

CITY OF BELMOND, IOWA
FINANCIAL STATEMENTS
JUNE 30, 2009

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Officials

Name	Title	Term Expires
Elected Officials		
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, 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 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. The financial statements referred to above include only the primary government of the City of Belmond, Iowa, which consists of all funds, organizations, agencies, departments and offices that comprise the City's legal entity. The 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 of the City of Belmond at June 30, 2009, 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 October 9, 2009 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 nine years ended June 30, 2008 (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 27 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
October 9, 2009

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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 11%, or approximately \$226,000, from fiscal 2008 to fiscal 2009. The decrease was primarily due to a decrease in grants and contributions.
- Disbursements of the City's governmental activities decreased 35%, or approximately \$985,000, in fiscal 2009 from fiscal 2008. The street and pool projects decreased significantly from the previous year.
- The City's total cash basis net assets increased slightly less than 2%, or approximately \$29,000, from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities decreased approximately \$35,000 and the assets of the business-type activities increased by approximately \$64,000.

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?”. The 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 \$1,319,910 to \$1,285,009. 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 and Transfers:		
Program Receipts:		
Charges for service	\$ 39,382	\$ 56,871
Operating grants, contributions and restricted interest	357,161	308,348
Capital grants, contributions and restricted interest	77,468	248,402
General Receipts:		
Property tax	940,396	848,526
Local option sales tax	197,292	198,959
Grants and contributions not restricted to specific purposes	22,538	10,174
Unrestricted investment earnings	16,850	50,362
Other general receipts	33,598	74,703
Refunding bond proceeds	—	130,000
Transfers, net	<u>147,227</u>	<u>131,413</u>
Total Receipts and Transfers	<u>1,831,912</u>	<u>2,057,758</u>
Disbursements:		
Public safety	420,551	394,758
Public works	221,402	257,042
Health and social services	8,850	6,125
Culture and recreation	300,586	258,554
Community and economic development	109,905	98,908
General government	230,632	204,863
Debt service	494,270	484,029
Capital projects	<u>80,617</u>	<u>1,147,992</u>
Total Disbursements	<u>1,866,813</u>	<u>2,852,271</u>
Decrease in Cash Basis Net Assets	(34,901)	(794,513)
Cash Basis Net Assets - Beginning of Year	<u>1,319,910</u>	<u>2,114,423</u>
Cash Basis Net Assets - End of Year	<u>\$ 1,285,009</u>	<u>\$ 1,319,910</u>

The City's total receipts for governmental activities decreased by 11%, or \$225,846. The total cost of all programs and services decreased by \$985,458, or 35%, with no new programs added this year. The significant decrease in receipts was primarily due to a decrease in grants and contributions. The significant decrease in disbursements was due to capital projects, primarily the streets and pool in the previous year.

Due to a change in valuation, the City's property tax receipts increased by approximately \$92,000 in 2009. 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 \$1,866,813 compared to \$2,852,271 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 \$1,392,802 because some of the cost was paid by those directly benefited from the programs (\$39,382) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$434,629). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2009 from approximately \$614,000 to approximately \$474,000 principally due to fewer capital grants in the current year. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$940,000 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,	
	2009	2008
Receipts:		
Program Receipts:		
Charges for Service and Miscellaneous:		
Water	\$ 288,806	\$ 287,928
Sewer	388,011	361,914
Landfill	72,675	71,880
Storm sewer	2,465	—
General Receipts:		
Grants and contributions not restricted to specific purposes	—	2,238
Unrestricted investment earnings	<u>6,121</u>	<u>12,884</u>
Total Receipts	<u>758,078</u>	<u>736,844</u>
Disbursements:		
Water	255,148	252,985
Sewer	221,629	236,653
Landfill	69,778	65,928
Storm sewer	183	—
Transfers	<u>147,227</u>	<u>131,413</u>
Total Disbursements and Transfers	<u>693,965</u>	<u>686,979</u>
Increase in Cash Basis Net Assets	64,113	49,865
Cash Basis Net Assets - Beginning of Year	<u>383,095</u>	<u>333,230</u>
Cash Basis Net Assets - End of Year	<u>\$ 447,208</u>	<u>\$ 383,095</u>

