CITY OF STORM LAKE
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
JUNE 30, 2010

CITY OF STORM LAKE
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CITY OF STORM LAKE
OFFICIALS

NAME	TITLE	TERM EXPIRES
	(Before January 2010)	
Jon Kruse	Mayor	December 2009
James Treat	Mayor Pro Tem	December 2009
David Walker	Council Member	December 2011
Steven O'Bannon	Council Member	December 2011
Sara Huddleston	Council Member	December 2011
Julie Egland (by appointment)	Council Member	December 2009
	Appointed Officials	
Patti Moore	City Administrator	Indefinite
Justin Yarosevich	Assistant City Administrator/City Clerk	Indefinite
Paul Havens	City Attorney	Indefinite
	(After January 1, 2010)	
Jon Kruse	Mayor	December 2013
David Walker	Mayor Pro Tem	December 2011
Steven O'Bannon	Council Member	December 2011
Sara Huddleston	Council Member	December 2011
Mike Porsch	Council Member	December 2013
Dan Anderson	Council Member	December 2013
	Appointed Officials	
James Patrick	City Manager	Indefinite
Justin Yarosevich	Assistant City Manager/City Clerk	Indefinite
Paul Havens	City Attorney	Indefinite

WINTHER, STAVE & CO., LLP
Certified Public Accountants

1316 West 18th Street
P.O. Box 175
Spencer, Iowa 51301-0175
Phone 712-262-3117
FAX 712-262-3159

1004 21st Street #4
P.O. Box 187
Milford, Iowa 51351
Phone 712-338-2488
FAX 712-338-2510

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Storm Lake
Storm Lake, IA 50588

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 Storm Lake, Iowa, as of and for the year ended June 30, 2010, 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 Storm Lake'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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Storm Lake at June 30, 2010 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2011 on our consideration of the City of Storm Lake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Management's Discussion and Analysis, budgetary comparison information, and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 10 and 49 through 53 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 required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Storm Lake's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the eight years ended June 30, 2008 (which are not presented herein) were audited by other auditors, in accordance with the standards referred to in the second paragraph of this report, who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 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.

Winther, Stave & Co., LLP

February 23, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Storm Lake 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, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 Financial Highlights

- Total revenue for the City decreased 5.9%, or approximately $1,030,000, from fiscal year 2009 to fiscal year 2010. Most of this decrease was due to the $900,000 grant for dredging receipted into City funds and then paid to the Lake Improvements Commission in 2009 that was not repeated in 2010. Property tax revenue increased by approximately $100,000.

- Total program expenses decreased 4.8%, or approximately $932,000, from fiscal year 2009 to fiscal year 2010. This was due in large part to the $900,000 paid to the Lake Improvements Commission for the grant funds in 2009 that was not repeated in 2010.

- The City's net assets decreased 4.1%, or approximately $1,668,000, from June 30, 2009 to June 30, 2010. Of this amount, the net assets of the governmental activities decreased by approximately $3,070,000 and the net assets of the business-type activities increased by approximately $1,402,000.

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 Statements consist of a Statement of Net Assets and a Statement of Activities. These statements provide information about the activities of the City as a whole and present 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 statements 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, as well as presenting the Schedule of Funding Progress for the retiree health plan.

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

Reporting The City's Financial Activities

Government-wide Financial Statements

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 Net Assets and the Statement of Activities reports information which helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as "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 presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property and other taxes and state and federal grants finance most of these activities.

- Business-type activities include the waterworks, sanitary sewer system, storm water system, King's Pointe, and the City's sanitation department. 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) the Special Revenue Funds, such as tax increment financing revenue, local options sales tax, and employee benefits tax levy, (c) the Debt Service Fund, and (d) the Capital Projects Fund. These funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed, short-term view of the City's general governmental 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 balance sheet and a statement of revenue, expenditures, and changes in fund balances.

2. Proprietary funds account for the City's Enterprise Funds. These funds report services for which the City charges customers for the services it provided. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business-type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. The enterprise funds include the waterworks, wastewater, storm water, King's Pointe, and sanitation funds, each considered to be a major fund of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

   The financial statements required for proprietary funds include a statement of net assets, a statement of revenue, expenses, and changes in net assets, and a statement of cash flows.

   Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in net assets for governmental and business-type activities.

	Net Assets at Year-end					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 9,238,070	$ 9,988,941	$ 8,142,241	$ 5,938,299	$17,380,311	$15,927,240
Capital assets	22,344,375	21,904,193	34,099,154	34,330,727	56,443,529	56,234,920
Total assets	31,582,445	31,893,134	42,241,395	40,269,026	73,823,840	72,162,160
Long-term liabilities	21,163,600	18,650,000	7,822,000	6,922,000	28,985,600	25,572,000
Other liabilities	4,422,107	4,875,964	1,139,998	1,470,354	5,562,105	6,346,318
Total liabilities	25,585,707	23,525,964	8,961,998	8,392,354	34,547,705	31,918,318
Net assets:						
Invested in capital assets - net of related debt	1,194,375	2,809,193	26,277,154	27,030,727	27,471,529	29,839,920
Restricted	3,105,996	3,719,482	322,541	8,178	3,428,537	3,727,660
Unrestricted	1,696,367	1,838,495	6,679,702	4,837,767	8,376,069	6,676,262
Total net assets	$ 5,996,738	$ 8,367,170	$33,279,397	$31,876,672	$39,276,135	$40,243,842

Total net assets decreased from 2009 to 2010 by approximately $1,668,000 or 4.1%. The largest portion of the City's net assets are invested in capital assets (e.g. land, infrastructure, buildings, and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets. Restricted net assets represent resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. Unrestricted net assets is the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, legislation, or other legal requirements.

