Report on
Internal Control and Compliance and Other Matters

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 City of Lamoni'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 City of Lamoni's financial statements that is more than inconsequential will not be prevented or detected by City of Lamoni's internal control. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings to be significant deficiencies 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 City of Lamoni'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, we believe the significant deficiencies described above are also material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 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.

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

Continued...

City of Lamoni
Independent Auditors' Report on
Internal Control and Compliance and Other Matters

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 Lamoni and other parties to whom the City of Lamoni may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Lamoni during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schroer + Associates, P. C.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2009

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties

Comment – 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 certain functions are not entirely segregated.

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

Response – We will consider this.

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

I-B-09 Reconciliation of Utility Billings and Collections

Comment – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Even though a listing of delinquent accounts is prepared on a monthly basis, procedures should be established to reconcile utility billings, collections and delinquencies for each billing period.

Response – We will do this for each billing period.

Conclusion – Response accepted.

I-C-09 Financial Reporting

Comment – During the audit, we identified mispostings of receipts and disbursements to the proper funds or accounts. In addition the purchase and sale of certificate of deposits were included in receipts and disbursements. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation – The City should implement procedures to insure all receipts and disbursements are properly classified.

Response – We will double check this in the future to avoid posting errors.

Conclusion – Response accepted.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2009

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

II-A-09 Certified Budget

Comment – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the public safety, community and economic development, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in sufficient amounts in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion – Response accepted.

II-B-09 Questionable Disbursements

We noted no disbursements for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.

II-C-09 Travel Expense

No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-09 Business Transactions

Business transactions between the City and City officials, employees or relatives of City officials are detailed as follows:

Barbara Hammer, wife of Mayor Owner of Tailored Threads	Uniform alterations	\$ <u>95</u>
------------------------------------------------------------	---------------------	--------------

In accordance with Chapter 362.5(11) of the Code of Iowa, the transactions with the Mayor's wife do not appear to represent a conflict of interest since transactions did not exceed \$2,500 during the fiscal year.

II-E-09 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2009

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

II-F-09 Council Minutes

Comment - No transactions were found that we believe should have been approved in the Council minutes but were not. However, the list of utility claims that were approved for the months of December, April, May and June, were not included in the bound minutes. In addition, a summary of receipts by fund was not included in the publications that were made.

Recommendation - City and Utility claims approved at the Council meetings should be included as part of the minutes. Published minutes should include a summary of receipts by fund.

Response - We will correct the minutes accordingly and include a summary of receipts in the published minutes.

Conclusion - Response accepted.

II-G-09 Deposits 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.

II-H-09 Code of Ordinances

Comment - The City's code of ordinances has not been maintained as required by Chapter 380.8 of the Code of Iowa.

Recommendation - The City should compile the code of ordinances to bring it into compliance with Chapter 380.8 of the Code of Iowa.

Response - We are in the process of compiling the code of ordinances.

Conclusion - Response accepted.

II-I-09 Revenue Bonds and Notes

Though the current year net receipts of the Enterprise Funds do not meet the provisions of the bond resolutions, as previously noted, the Enterprise Funds have excess fund balances which exceed the debt service requirements falling due in the next year.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2009

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

II-J-09 Financial Condition

Comment - At June 30, 2009, the City had the following deficit fund balances:

Special Revenue Fund - Trust Accounts	\$	41,096
Debt Service		49,807
Capital Projects Fund - Airport Account		82,084
Total	\$	<u>172,987</u>

Recommendation - The deficit in the Debt Service Fund may be due to either insufficient transfers or an insufficient levy of property taxes. The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

Response - We will do so.

Conclusion - Response accepted.

II-K-09 Outstanding Checks

Comment - Unclaimed property per Chapter 556.1(10) of the Code of Iowa has not been reported to the State Treasurer as required.

Recommendation - The City should comply with Chapter 556.1(10) of the Code of Iowa.

Response - We will do so.

Conclusion - Response accepted.

II-L-09 Disbursements

Comment - The City received the front image only of electronically retained checks.

Recommendation - The City should request both front and back images of checks in accordance with Chapter 554D.114(5) of the Code of Iowa.

Response - We will contact the bank to request this.

Conclusion - Response accepted.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2009

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

II-M-09 Inactive Capital Projects

Comment – The Capital Projects Fund – Street and Trail Accounts are inactive.

Recommendation – The City should make the appropriate transfers to close the accounts.

Response – We will do so.

Conclusion – Response accepted.

II-N-09 Excess Balance

Comment – The balance in the Special Revenue Fund – Lost Option Sales Tax Account at June 30, 2009, was in excess of the fund's disbursements during the year.

Recommendation – A portion (33.5%) of the local option sales tax receipts was provided by referendum to be used for property tax relief and should be transferred each year to the General Fund.

Response – We will review this further.

Conclusion – Response accepted.