Total business-type activities receipts for the fiscal year were \$758,078 compared to \$736,844 last year. This increase was due primarily to more charges for service being received. The cash balance increased by approximately \$64,000 from the prior year because there were fewer disbursements from the sewer fund and an increase in rates. Total disbursements and transfers for the fiscal year increased by 1% to a total of \$693,965.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Belmont completed the year, its governmental funds reported a combined fund balance of \$1,285,009, a decrease of \$34,901 from last year's total of \$1,319,910. 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 \$119,000 from the prior year to \$167,960. This decrease was mainly due to increases in public safety and culture and recreation disbursements.
- The Road Use Tax Fund cash balance decreased by approximately \$60,000 to \$22,843 during the fiscal year. This decrease was due to a decrease in funds received from the state and more transfers to pay street improvements.
- The Local Option Sales Tax Fund cash balance increased by approximately \$111,000 from the prior year as the City is anticipating the need to have additional funds available for capital projects.
- The Debt Service cash balance decreased by \$466 to \$6,863.
- The Capital Projects - Streets cash balance increased by \$152,434 to \$300,252 due to less capital outlay and transfers in of \$200,667.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

- The Water Fund cash balance increased by approximately \$34,000 to \$311,047 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 increased by \$21,785 to \$23,622 due primarily to an increase in sewer rates.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 18, 2009 to decrease disbursements in certain City departments and increase it for others.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$3,217,816 in bonds and other long-term debt, compared to \$3,545,700 last year, as shown below.

	Outstanding Debt at Year End	
	Year Ended June 30,	
	2009	2008
General obligation bonds	\$ 3,018,000	\$ 3,329,000
Urban renewal tax increment financing revenue bonds	<u>199,816</u>	<u>216,700</u>
Total	<u>\$ 3,217,816</u>	<u>\$ 3,545,700</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 \$3,217,816 is below its constitutional debt limit of \$4,769,250 at June 30, 2009.

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 2009 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 4.8%. In addition, the employees were granted a 3% wage increase for the fiscal year beginning July 1, 2009. 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 2010. Amounts available for appropriation in the operating budget are \$7,336,883. Included in this amount are \$598,868 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 \$3,738,015, an increase of 35.2% from the final 2009 budget. Budgeted disbursements (net of transfers between different funds of the City) are expected to increase by \$1,930,410 from the 2009 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, 2009

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	\$ 420,551	\$ —	\$ 26,583	\$ —	\$ (393,968)	\$ —	\$ (393,968)
Public works	221,402	—	212,403	—	(8,999)	—	(8,999)
Health and social services.....	8,850	—	—	—	(8,850)	—	(8,850)
Culture and recreation.....	300,586	39,382	102,334	—	(158,870)	—	(158,870)
Community and economic development	109,905	—	15,841	60,504	(33,560)	—	(33,560)
General government.....	230,632	—	—	—	(230,632)	—	(230,632)
Debt service.....	494,270	—	—	—	(494,270)	—	(494,270)
Capital projects.....	80,617	—	—	16,964	(63,653)	—	(63,653)
Total Governmental Activities	<u>1,866,813</u>	<u>39,382</u>	<u>357,161</u>	<u>77,468</u>	<u>(1,392,802)</u>	<u>—</u>	<u>(1,392,802)</u>
Business-Type Activities							
Water	255,148	287,651	1,155	—	—	33,658	33,658
Sewer	221,629	370,102	17,909	—	—	166,382	166,382
Landfill	69,778	69,059	3,616	—	—	2,897	2,897
Storm sewer	183	2,465	—	—	—	2,282	2,282
Total Business-Type Activities	<u>546,738</u>	<u>729,277</u>	<u>22,680</u>	<u>—</u>	<u>—</u>	<u>205,219</u>	<u>205,219</u>
Total	<u>\$ 2,413,551</u>	<u>\$ 768,659</u>	<u>\$ 379,841</u>	<u>\$ 77,468</u>	<u>(1,392,802)</u>	<u>205,219</u>	<u>(1,187,583)</u>
General Receipts							
Property Taxes Levied For							
General purposes.....					492,328	—	492,328
Tax increment financing.....					39,152	—	39,152
Debt service					199,839	—	199,839
Employee benefits.....					140,179	—	140,179
Emergency					14,312	—	14,312
Other city tax					54,586	—	54,586
Local option sales tax.....					197,292	—	197,292
Grants and contributions not restricted to specific purpose.....					22,538	—	22,538
Unrestricted interest on investments					16,850	6,121	22,971
Miscellaneous.....					28,672	—	28,672
Sale of land and equipment.....					4,926	—	4,926
Transfers					<u>147,227</u>	<u>(147,227)</u>	<u>—</u>
Total General Receipts and Transfers					<u>1,357,901</u>	<u>(141,106)</u>	<u>1,216,795</u>
Increase (Decrease) in Cash Basis Net Assets					<u>(34,901)</u>	<u>64,113</u>	<u>29,212</u>
Cash Basis Net Assets - Beginning of Year					<u>1,319,910</u>	<u>383,095</u>	<u>1,703,005</u>
Cash Basis Net Assets - End of Year					<u>\$ 1,285,009</u>	<u>\$ 447,208</u>	<u>\$ 1,732,217</u>
Cash Basis Net Assets							
Restricted							
Streets.....					\$ 22,843	\$ —	\$ 22,843
Urban renewal purposes.....					360	—	360
Debt service					6,863	—	6,863
Other purposes					724,106	—	724,106
Unrestricted					<u>530,837</u>	<u>447,208</u>	<u>978,045</u>
Total Cash Basis Net Assets					<u>\$ 1,285,009</u>	<u>\$ 447,208</u>	<u>\$ 1,732,217</u>

See accompanying notes to the financial statements.