	Changes in Net Assets for the Year Ended June 30,					
	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue						
Program Revenue:						
Charges for service	$1,554,549	$1,594,345	$ 8,707,050	$ 8,534,782	$10,261,599	$10,129,127
Operating grants, contributions, and restricted interest	1,252,739	2,426,181			1,252,739	2,426,181
Capital grants, contributions, and restricted interest	80,192	152,310			80,192	152,310
General Revenue:						
Property tax levied for:						
General purposes	1,925,962	1,920,874			1,925,962	1,920,874
Employee benefits	710,598	633,609			710,598	633,609
Debt service	291,309	273,115			291,309	273,115
Tax increment financing	542,506	281,010			542,506	281,010
Other taxes	1,199,479	1,337,503			1,199,479	1,337,503
Unrestricted investment earnings	76,353	158,778	91,863	144,831	168,216	303,609
Miscellaneous	279,649	338,103	87,000		366,649	338,103
Gain on sale of property Transfers	(2,391,353)	227,929	2,239,216	(346,336)	(152,137)	(118,407)
Total Revenue	5,521,983	9,343,757	11,125,129	8,333,277	16,647,112	17,677,034
Program Expenses						
Public safety	2,232,311	2,264,478			2,232,311	2,264,478
Public works	1,614,841	1,527,753			1,614,841	1,527,753
Health and social services	5,984	9,796			5,984	9,796
Culture and recreation	1,924,846	1,870,147			1,924,846	1,870,147
Community and economic development	622,267	1,904,128			622,267	1,904,128
General government	435,918	442,922			435,918	442,922
Capital projects	109,764	8,267			109,764	8,267
Interest on long-term debt	946,484	936,530			946,484	936,530
Water			2,552,527	2,711,129	2,552,527	2,711,129
Wastewater			1,924,910	2,007,319	1,924,910	2,007,319
Landfill			427,520	416,879	427,520	416,879
Storm water			224,291	222,162	224,291	222,162
King's Pointe			4,593,156	4,925,342	4,593,156	4,925,342
Total Expenses	7,892,415	8,964,021	9,722,404	10,282,831	17,614,819	19,246,852
Change in net assets	(2,370,432)	379,736	1,402,725	(1,949,554)	(967,707)	(1,569,818)
Net assets - beginning of year	8,367,170	7,987,434	31,876,672	33,826,226	40,243,842	41,813,660
Net Assets - End of Year	$5,996,738	$8,367,170	$33,279,397	$31,876,672	$39,276,135	$40,243,842

The City's net assets of governmental activities decreased approximately $3,070,000 during the year. Revenues other than transfers for governmental activities decreased approximately $1,202,000 from the prior year, with operating grants, contributions and restricted interest decreasing approximately $1,173,000 due to grants received for lake dredging and construction projects in 2009 which were not repeated in 2010. The City increased property tax rates for fiscal 2010 approximately 2.9%.

The cost of all governmental activities this year was approximately $8.5 million compared to approximately $9.0 million last year. However, as shown in the Statement of Activities on pages 13 and 14, the amount taxpayers ultimately financed for these activities was only $5.7 million because some of the cost was paid by those directly benefited from the programs ($1.6 million)

or by other governments and organizations that subsidized certain programs with grants and contributions ($1.2 million). The City paid for the remaining $5.7 million "public benefit" portion of governmental activities with taxes (some of which could only be used for certain programs) and other revenues, such as interest and general entitlements.

The City's net assets of business-type activities increased approximately $1,400,000 during the year. Revenues other than transfers for business-type activities increased approximately $206,000 from the prior year while total expenses were approximately $561,000 less than the prior year.

Individual Major Fund Analysis

Governmental Fund Highlights
As the City of Storm Lake completed the year, its governmental funds reported a combined fund balance of approximately $4,020,000, a decrease of approximately $693,000 from last year's total of approximately $4,713,000. The changes in fund balances of the major governmental funds from the prior year are described below.

The General Fund reported a decrease of approximately $60,000 in fund balance from the prior year to approximately $964,000. The Capital Projects fund balance decreased by approximately $142,000 from the prior year to approximately $1,127,000. The Local Option Sales Tax fund balance decreased by approximately $685,000 from the prior year to approximately $346,000. The other major fund balances increased by approximately $123,000 from the prior year to approximately $810,000

Proprietary Fund Highlights
The Water Fund, which accounts for the operation and maintenance of the City's water system, ended 2010 with a net asset balance of approximately $5,840,000 compared to the prior year ending net asset balance of approximately $5,703,000.

The Wastewater Fund, which accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system, ended 2010 with a net asset balance of approximately $5,213,000 compared to the prior year ending net assets balance of approximately $5,378,000.

The King's Pointe Fund, which accounts for the operation and maintenance of King's Pointe Resort, ended 2010 with a net asset balance of approximately $21,011,000 compared to the prior year ending net asset balance of approximately $19,645,000.

The other major proprietary funds ended 2010 with net asset balance of approximately $1,228,000 compared to the prior year ending net assets balance of approximately $1,151,000.

The Internal Service Funds are used by management to charge the cost of employee health benefits, technology purchases, and fleet purchases to the individual funds. The net assets of the Internal Service Fund increased by approximately $117,000 to approximately $929,000.

Budgetary Highlights

Over the course of the year, the City amended its budget once in May of 2010. The amendment was needed to cover additional expenditures primarily within the public safety, public works, community and economic development, capital projects, and business-type activities functions.

The City's cash basis receipts were approximately $3.2 million less than budgeted. However, total cash basis disbursements were $1.9 million less than budgeted. During the year ended June 30, 2010, budgeted amounts were exceeded for the community and economic development function.

The combined tax levy for the City of Storm Lake in fiscal year 2010 increased from $12.72223 to $13.09415 per thousand. The employee benefits levy increased $0.33542 to cover costs related to the City's health insurance plan and the increased contribution for the Municipal Fire and Police Retirement System. The combined effect of the city's tax levy and the change in residential rollback on a $100,000 home was an increase of $36.15 a year.

Capital Assets and Debt Administration

Capital Assets

The City's capital assets include land, buildings and improvements, equipment, streets, sewer systems, lighting systems, traffic signals, and other infrastructure. Capital assets for governmental activities totaled approximately $21,644,000 (net of accumulated depreciation) at June 30, 2010. Capital assets for business-type activities totaled approximately $34,099,000 (net of accumulated depreciation) at June 30, 2010. See Note 4 to the financial statements for more information about the City's capital assets.

The major capital outlays for governmental activities during the year included the 2009 street overlay project, airport electrical vault, and Sunrise Park Campground renovation and cottage construction.

For business-type activities, major capital outlays included construction of the southeast water line extension, wastewater treatment plant upgrade, and well service.