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

Year Ended June 30, 2009

	General	Special Revenue		Debt Service	Capital Projects Streets	Nonmajor Governmental Funds	Total
		Road Use Tax	Local Option Sales Tax				
Receipts							
Property tax	\$ 492,328	\$ —	\$ —	\$ 199,839	\$ —	\$ 154,491	\$ 846,658
T.I.F. collections	—	—	—	—	—	39,152	39,152
Other city tax	39,281	—	197,292	8,535	—	6,771	251,879
Licenses and permits.....	6,758	—	—	—	—	—	6,758
Use of money and property	5,859	—	6,070	147	1,074	7,277	20,427
Intergovernmental.....	91,874	212,403	—	—	3,840	68,675	376,792
Charges for service	39,382	—	—	—	—	—	39,382
Miscellaneous.....	49,503	—	—	—	—	49,208	98,711
Total Receipts	724,985	212,403	203,362	208,521	4,914	325,574	1,679,759
Disbursements							
Operating							
Public safety	419,266	—	—	—	—	1,285	420,551
Public works	51,061	170,341	—	—	—	—	221,402
Health and social services.....	8,850	—	—	—	—	—	8,850
Culture and recreation	289,710	—	—	—	—	10,876	300,586
Community and economic development	13,485	—	—	—	—	96,420	109,905
General government.....	230,632	—	—	—	—	—	230,632
Debt service.....	—	—	—	444,270	—	50,000	494,270
Capital projects.....	—	—	—	—	53,147	27,470	80,617
Total Disbursements	1,013,004	170,341	—	444,270	53,147	186,051	1,866,813
Receipts Over (Under) Disbursements.....	(288,019)	42,062	203,362	(235,749)	(48,233)	139,523	(187,054)
Other Financing Sources (Uses)							
Sale of land.....	1,978	—	—	—	—	2,948	4,926
Operating transfers in.....	166,773	—	—	235,283	200,667	64,594	667,317
Operating transfers out.....	—	(102,000)	(92,056)	—	—	(326,034)	(520,090)
Total Other Financing Sources (Uses)	168,751	(102,000)	(92,056)	235,283	200,667	(258,492)	152,153
Increase (Decrease) in Cash Balances.....	(119,268)	(59,938)	111,306	(466)	152,434	(118,969)	(34,901)
Cash Balances - Beginning of Year.....	287,228	82,781	348,570	7,329	147,818	446,184	1,319,910
Cash Balances - End of Year	\$ 167,960	\$ 22,843	\$ 459,876	\$ 6,863	\$ 300,252	\$ 327,215	\$ 1,285,009
Cash Basis Fund Balances							
Reserved							
Debt service.....	\$ —	\$ —	\$ —	\$ 6,863	\$ —	\$ —	\$ 6,863
Unreserved							
General fund.....	167,960	—	—	—	—	—	167,960
Special revenue funds	—	22,843	459,876	—	—	206,077	688,796
Capital projects fund.....	—	—	—	—	300,252	62,625	362,877
Permanent fund	—	—	—	—	—	58,513	58,513
Total Cash Basis Fund Balances	\$ 167,960	\$ 22,843	\$ 459,876	\$ 6,863	\$ 300,252	\$ 327,215	\$ 1,285,009

See accompanying notes to financial statements.