Construction in progress at June 30, 2010 for governmental activities consists primarily of the 2009 street overlay project, airport electrical vault, and Sunrise Park Campground renovation and cottage construction.

Construction in progress at June 30, 2010 for business-type activities consists of the southeast water line extension, and wastewater treatment plant upgrades.

Long-Term Debt

At June 30, 2010, the City had $21,150,000 in total long-term debt outstanding for governmental activities. Total long-term debt outstanding for business-type activities was $7,822,000 at June 30, 2010.

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. At June 30, 2010, the City was at 86% of its constitutional debt limit of approximately $20,172,000 with an outstanding balance of $17,385,000. While the total general obligation debt outstanding exceeds this amount, certain general obligation bonds include annual appropriation terms. The annual appropriation amount is the principal and interest due in the next year, and only this amount is required to be included in the computation of the statutory debt limit.

Additional information about the City's long-term debt is presented in Note 6 to the financial statements.

Economic Factors Bearing on the City's Future

Several factors affected decisions made by the City in setting its 2011 budget.

Storm Lake has several major construction projects taking place, however, some projects, such as the Storm Lake Community School District new elementary building, do not add to the tax base. In addition, overall operating costs continue to rise.

There is potential for growth in the tax base due to property tax rebates ending and the new Fareway store that was constructed in the spring and summer of 2009. Hy-Vee also underwent a major expansion and remodeling that will help in the growth of the tax base. However, both Tyson Fresh Meats and Hy-Vee have challenged their assessed valuation as set by the County Assessor. The Tyson case was resolved in January 2010 with the ruling effective for fiscal year 2010-2011 resulting in Tyson's second payment of taxes in March 2011 being reduced by the full amount of their settlement, $21,656, applied across all levies. The Hy-Vee case is pending.

The City has seen increased hotel/motel and local option sales tax revenue due to the completion and opening of King's Pointe Resort. Storm Lake continues to have a strong downtown area; therefore, more people are visiting and staying in Storm Lake.

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 operating activities. If you have any questions or require additional information, please contact the City Clerk, 620 Erie Street, City of Storm Lake, Iowa by phone 712-732-8000 or by email at Justin@stormlake.org.

BASIC FINANCIAL STATEMENTS

EXHIBIT A

CITY OF STORM LAKE
STATEMENT OF NET ASSETS
JUNE 30, 2010

ASSETS

	Governmental Activities	Business Type Activities	Total
Cash and cash equivalents	$ 4,564,798	$ 6,473,603	$11,038,401
Receivables:			
Property taxes:			
Delinquent	40,770		40,770
Succeeding year	3,396,700		3,396,700
Tax increment financing:			
Delinquent	5,114		5,114
Succeeding year	514,500		514,500
Accounts	76,406	978,371	1,054,777
Accrued interest	7,715	2,874	10,589
Due from other governments	173,078		173,078
Inventories and prepaids	200,288	222,760	423,048
	8,979,369	7,677,608	16,656,977
Restricted assets:			
Cash and cash equivalents	49,385	397,084	446,469
Pledges receivable	101,500		101,500
	150,885	397,084	547,969
Unamortized loan fees		67,549	67,549
Unamortized bond issue costs	107,816		107,816
Capital assets - net of accumulated depreciation	22,344,375	34,099,154	56,443,529
	22,452,191	34,166,703	56,618,894
TOTAL ASSETS	$31,582,445	$42,241,395	$73,823,840

See Notes to Financial Statements

EXHIBIT A

CITY OF STORM LAKE
STATEMENT OF NET ASSETS - Continued
JUNE 30, 2010

LIABILITIES AND NET ASSETS

	Governmental Activities	Business Type Activities	Total
LIABILITIES:			
Accounts payable	$ 63,814	$ 344,824	$ 408,638
Accrued interest payable	92,808	19,005	111,813
Accrued wages and benefits	313,721	189,447	503,168
Accrued expenses	40,564	520,579	561,143
Payable from restricted assets		66,143	66,143
Deferred revenue:			
Succeeding year property taxes	3,396,700		3,396,700
Succeeding year tax increment financing	514,500		514,500
Non current liabilities:			
Due within one year	690,000	389,000	1,079,000
Due in more than one year	20,473,600	7,433,000	27,906,600
TOTAL LIABILITIES	25,585,707	8,961,998	34,547,705
NET ASSETS:			
Invested in capital assets - net of related debt	1,194,375	26,277,154	27,471,529
Restricted for:			
Roads	339,056		339,056
Local option sales tax	345,691		345,691
Debt service	71,806	322,541	394,347
Capital projects	1,127,295		1,127,295
Other purposes	1,222,148		1,222,148
Unrestricted	1,696,367	6,679,702	8,376,069
TOTAL NET ASSETS	5,996,738	33,279,397	39,276,135
TOTAL LIABILITIES AND NET ASSETS	$31,582,445	$42,241,395	$73,823,840

See Notes to Financial Statements

CITY OF STORM LAKE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS:				
GOVERNMENTAL ACTIVITIES:				
Public safety	$ 2,232,311	$ 120,075		
Public works	1,614,841	258,342	$ 935,224	
Health and social services	5,984			
Culture and recreation	1,924,846	768,821		
Community and economic development	622,267	65,984	317,515	$ 80,192
General government	435,918	341,327		
Capital projects	109,764			
Interest on long-term debt	946,484			
TOTAL GOVERNMENTAL ACTIVITIES	7,892,415	1,554,549	1,252,739	80,192
BUSINESS-TYPE ACTIVITIES:				
Water	2,552,527	2,643,278		
Wastewater	1,924,910	1,757,353		
Lodge	4,593,156	3,640,972		
Other	651,811	665,447		
TOTAL BUSINESS-TYPE ACTIVITIES	9,722,404	8,707,050		
TOTAL	$17,614,819	$10,261,599	$1,252,739	$ 80,192
GENERAL REVENUES:				
Property and other city taxes levied for:				
General purposes				
Tax increment financing taxes				
Other taxes				
Unrestricted investment earnings				
Miscellaneous				
TOTAL GENERAL REVENUES				
CHANGE IN NET ASSETS BEFORE OTHER FINANCING SOURCES (USES)				
OTHER FINANCING SOURCES (USES):				
Transfers				
TOTAL OTHER FINANCING SOURCES (USES)				
CHANGE IN NET ASSETS				
NET ASSETS - BEGINNING OF YEAR				
NET ASSETS - END OF YEAR				

See Notes to Financial Statements

Exhibit B

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
$ (2,112,236)		$ (2,112,236)
(421,275)		(421,275)
(5,984)		(5,984)
(1,156,025)		(1,156,025)
(158,576)		(158,576)
(94,591)		(94,591)
(109,764)		(109,764)
(946,484)		(946,484)
(5,004,935)		(5,004,935)
	$ 90,751	90,751
	(167,557)	(167,557)
	(952,184)	(952,184)
	13,636	13,636
	(1,015,354)	(1,015,354)
(5,004,935)	(1,015,354)	(6,020,289)
2,927,869		2,927,869
542,506		542,506
1,199,479		1,199,479
76,353	91,863	168,216
279,649	87,000	366,649
5,025,856	178,863	5,204,719
20,921	(836,491)	(815,570)
(2,391,353)	2,239,216	(152,137)
(2,391,353)	2,239,216	(152,137)
(2,370,432)	1,402,725	(967,707)
8,367,170	31,876,672	40,243,842
$ 5,996,738	$33,279,397	$39,276,135

See Notes to Financial Statements

CITY OF STORM LAKE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

ASSETS

	General	Special Revenue: Road Use Tax	Special Revenue: Local Option Sales Tax	Special Revenue: Special Levy
Cash and cash equivalents	$ 953,655	$ 296,033	$ 268,716	$ 35,866
Receivables:				
Property tax:				
Delinquent	26,738	-	-	10,551
Succeeding year	2,008,400	-	-	934,500
Tax increment financing:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	35,887	-	-	-
Accrued interest	4,417	-	1,119	-
Pledges	-	-	-	-
Due from other governments	12,698	55,821	75,856	-
Due from other funds	50,453	-	-	-
Inventories	43,255	3,825	-	-
Prepaid expenses	849	-	-	91,957
TOTAL ASSETS	$ 3,136,352	$ 355,679	$ 345,691	$ 1,072,874

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Accounts payable	$ 47,111	$ 12,013	$ -	$ -
Salaries and benefits payable	47,960	4,610	-	-
Accrued liabilities	7,119	-	-	-
Due to other funds	61,890	-	-	-
Deferred revenue:				
Succeeding year property tax	2,008,400	-	-	934,500
Succeeding year tax increment financing	-	-	-	-
Other	-	-	-	-
TOTAL LIABILITIES	2,172,480	16,623	-	934,500
FUND BALANCES:				
Reserved for debt service	-	-	-	-
Unreserved:				
Designated for outdoor waterpark replacement	49,385	-	-	-
Undesignated, reported in:				
General fund	914,487	-	-	-
Special revenue funds	-	339,056	345,691	138,374
Capital projects fund	-	-	-	-
Permanent fund	-	-	-	-
TOTAL FUND BALANCES	963,872	339,056	345,691	138,374
TOTAL LIABILITIES AND FUND BALANCES	$ 3,136,352	$ 355,679	$ 345,691	$ 1,072,874

See Notes to Financial Statements

Tax Increment Financing	Dredging	Debt Service	Capital Projects	Nonmajor	Total
$ 242,340	$ (19,435)	$ 68,325	$ 1,085,545	$ 731,185	$ 3,662,230
-	-	3,481	-	-	40,770
-	-	316,900	-	136,900	3,396,700
5,114	-	-	-	-	5,114
514,500	-	-	-	-	514,500
-	-	-	40,519	-	76,406
-	-	-	1,231	-	6,767
-	-	-	101,500	-	101,500
-	28,703	-	-	-	173,078
-	-	-	-	-	50,453
-	-	-	-	-	47,080
-	8,446	-	-	42,726	143,978
$ 761,954	$ 17,714	$ 388,706	$ 1,228,795	$ 910,811	$ 8,218,576
$ 4,690	$ -	$ -	$ -	$ -	$ 63,814
-	-	-	-	-	52,570
-	-	-	-	-	7,119
-	-	-	-	-	61,890
-	-	316,900	-	136,900	3,396,700
514,500	-	-	-	-	514,500
-	-	-	101,500	-	101,500
519,190	-	316,900	101,500	136,900	4,198,093
-	-	71,806	-	-	71,806
-	-	-	-	-	49,385
-	-	-	-	-	914,487
242,764	17,714	-	-	771,158	1,854,757
-	-	-	1,127,295	-	1,127,295
-	-	-	-	2,753	2,753
242,764	17,714	71,806	1,127,295	773,911	4,020,483
$ 761,954	$ 17,714	$ 388,706	$ 1,228,795	$ 910,811	$ 8,218,576

See Notes to Financial Statements

EXHIBIT D

CITY OF STORM LAKE
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

TOTAL GOVERNMENTAL FUND BALANCES PER EXHIBIT C	$ 4,020,483
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:	
Certain receivables are not available financial resources and, therefore, are not reported as assets in governmental funds.	101,500
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	22,344,375
Bond issue costs are not available to pay current period expenditures and, therefore, are deferred in the funds.	107,816
The Internal Service Fund is used by management to charge the cost of employee health benefits and fleet purchases to the individual funds. The assets of the Internal Service Fund are included in governmental activities in the statement of net assets.	928,686
Due to other funds, which are business type activities, are not included in governmental activities in the statement of net assets.	11,437
Long-term liabilities, including bonds payable, compensated absences, other postemployment benefits payable, and accrued interest are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(21,517,559)
NET ASSETS OF GOVERNMENTAL ACTIVITIES PER EXHIBIT A	$ 5,996,738