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

Year Ended June 30, 2009

	Water	Sewer	Nonmajor Proprietary Funds	Total
Operating Receipts				
Use of money and property	\$ 9,350	\$ 630	\$ 939	\$ 10,919
Charges for service	259,464	336,693	71,048	667,205
Miscellaneous.....	21,248	33,409	2,617	57,274
Total Operating Receipts.....	<u>290,062</u>	<u>370,732</u>	<u>74,604</u>	<u>735,398</u>
Operating Disbursements				
Business-type activities	<u>236,730</u>	<u>221,629</u>	<u>70,129</u>	<u>528,488</u>
Operating Receipts Over Operating Disbursements				
	<u>53,332</u>	<u>149,103</u>	<u>4,475</u>	<u>206,910</u>
Nonoperating Receipts (Disbursements)				
Intergovernmental.....	1,155	17,909	3,616	22,680
Capital projects.....	(18,250)	—	—	(18,250)
Net Nonoperating Receipts (Disbursements).....	<u>(17,095)</u>	<u>17,909</u>	<u>3,616</u>	<u>4,430</u>
Receipts Over Disbursements				
	<u>36,237</u>	<u>167,012</u>	<u>8,091</u>	<u>211,340</u>
Other Financing Sources (Uses)				
Operating transfers in.....	11,000	—	—	11,000
Operating transfers out.....	(13,000)	(145,227)	—	(158,227)
Total Other Financing Uses	<u>(2,000)</u>	<u>(145,227)</u>	<u>—</u>	<u>(147,227)</u>
Increase in Cash Balances				
	34,237	21,785	8,091	64,113
Cash Balances - Beginning of Year.....	<u>276,810</u>	<u>1,837</u>	<u>104,448</u>	<u>383,095</u>
Cash Balances - End of Year.....				
	<u>\$ 311,047</u>	<u>\$ 23,622</u>	<u>\$ 112,539</u>	<u>\$ 447,208</u>
Cash Basis Fund Balances				
Unreserved	<u>\$ 311,047</u>	<u>\$ 23,622</u>	<u>\$ 112,539</u>	<u>\$ 447,208</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 2008 tax return includes total receipts of \$13,340, cash disbursements of \$7,838, a beginning balance of \$104,671 and an ending balance of \$5,502. 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, 2009 were \$754,172.

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 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, 2009, the City did not exceed the amounts budgeted.

(2) Deposits and 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.

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, 2009.

(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
2010	\$ 331,000	\$ 119,697	\$ 25,322	\$ 9,678	\$ 356,322	\$ 129,375
2011	346,000	105,081	26,604	8,396	372,604	113,477
2012	291,000	90,468	27,951	7,049	318,951	97,517
2013	190,000	81,267	29,366	5,634	219,366	86,901
2014	200,000	73,750	30,853	4,147	230,853	77,897
2015-19	1,079,000	241,364	59,720	3,531	1,138,720	244,895
2020-24	474,000	74,709	—	—	474,000	74,709
2025-26	107,000	2,301	—	—	107,000	2,301
	<u>\$ 3,018,000</u>	<u>\$ 788,637</u>	<u>\$ 199,816</u>	<u>\$ 38,435</u>	<u>\$ 3,217,816</u>	<u>\$ 827,072</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.

During the year ended June 30, 2009, delinquent interest on the urban renewal tax increment financing revenue bonds was added to the bond principal and the City renegotiated the payment schedule and due date of the bonds.

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 4.1% of their annual covered salary and the City is required to contribute 6.35% 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, 2009, 2008 and 2007 were \$41,030, \$41,091 and \$37,065, 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, 2009, primarily relating to the General Fund is as follows:

Type of Benefit	June 30, 2009
Vacation.....	<u>\$ 22,253</u>

This liability has been computed based on rates of pay as of June 30, 2009.

(6) Interfund Transfers

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

Transfer To	Transfer From	Amount
General	Special Revenue	
	Road Use Tax	\$ 2,000
	Employee Benefits	154,854
	Urban Renewal Tax Increment Financing	5,919
	Enterprise	
	Water	2,000
	Sewer Rental	<u>2,000</u>
		<u>166,773</u>
Equipment Replacement	Special Revenue	
	Emergency	<u>15,167</u>

Notes to the Financial Statements

(6) Interfund Transfers

Transfer To	Transfer From	Amount
Debt Service	Special Revenue	
	Local Option Sales Tax	\$ 92,056
	Enterprise	
	Sewer Rental	<u>143,227</u>
		<u>235,283</u>
Special Revenue	Special Revenue	
T.I.F. Sinking	Urban Renewal Tax Increment Financing	39,427
	Housing Assistance	<u>10,000</u>
		<u>49,427</u>
Capital Projects	Special Revenue	
Streets	Road Use Tax	100,000
	Capital Projects	
	150th Street	<u>100,667</u>
		<u>200,667</u>
Total		<u>\$ 667,317</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 577 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, 2009 were \$44,330.

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 by The Travelers Insurance Company.

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, 2009, 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 casualty 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 casualty 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 City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2009, 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.