See Notes to Financial Statements

CITY OF STORM LAKE
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

		Special Revenue		
	General	Road Use Tax	Local Option Sales Tax	Special Levy
REVENUES:				
Property tax	$ 1,801,470	$ -	$ -	$ 710,598
Tax increment financing	-	-	-	-
Other city taxes	288,156	-	856,770	34,914
Intergovernmental	38,942	922,794	-	-
Licenses and permits	177,904	-	-	-
Charges for service	1,171,084	-	-	-
Use of money and property	223,828	-	17,300	-
Miscellaneous	79,076	27,820	-	33,474
TOTAL REVENUES	3,780,460	950,614	874,070	778,986
EXPENDITURES:				
Operating:				
Public safety	1,676,366	-	-	392,650
Public works	274,474	638,920	-	118,672
Health and social service	5,984	-	-	-
Culture and recreation	1,358,285	-	-	112,300
Community and economic development	334,132	-	-	18,637
General government	205,838	-	-	32,160
Debt service	-	-	-	-
Capital projects	-	-	-	-
TOTAL EXPENDITURES	3,855,079	638,920	-	674,419
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(74,619)	311,694	874,070	104,567
OTHER FINANCING SOURCES (USES):				
Operating transfers in	191,436	-	-	-
Operating transfers out	(177,076)	(360,951)	(1,559,259)	(152,137)
General obligation bonds issued	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	14,360	(360,951)	(1,559,259)	(152,137)
NET CHANGE IN FUND BALANCES	(60,259)	(49,257)	(685,189)	(47,570)
FUND BALANCES - BEGINNING OF YEAR	1,024,131	388,313	1,030,880	185,944
FUND BALANCES - END OF YEAR	$ 963,872	$ 339,056	$ 345,691	$ 138,374

See Notes to Financial Statements

Tax Increment Financing	Dredging	Debt Service	Capital Projects	Nonmajor	Total
$ -	$ -	$ 291,309	$ -	$ 124,492	$ 2,927,869
542,506	-	-	-	-	542,506
-	-	13,446	-	6,193	1,199,479
-	274,423	-	650	23,573	1,260,382
-	-	-	-	-	177,904
-	-	-	-	-	1,171,084
-	-	-	15,468	15,062	271,658
-	-	-	142,039	189,705	472,114
542,506	274,423	304,755	158,157	359,025	8,022,996
-	-	-	-	61,258	2,130,274
6,523	-	-	-	4,505	1,043,094
-	-	-	-	-	5,984
-	-	-	-	12,323	1,482,908
-	255,317	-	-	14,181	622,267
-	-	-	-	128,310	366,308
-	-	1,376,234	-	-	1,376,234
-	-	-	1,797,161	-	1,797,161
6,523	255,317	1,376,234	1,797,161	220,577	8,824,230
535,983	19,106	(1,071,479)	(1,639,004)	138,448	(801,234)
-	-	1,111,998	1,486,951	-	2,790,385
(376,037)	-	-	(2,490,035)	(66,243)	(5,181,738)
-	-	-	2,500,000	-	2,500,000
(376,037)	-	1,111,998	1,496,916	(66,243)	108,647
159,946	19,106	40,519	(142,088)	72,205	(692,587)
82,818	(1,392)	31,287	1,269,383	701,706	4,713,070
$ 242,764	$ 17,714	$ 71,806	$ 1,127,295	$ 773,911	$ 4,020,483

See Notes to Financial Statements

EXHIBIT F

CITY OF STORM LAKE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS PER EXHIBIT E		$ (692,587)
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures were less than depreciation expense in the current year, as follows:		
Expenditures for capital assets	$1,694,030	
Depreciation expense	(1,253,848)	440,182
Because some revenue from pledge contributions will not be collected for several months after the City's year-end, it is not considered available revenue and has been deferred in the governmental funds		(121,097)
The Internal Service Fund is used by management to charge the cost of employee health benefits and fleet purchases to the individual funds. The change in net assets of the Internal Service Fund is included in governmental activities.		117,447
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.		(2,500,000)
Bond issue costs are capitalized and amortized on the statement of net assets but expensed in the governmental funds.		(6,633)
Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		445,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, with the change from the prior year amounts as follows:		
Compensated absences	(35,331)	
Other postemployment benefits	(13,600)	
Interest on long-term debt	(15,250)	(64,181)
Transactions with funds, which are business type activities, are not included in government activities in the statements of activities.		11,437
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES PER EXHIBIT B		$ (2,370,432)

See Notes to Financial Statements

CITY OF STORM LAKE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2010

ASSETS

	Enterprise Funds		
	Water	Wastewater	King's Pointe
Cash and cash equivalents	$ 2,526,082	$ 1,659,358	$ 1,464,132
Receivables:			
Customer accounts and unbilled usage	328,244	251,428	301,720
Accrued interest	1,614	1,260	-
Due from other funds	-	-	164,890
Inventories	29,681	-	37,477
Prepaid expenses	48,645	46,474	56,543
Restricted cash and cash equivalents	127,861	264,168	-
Capital assets	8,795,949	4,563,245	19,804,723
Other assets	52,188	6,161	-
TOTAL ASSETS	$ 11,910,264	$ 6,792,094	$ 21,829,485

LIABILITIES AND NET ASSETS

LIABILITIES:			
Accounts payable	$ 144,997	$ 52,845	$ 146,982
Salaries and benefits payable	7,070	11,260	100,907
Accrued liabilities	-	-	520,579
Customer deposits payable from restricted assets	66,143	-	-
Due to other funds	103,000	-	50,453
Compensated absences	40,390	29,820	-
Interest payable	14,235	2,960	-
Revenue notes payable - short-term	333,000	26,000	-
Revenue notes payable - long-term	5,361,000	1,457,000	-
Deferred revenue:			
Other	-	-	-
TOTAL LIABILITIES	6,069,835	1,579,885	818,921
NET ASSETS:			
Invested in capital assets - net of related debt	3,101,949	3,080,245	19,804,723
Restricted for revenue bond retirement	53,318	264,168	-
Unrestricted	2,685,162	1,867,796	1,205,841
TOTAL NET ASSETS	5,840,429	5,212,209	21,010,564
TOTAL LIABILITIES AND NET ASSETS	$ 11,910,264	$ 6,792,094	$ 21,829,485