Notes to the Financial Statements

(9) Deficit Balance

The Special Revenue - Emergency Fund and the Capital Projects - Pool Fund had deficit balances of \$183 and \$45,625, respectively, at June 30, 2009. The deficit balances were a result of insufficient contributions and transfers. The deficits 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 \$158,435 was outstanding at June 30, 2009. 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, 2009, the City had entered into various contracts totaling approximately \$1.5 million for street improvement, swimming pool improvement and sanitary sewer projects. The unpaid commitment on these contracts totaled approximately \$395,000 at June 30, 2009.

(12) Belmond Medical Center

During May, 2009, the City declared an official intent to issue debt to reimburse the Belmond Medical Center for certain original expenditures paid in connection with an expansion project. The estimated cost and anticipated borrowing amount is \$12,600,000. As of June 30, 2009, no amounts had been issued. All amounts borrowed are to be repaid by the Belmond Medical Center.

(13) Subsequent Events

In September, 2009, the Council approved the purchase of 14 acres for a cost of \$150,000. The land will be the future site for the City's new water plant facility.

Subsequent to June 30, 2009, the City paid approximately \$260,000 of the remaining commitments discussed in Note 11.

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, 2009

	Govern- mental Funds Actual	Propri- etary Funds Actual	Total	Budget Amounts		Final to Total Variance
				Original	Final	
Receipts						
Property tax	\$ 846,658	\$ —	\$ 846,658	\$ 849,164	\$ 849,164	\$ (2,506)
T.I.F. collections	39,152	—	39,152	37,762	37,762	1,390
Other city tax	251,879	—	251,879	202,369	222,359	29,520
Licenses and permits	6,758	—	6,758	5,350	6,755	3
Use of money and property	20,427	10,919	31,346	42,380	37,241	(5,895)
Intergovernmental	376,792	22,680	399,472	298,000	335,027	64,445
Charges for service	39,382	667,205	706,587	763,700	782,050	(75,463)
Miscellaneous	98,711	57,274	155,985	387,082	171,575	(15,590)
Total Receipts	1,679,759	758,078	2,437,837	2,585,807	2,441,933	(4,096)
Disbursements						
Public safety	420,551	—	420,551	431,295	437,360	16,809
Public works	221,402	—	221,402	245,096	245,096	23,694
Health and social services	8,850	—	8,850	8,975	8,975	125
Culture and recreation	300,586	—	300,586	288,028	302,002	1,416
Community and economic development	109,905	—	109,905	102,300	131,900	21,995
General government	230,632	—	230,632	213,959	233,363	2,731
Debt service	494,270	—	494,270	667,238	519,238	24,968
Capital projects	80,617	18,250	98,867	350,000	378,000	279,133
Business-type activities	—	528,488	528,488	2,803,527	696,837	168,349
Total Disbursements	1,866,813	546,738	2,413,551	5,110,418	2,952,771	539,220
Receipts Over (Under) Disbursements	(187,054)	211,340	24,286	(2,524,611)	(510,838)	535,124
Other Financing Sources, Net	152,153	(147,227)	4,926	3,178,115	21,219	(16,293)
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	(34,901)	64,113	29,212	653,504	(489,619)	518,831
Balances - Beginning of Year	1,319,910	383,095	1,703,005	1,427,283	1,703,002	3
Balances - End of Year	\$ 1,285,009	\$ 447,208	\$ 1,732,217	\$ 2,080,787	\$ 1,213,383	\$ 518,834

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 \$2.2 million. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, 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, 2009

	Special Revenue								
	Equipment Replacement	Employee Benefits	Emergency	Urban Renewal Tax Increment	Community Room	Economic Development	Housing Assistance	Library Improvement	T.I.F. Sinking Fund
Receipts									
Property tax	\$ —	\$ 140,179	\$ 14,312	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
T.I.F. collections	—	—	—	39,152	—	—	—	—	—
Other city tax	—	6,138	633	—	—	—	—	—	—
Use of money and property	—	96	39	24	1,455	1,469	—	114	398
Intergovernmental	—	—	—	—	—	—	60,504	—	—
Miscellaneous	—	7,403	—	—	—	17,131	—	—	—
Total Receipts	—	153,816	14,984	39,176	1,455	18,600	60,504	114	398
Disbursements									
Operating									
Public safety	—	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	—	—	—	—	2,850	—
Community and economic development	—	—	—	2,971	—	32,942	60,507	—	—
Debt service	—	—	—	—	—	—	—	—	50,000
Capital projects	—	—	—	—	—	—	—	—	—
Total Disbursements	—	—	—	2,971	—	32,942	60,507	2,850	50,000
Receipts Over Disbursements	—	153,816	14,984	36,205	1,455	(14,342)	(3)	(2,736)	(49,602)
Other Financing Sources (Uses)									
Sale of land	—	—	—	2,948	—	—	—	—	—
Operating transfers in	15,167	—	—	—	—	—	—	—	49,427
Operating transfers out	—	(154,854)	(15,167)	(45,346)	—	—	(10,000)	—	—
Total Other Financing Sources (Uses)	15,167	(154,854)	(15,167)	(42,398)	—	—	(10,000)	—	49,427
Increase (Decrease) in Cash Balances	15,167	(1,038)	(183)	(6,193)	1,455	(14,342)	(10,003)	(2,736)	(175)
Cash Balances - Beginning of Year	—	1,958	—	6,553	3,399	111,711	31,305	7,823	505
Cash Balances - End of Year	\$ 15,167	\$ 920	\$ (183)	\$ 360	\$ 4,854	\$ 97,369	\$ 21,302	\$ 5,087	\$ 330
Cash Basis Fund Balances									
Unreserved									
Special Revenue Funds	\$ 15,167	\$ 920	\$ (183)	\$ 360	\$ 4,854	\$ 97,369	\$ 21,302	\$ 5,087	\$ 330
Capital Projects Funds	—	—	—	—	—	—	—	—	—
Permanent Fund	—	—	—	—	—	—	—	—	—
Total Cash Basis Fund Balances	\$ 15,167	\$ 920	\$ (183)	\$ 360	\$ 4,854	\$ 97,369	\$ 21,302	\$ 5,087	\$ 330

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

Year Ended June 30, 2009

	Special Revenue				Capital Projects				Permanent Cemetery Perpetual Care	Total
	Memorial Park Fund	Veterans Memorial Fund	Resti-tution Fund	Christmas Decoration Fund	Industrial Park	Pool	150th Street	Traffic Lights		
Receipts										
Property tax	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 154,491
T.I.F. collections	—	—	—	—	—	—	—	—	—	39,152
Other city tax	—	—	—	—	—	—	—	—	—	6,771
Use of money and property	137	41	24	536	1,444	—	1,374	126	—	7,277
Intergovernmental.....	8,171	—	—	—	—	—	—	—	—	68,675
Miscellaneous.....	9,685	—	1,077	—	—	13,124	—	—	788	49,208
Total Receipts	17,993	41	1,101	536	1,444	13,124	1,374	126	788	325,574
Disbursements										
Operating										
Public safety	—	—	1,285	—	—	—	—	—	—	1,285
Culture and recreation	8,026	—	—	—	—	—	—	—	—	10,876
Community and economic development ...	—	—	—	—	—	—	—	—	—	96,420
Debt service.....	—	—	—	—	—	—	—	—	—	50,000
Capital projects.....	—	—	—	—	—	27,470	—	—	—	27,470
Total Disbursements	8,026	—	1,285	—	—	27,470	—	—	—	186,051
Receipts Over Disbursements	9,967	41	(184)	536	1,444	(14,346)	1,374	126	788	139,523
Other Financing Sources (Uses)										
Sale of land.....	—	—	—	—	—	—	—	—	—	2,948
Operating transfers in.....	—	—	—	—	—	—	—	—	—	64,594
Operating transfers out.....	—	—	—	—	—	—	(100,667)	—	—	(326,034)
Total Other Financing Sources (Uses)	—	—	—	—	—	—	(100,667)	—	—	(258,492)
Increase (Decrease) in Cash Balances.....	9,967	41	(184)	536	1,444	(14,346)	(99,293)	126	788	(118,969)
Cash Balances - Beginning of Year.....	9,177	2,855	1,865	36,614	98,098	(31,279)	99,293	8,582	57,725	446,184
Cash Balances - End of Year	\$ 19,144	\$ 2,896	\$ 1,681	\$ 37,150	\$ 99,542	\$ (45,625)	\$ —	\$ 8,708	\$ 58,513	\$ 327,215
Cash Basis Fund Balances										
Unreserved										
Special Revenue Funds	\$ 19,144	\$ 2,896	\$ 1,681	\$ 37,150	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 206,077
Capital Projects Funds	—	—	—	—	99,542	(45,625)	—	8,708	—	62,625
Permanent Fund.....	—	—	—	—	—	—	—	—	58,513	58,513
Total Cash Basis Fund Balances	\$ 19,144	\$ 2,896	\$ 1,681	\$ 37,150	\$ 99,542	\$ (45,625)	\$ —	\$ 8,708	\$ 58,513	\$ 327,215