See Notes to Financial Statements

Sanitation	Storm Water	Total	Internal Service Funds
$ 198,312	$ 625,719	$ 6,473,603	$ 951,953
60,208	36,771	978,371	-
-	-	2,874	948
-	-	164,890	-
-	3,940	71,098	9,230
-	-	151,662	-
-	5,055	397,084	-
-	935,237	34,099,154	-
-	9,200	67,549	-
$ 258,520	$ 1,615,922	$ 42,406,285	$ 962,131
$ -	$ -	$ 344,824	$ -
-	-	119,237	-
-	-	520,579	-
-	-	66,143	-
-	-	153,453	-
-	-	70,210	-
-	1,810	19,005	-
-	30,000	389,000	-
-	615,000	7,433,000	-
-	-	-	33,445
-	646,810	9,115,451	33,445
-	290,237	26,277,154	-
-	5,055	322,541	-
258,520	673,820	6,691,139	928,686
258,520	969,112	33,290,834	928,686
$ 258,520	$ 1,615,922	$ 42,406,285	$ 962,131

See Notes to Financial Statements

CITY OF STORM LAKE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds		
	Water	Wastewater	King's Pointe
OPERATING REVENUES:			
Charges for service	$ 2,643,278	$ 1,757,353	$ 3,619,060
Miscellaneous	37,356	11,428	21,912
TOTAL OPERATING REVENUES	2,680,634	1,768,781	3,640,972
OPERATING EXPENSES:			
Business type activities:			
Cost of sales and services	1,699,773	1,411,345	3,836,022
Depreciation and amortization	657,979	489,385	756,072
Miscellaneous	-	-	1,062
TOTAL OPERATING EXPENSES	2,357,752	1,900,730	4,593,156
OPERATING INCOME (LOSS)	322,882	(131,949)	(952,184)
NON-OPERATING REVENUES (EXPENSES):			
Interest income	46,394	28,108	3,550
Interest expense	(194,775)	(24,180)	-
NET NON-OPERATING REVENUES (EXPENSES)	(148,381)	3,928	3,550
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	174,501	(128,021)	(948,634)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	-	-	2,732,849
Operating transfers out	(37,095)	(37,962)	(418,576)
TOTAL OTHER FINANCING SOURCES (USES)	(37,095)	(37,962)	2,314,273
NET CHANGE IN FUND BALANCES	137,406	(165,983)	1,365,639
FUND BALANCES - BEGINNING OF YEAR	5,703,023	5,378,192	19,644,925
FUND BALANCES - END OF YEAR	$ 5,840,429	$ 5,212,209	$ 21,010,564

See Notes to Financial Statements

Sanitation	Storm Water	Total	Internal Service Funds
$ 436,520	$ 228,927	$ 8,685,138	$ 730,120
428	49,225	120,349	40,080
436,948	278,152	8,805,487	770,200
427,520	146,376	7,521,036	669,070
-	55,950	1,959,386	-
-	-	1,062	-
427,520	202,326	9,481,484	669,070
9,428	75,826	(675,997)	101,130
2,205	11,606	91,863	16,317
-	(21,965)	(240,920)	-
2,205	(10,359)	(149,057)	16,317
11,633	65,467	(825,054)	117,447
-	-	2,732,849	-
-	-	(493,633)	-
-	-	2,239,216	-
11,633	65,467	1,414,162	117,447
246,887	903,645	31,876,672	811,239
$ 258,520	$ 969,112	$ 33,290,834	$ 928,686

See Notes to Financial Statements

CITY OF STORM LAKE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds		
	Water	Wastewater	King's Pointe
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from customers	$2,631,997	$1,708,361	$3,648,540
Receipts from operating funds			
Cash paid for personal services	(284,431)	(231,274)	(869,775)
Cash paid to suppliers	(1,314,105)	(1,273,526)	(2,924,674)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,033,461	203,561	(145,909)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances to other funds	(37,095)	(37,962)	(2,195,951)
Advances from other funds	998,611	619,156	2,732,849
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	961,516	581,194	536,898
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(580,763)	(996,930)	(145,432)
Proceeds from revenue bonds		900,000	
Repayment of revenue bonds	(324,000)	(25,000)	
Interest payments	(195,585)	(22,740)	
NET CASH PROVIDED (USED) IN CAPITAL AND RELATED FINANCING ACTIVITIES	(1,100,348)	(144,670)	(145,432)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	55,485	35,485	3,550
NET CASH PROVIDED BY INVESTING ACTIVITIES	55,485	35,485	3,550
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	950,114	675,570	249,107
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,703,829	1,247,956	1,215,025
CASH AND CASH EQUIVALENTS - END OF YEAR	$2,653,943	$1,923,526	$1,464,132

See Notes to Financial Statements

Sanitation	Storm Water	Total	Internal Service Funds
$417,646	$ 274,243	$8,680,787	
			$ 770,200
(16,637)	(64,137)	(1,466,254)	
(411,695)	(87,470)	(6,011,470)	(680,425)
(10,686)	122,636	1,203,063	89,775
		(2,271,008)	
	157,000	4,507,616	
	157,000	2,236,608	
		(1,723,125)	
		900,000	
	(29,000)	(378,000)	
	(21,905)	(240,230)	
	(50,905)	(1,441,355)	
3,059	11,606	109,185	18,089
3,059	11,606	109,185	18,089
(7,627)	240,337	2,107,501	107,864
205,939	390,437	4,763,186	844,089
$198,312	$ 630,774	$6,870,687	$ 951,953

See Notes to Financial Statements

CITY OF STORM LAKE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS - Continued
FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds		
	Water	Wastewater	King's Pointe
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ 322,882	$ (131,949)	$ (952,184)
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Depreciation	654,229	489,022	756,072
Amortization	3,750	363	
(Increase) decrease in accounts receivable and unbilled usage	(48,637)	(60,420)	7,568
(Increase) decrease in inventories	(515)	1,185	4,616
(Increase) decrease in prepaid expenses	(5,048)	(2,877)	7,803
Increase (decrease) in accounts payable	111,967	(93,107)	(55,728)
Increase in salaries and benefits payable	(6,417)	112	100,907
Increase in incurred and unpaid claims			
Increase accrued expenses			(14,963)
Increase (decrease) in compensated absences	1,250	1,232	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$1,033,461	$ 203,561	$ (145,909)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO SPECIFIC ASSETS INCLUDED ON THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS			
Cash and cash equivalents	$2,526,082	$1,659,358	$1,464,132
Restricted cash and cash equivalents	127,861	264,168	
	$2,653,943	$1,923,526	$1,464,132

See Notes to Financial Statements

EXHIBIT I

Sanitation	Storm Water	Total	Internal Service Funds
$ 9,428	$ 75,826	$ (675,997)	$ 101,130
	55,375	1,954,698	
	575	4,688	
(19,302)	(3,909)	(124,700)	
	1,085	6,371	1,570
		(122)	
(2)	(4,087)	(40,957)	(6,124)
(810)	(2,229)	91,563	
			(6,801)
		(14,963)	
		2,482	
$ (10,686)	$ 122,636	$1,203,063	$ 89,775
$198,312	$ 625,719	$6,473,603	$ 951,953
	5,055	397,084	
$198,312	$ 630,774	$6,870,687	$ 951,953

See Notes to Financial Statements

EXHIBIT J

CITY OF STORM LAKE
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2010

	Pension Trust	Agency	
	Police/Fire	Lake Improvements Commission	Drainage
ASSETS:			
Cash and cash equivalents	$ -	$ 1,950,096	$ (8,380)
Interest receivable	-	2,139	-
Due from other governments	-	115,438	13,029
TOTAL ASSETS	$ -	$ 2,067,673	$ 4,649
LIABILITIES AND NET ASSETS			
LIABILITIES:			
Accounts payable	$ -	$ 29,030	$ 4,649
Due to other governments	-	2,038,643	-
TOTAL LIABILITIES	-	2,067,673	4,649
NET ASSETS			
Reserved for pensions	-	-	-
TOTAL LIABILITIES AND NET ASSETS	$ -	$ 2,067,673	$ 4,649

See Notes to Financial Statements

EXHIBIT K

CITY OF STORM LAKE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2010

	Pension Trust
	Police/Fire
ADDITIONS:	
Transfers in	$ 152,137
DEDUCTIONS:	
Public safety	152,137
CHANGE IN NET ASSETS	-
NET ASSETS - BEGINNING OF YEAR	-
NET ASSETS - END OF YEAR	$ -

See Notes to Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Storm Lake, Iowa is a political subdivision of the State of Iowa located in Buena Vista County. It was first incorporated in 1873 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 of Storm Lake 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, sewer, storm water, and landfill utilities for its citizens and owns and operates a hotel and indoor water park.

The financial statements of the City of Storm Lake have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the City 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 that are required to be included in these financial statements.

B. Basis of Presentation

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

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

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

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

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

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

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

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. All general tax revenue and other revenue 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 expenses, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The *Road Use Tax Fund* is used to account for taxes received from the State to be used for road construction and maintenance.

The *Local Option Sales Tax Fund* is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment, and community programs and services.

The *Special Levy Fund* is used to account for property tax levied to finance the payment of employee benefits.

The *Tax Increment Financing Fund* is used to account for revenues from the tax authorized by ordinance in the urban renewal district and used for transfers to other funds to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

The *Dredging Fund* is used to account for grant and other revenue used to offset costs of lake dredging.

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

The *Capital Projects Fund* is used to account for all resources used in the acquisition and construction of capital assets (other than those financed by proprietary fund types and special revenue funds).

The City reports the following major proprietary funds:

Enterprise:

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

The *Wastewater Fund* accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The *King's Pointe Fund* accounts for the operation of a hotel facility and indoor water park.

The *Sanitation Fund* is used to account for the operation and maintenance of the City's solid waste collection system.

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

The City also reports the following additional proprietary fund:

The *Internal Service Funds* are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

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

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

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

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

Under terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenue. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets

available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

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

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

Agency funds report, under the accrual basis of accounting, any assets and liabilities. Since agency funds have no equity, they do not have a measurement focus.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the community and economic development function.

E. Cash and Cash Equivalents

The cash balances of most City funds are pooled and invested. Investments consist of non-negotiable certificates of deposit which are stated at cost.

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

F. Receivables and Payables

Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting. Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the City to the County Board of Supervisors. Delinquent year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2010 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds became due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments, is based on January 1, 2008 assessed property valuations, is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in March 2009.

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

During the course of its operations, the City has numerous transactions between funds. To the extent certain transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Due from other governments represents amounts due from the State of Iowa, various shared revenue, grants, and reimbursements from other governments.

G. Inventories and Prepaid Expenses
Inventories are valued at cost using the first-in/first-out method. Inventories in the Enterprise Funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Prepaid expenses consist primarily of property and liability insurance payments paid in advance.

H. Restricted Assets
Certain of the City's funds set aside for payment of enterprise fund revenue bonds are classified as restricted assets because their use is restricted by applicable bond covenants. Other restricted assets include customer deposits restricted for application to unpaid customer accounts or for refunds to customers.

I. Interest Capitalized
Construction period interest for business-type activities is capitalized. For projects paid for with taxable bonds, interest is capitalized at the amount of cash paid at the effective interest rate to the earlier of the date the asset is placed in service or year end. No amounts were capitalized in 2010.

J. Capital Assets
Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the City as assets with initial, individual costs in excess of $5,000 and estimated useful lives in excess of two years.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings and improvements	20 - 40 years
Equipment and vehicles	5 - 20 years
Infrastructure	20 years

Under current accounting standards, the City is not required to, and the City has chosen not to, retroactively capitalize infrastructure assets. However, infrastructure projects since 2004 are properly included in the government-wide financial statements. Because the infrastructure assets constructed prior to 2004 have not been capitalized, the debt related to infrastructure assets causes the reporting of capital assets net of related debt in the statement of net assets to be lower than it would be if the infrastructure were capitalized.

K. Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2010. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

L. Deferred Revenue

Although certain revenue is measurable, it is not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivables and other receivables not collected within 60 days after year end. Deferred revenue in the statement of net assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

M. Long-term Liabilities

In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities column in the statement of net assets and the proprietary fund statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

N. Fund Balance

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

O. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

P. Estimates and Assumptions
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Q. Subsequent Events
The City has evaluated subsequent events through the date of the auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND INVESTMENTS

The City's deposits in banks at June 30, 2010 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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3 as amended by Statement No. 40.

3. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2010 is as follows:

	Interfund Receivables	Interfund Payables
General Fund	$ 50,453	$ 61,890
Proprietary Funds:		
Water		103,000
King's Pointe	164,890	50,453
TOTAL	$215,343	$215,343

These balances result from interfund advances made to finance projects or enterprise operations. Repayments will be made as time deposits mature or enterprise operations become profitable.