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

Year Ended June 30, 2009

	Customer Deposits	Landfill	Storm Sewer	Total
Operating Receipts				
Use of money and property	\$ —	\$ 939	\$ —	\$ 939
Charges for service	—	68,583	2,465	71,048
Miscellaneous.....	<u>2,141</u>	<u>476</u>	<u>—</u>	<u>2,617</u>
Total Operating Receipts	<u>2,141</u>	<u>69,998</u>	<u>2,465</u>	<u>74,604</u>
Operating Disbursements				
Business-type activities	<u>168</u>	<u>69,778</u>	<u>183</u>	<u>70,129</u>
Operating Receipts Over Operating Disbursements				
	<u>1,973</u>	<u>220</u>	<u>2,282</u>	<u>4,475</u>
Nonoperating Receipts				
Intergovernmental.....	<u>—</u>	<u>3,616</u>	<u>—</u>	<u>3,616</u>
Increase in Cash Balances	1,973	3,836	2,282	8,091
Cash Balances - Beginning of Year.....	<u>29,887</u>	<u>74,561</u>	<u>—</u>	<u>104,448</u>
Cash Balances - End of Year.....	<u>\$ 31,860</u>	<u>\$ 78,397</u>	<u>\$ 2,282</u>	<u>\$ 112,539</u>
Cash Basis Fund Balances				
Unreserved	<u>\$ 31,860</u>	<u>\$ 78,397</u>	<u>\$ 2,282</u>	<u>\$ 112,539</u>

Schedule of Indebtedness

Year Ended June 30, 2009

	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%	\$ 170,000	\$ —	\$ 55,000	\$ 115,000	\$ 7,650	\$ —
Street improvement	1,800,000	3-20-03	2.85 - 4.55	1,420,000	—	110,000	1,310,000	53,277	—
G.O. Refunding Capital Loan Bonds	850,000	12-1-05	4.15 - 5.50	520,000	—	120,000	400,000	23,228	—
Street improvement	1,115,000	3-27-07	3.70 - 4.30	1,115,000	—	—	1,115,000	45,677	—
Pool improvement.....	130,000	8-1-07	3.70 - 3.80	<u>104,000</u>	<u>—</u>	<u>26,000</u>	<u>78,000</u>	<u>3,406</u>	<u>—</u>
Total General Obligation Bonds.....				<u>\$ 3,329,000</u>	<u>\$ —</u>	<u>\$ 311,000</u>	<u>\$ 3,018,000</u>	<u>\$ 133,238</u>	<u>\$ —</u>
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds									
Dumond Estates	\$ 400,000	2-18-98	5.00%	<u>\$ 216,700</u>	<u>\$ 30,116*</u>	<u>\$ 47,000</u>	<u>\$ 199,816</u>	<u>\$ 3,000</u>	<u>\$ —</u>

*Delinquent interest added to bond principal. See Note 3.

Schedule of Bond and Note Maturities

At June 30, 2009

Year Ending June 30,	General Obligation Notes										Urban Renewal Tax Increment (TIF) Revenue Bond Dumond Estates		
	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	Issued 2-18-98	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount
2010.....	4.50%	\$ 55,000	3.05%	\$ 115,000	5.40%	\$ 130,000	3.70%	\$ 5,000	3.70%	\$ 26,000	\$ 331,000	5.00%	\$ 25,322
2011.....	4.50	60,000	3.35	120,000	5.50	135,000	3.75	5,000	3.75	26,000	346,000	5.00	26,604
2012.....	—	—	3.55	125,000	4.15	135,000	3.80	5,000	3.80	26,000	291,000	5.00	27,951
2013.....	—	—	3.75	130,000	—	—	3.85	60,000	—	—	190,000	5.00	29,366
2014.....	—	—	3.95	130,000	—	—	3.88	70,000	—	—	200,000	5.00	30,853
2015.....	—	—	4.05	130,000	—	—	3.90	72,000	—	—	202,000	5.00	32,414
2016.....	—	—	4.15	130,000	—	—	3.95	75,000	—	—	205,000	5.00	27,306
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.....		\$ 115,000		\$ 1,310,000		\$ 400,000		\$ 1,115,000		\$ 78,000	\$ 3,018,000		\$ 199,816

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

Years Ended June 30, 2001 Through 2009

	2009	2008	2007	2006	2005	2004	2003	2002	2001
Receipts									
Property taxes	\$ 846,658	\$ 816,941	\$ 807,969	\$ 799,193	\$ 803,228	\$ 803,321	\$ 796,224	\$ 855,132	\$ 825,994
Tax increment financing	39,152	31,553	32,141	28,059	27,919	22,691	15,546	15,016	7,097
Other city taxes.....	251,879	252,173	250,913	207,637	255,355	219,182	205,314	151,030	71,303
Licenses and permits.....	6,758	7,074	5,199	6,178	5,070	4,898	4,528	5,997	6,764
Use of money and property	20,427	58,926	37,314	22,272	16,687	27,916	20,212	26,920	34,885
Intergovernmental.....	376,792	324,731	369,554	247,258	246,822	253,600	306,244	313,782	318,428
Charges for service	39,382	42,258	45,179	37,609	43,958	34,395	35,427	33,612	30,142
Special assessments.....	—	32	18	—	18	1,992	465	965	3,255
Miscellaneous.....	98,711	262,168	203,188	213,431	142,723	200,382	818,850	174,742	103,898
Total Receipts	<u>\$ 1,679,759</u>	<u>\$ 1,795,856</u>	<u>\$ 1,751,475</u>	<u>\$ 1,561,637</u>	<u>\$ 1,541,780</u>	<u>\$ 1,568,377</u>	<u>\$ 2,202,810</u>	<u>\$ 1,577,196</u>	<u>\$ 1,401,766</u>
Disbursements									
Public safety	\$ 420,551	\$ 394,758	\$ 403,876	\$ 374,039	\$ 329,833	\$ 327,588	\$ 354,663	\$ 308,419	\$ 316,425
Public works	221,402	257,042	234,675	267,905	193,829	170,322	199,377	211,692	218,414
Health and social services.....	8,850	6,125	13,265	625	12,125	6,050	6,000	6,000	6,105
Culture and recreation	300,586	258,554	337,101	321,933	252,874	220,778	271,263	246,023	224,422
Community and economic development.....	109,905	98,908	137,154	30,618	41,922	25,854	12,124	35,124	16,879
General government.....	230,632	204,863	185,489	164,758	175,801	161,260	158,339	152,053	148,679
Debt service.....	494,270	484,029	393,643	1,294,286	476,996	488,721	469,445	544,036	493,998
Capital projects.....	80,617	1,147,992	125,164	33,284	1,024,701	1,086,378	161,687	205,027	47,398
Nonprogram.....	—	—	—	—	—	9,054	7,772	3,000	—
Total Disbursements	<u>\$ 1,866,813</u>	<u>\$ 2,852,271</u>	<u>\$ 1,830,367</u>	<u>\$ 2,487,448</u>	<u>\$ 2,508,081</u>	<u>\$ 2,496,005</u>	<u>\$ 1,640,670</u>	<u>\$ 1,711,374</u>	<u>\$ 1,472,320</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, 2009, and have issued our report thereon dated October 9, 2009. 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 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 the City of Belmond'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, of the significant deficiencies described in Part I of the accompanying Schedule of Findings, we believe items 09-IC-1 and 09-IC-2 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*. However, we noted certain immaterial instances of noncompliance 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.

The City of Belmond'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 the City of Belmond's responses and, accordingly, we express no opinion them.

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
October 9, 2009

Schedule of Findings

Year Ended June 30, 2009

Part I: Findings Related to the Financial Statements:

Significant Deficiencies:

The prior year significant deficiencies have not been resolved and are repeated below:

09-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 continues to consider alternatives to improve this situation.

Auditor's Conclusion - Response accepted.

09-IC-2 Financial Statement Preparation

Prior Year Finding and Recommendation - 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. However, the City should obtain additional knowledge through reading relevant accounting literature and attending local professional education courses.

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 this requirement and has considered 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.

Schedule of Findings

Year Ended June 30, 2009

Part II: Other Findings Related to Statutory Reporting:

- 09-C-1 Certified Budget** - Disbursements for the year ended June 30, 2009 did not exceed the amounts budgeted.
- 09-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.
- 09-C-3 Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 09-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	\$ 1,335
Earl Kalkwarf, Council Member, owner of Kalkwarf Tree Service	Tree trimming	1,975
Sidney Swenson, Council Member, owner of Swenson Signs	Signs	140

In accordance with Chapter 362.5 of the Code of Iowa, the above transactions with Council Members Tulp and Swenson do not appear to represent conflicts of interest since total transactions were less than \$1,500 during the fiscal year. The transaction with Council Member Kalkwarf does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa.

- 09-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.
- 09-C-6 Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes but were not.
- 09-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.

Schedule of Findings

Year Ended June 30, 2009

09-C-8 T.I.F. Urban Renewal Notes

Prior Year Finding and Recommendation - The sinking fund is not adequately funded. The notes are not general obligations of the City, but have the first lien on revenue from the T.I.F. Urban Renewal Project. The City should adequately fund the sinking fund if possible and first use the revenue from the T.I.F. 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 T.I.F. 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.

09-C-9 Financial Condition - The Special Revenue - Emergency Fund and the Capital Projects - Pool Fund had deficit balances at June 30, 2009 of \$183 and \$31,279, respectively.

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

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

Auditor's Conclusion - Response accepted.