4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
GOVERNMENTAL ACTIVITIES				
Capital assets not being depreciated:				
Land	$ 1,430,953			$ 1,430,953
Construction in progress	66,828	$ 784,320	$ 66,828	784,320
Total capital assets not being depreciated	1,497,781	784,320	66,828	2,215,273
Capital assets being depreciated:				
Buildings	5,946,592	180		5,946,772
Improvements other than buildings	13,486,188	148,553		13,634,741
Equipment and vehicles	4,586,584	137,179		4,723,763
Infrastructure, road network	5,603,073	690,806		6,293,879
Total capital assets being depreciated	29,622,437	976,718		30,599,155
Less accumulated depreciation for:				
Buildings	2,602,734	182,145		2,784,879
Improvements other than buildings	3,203,145	417,255		3,620,400
Equipment and vehicles	2,636,544	339,755		2,976,299
Infrastructure, road network	773,782	314,693		1,088,475
Total accumulated depreciation	9,216,205	1,253,848		10,470,053
Net capital assets being depreciated	20,406,232	(277,130)		20,129,102
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	$21,904,013	$ 507,190	$ 66,828	$22,344,375
BUSINESS-TYPE ACTIVITIES				
Capital assets not being depreciated:				
Land	$ 9,200	$ 162,000		$ 171,200
Construction in progress	186,889	259,894	$186,889	259,894
Total capital assets not being depreciated	196,089	421,894	186,889	431,094
Capital assets being depreciated:				
Buildings	29,703,166			29,703,166
Equipment and vehicles	2,585,809	168,497		2,754,306
Infrastructure, water and sewer network	21,775,772	1,319,623		23,095,395
Total capital assets being depreciated	54,064,747	1,488,120		55,552,867
Less accumulated depreciation for:				
Buildings	9,124,349	806,663		9,931,012
Equipment and vehicles	1,020,393	283,786		1,304,179
Infrastructure, water and sewer network	9,785,367	864,249		10,649,616
Total accumulated depreciation	19,930,109	1,954,698		21,884,807
Net capital assets being depreciated	34,134,638	(466,578)		33,668,060
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS - NET	$34,330,727	$ (44,684)	$186,889	$34,099,154

Depreciation was charged by the City as follows for the year ended June 30, 2010:

Governmental Activities:	
Public safety	$ 192,986
Public works	562,914
Culture and recreation	441,938
General government	56,010
Total Governmental Activities	$1,253,848
Business Type Activities:	
Water	$ 654,229
Wastewater	489,022
Storm water	55,375
King's Pointe	756,072
Total Business Type Activities	$1,954,698

5. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

Transfer to	Amount	Transfer from	Amount
General	$ 191,436	Special Revenue:	
		Emergency levy	$ 62,853
		Local option sales tax	57,136
		Tort insurance	3,390
		Proprietary:	
		Water	33,595
		Wastewater	34,462
			191,436
Debt Service	1,111,998	General	108,076
		Special Revenue:	
		Tax increment financing	133,223
		Local option sales tax	452,123
		Proprietary:	
		King's Pointe	418,576
			1,111,998
Capital Projects	1,486,951	General	69,000
		Special Revenue:	
		Road use	360,951
		Local option sales tax	1,050,000
		Proprietary:	
		Water	3,500
		Wastewater	3,500
			1,486,951

Transfer to	Amount	Transfer from	Amount
Proprietary:			
King's Pointe	$2,732,849	Special Revenue:	
		Tax increment financing	$ 242,814
		Capital projects	2,490,035
			2,732,849
Pension Trust:		Special Revenue:	
Police/Fire	152,137	Special levy	152,137
	$5,675,371		$5,675,371

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

6. LONG-TERM LIABILITIES

The following is a summary of the changes in long-term liabilities for the year ended June 30, 2010:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year	Due Within One Year
GOVERNMENTAL ACTIVITIES:					
General obligation bonds/notes	$19,095,000	$2,500,000	$445,000	$21,150,000	$690,000
Compensated absences	225,820	261,151	225,820	261,151	261,151
Net OPEB liability		13,600		13,600	
TOTALS	$19,320,820	$2,774,751	$670,820	$21,424,751	$951,151
BUSINESS-TYPE ACTIVITIES:					
Revenue bonds	$ 7,300,000	$ 900,000	$378,000	$ 7,822,000	$389,000
Compensated absences	67,728	70,210	67,728	70,210	70,210
TOTALS	$ 7,367,728	$ 970,210	$445,728	$ 7,892,210	$459,210

Annual debt service requirements to maturity for general obligation bonds/notes and revenue bonds at June 30, 2010 are as follows:

	Governmental Activities		Business-Type Activities			
	General Obligation Bonds/Notes		Revenue Bonds/Notes		Total	
Year Ending June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 690,000	$ 1,071,319	$ 389,000	$ 225,660	$ 1,079,000	$ 1,296,979
2012	755,000	1,001,278	401,000	213,990	1,156,000	1,215,268
2013	825,000	970,109	413,000	201,960	1,238,000	1,172,069
2014	825,000	935,306	425,000	189,570	1,250,000	1,124,876
2015	875,000	899,525	1,338,000	158,820	2,213,000	1,058,345
2016-2020	5,265,000	3,858,807	2,398,000	588,870	7,663,000	4,447,677
2021-2025	8,630,000	2,474,539	2,278,000	206,790	10,908,000	2,681,329
2026-2029	3,285,000	318,090	180,000	8,160	3,465,000	326,250
	$21,150,000	$11,528,973	$7,822,000	$1,793,820	$28,972,000	$13,222,793

General Obligation Bonds/Notes

General obligation bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as serial bonds with substantially equal amounts of principal plus interest maturing each year. General obligation bond debt service related to the $5,400,000 bond issue in 2006 is subject to annual appropriation by the City Council. In accordance with the Code of Iowa, only that portion subject to the annual appropriation by the City Council is included in the computation of the statutory debt limit.

Details of general obligation bonds/notes payable at June 30, 2010 are as follows:

	Year Issued	Issue Amount	Year Matures	Interest Rates	Annual Principal Payments	Outstanding Balance
Essential corp. purpose	2005	$5,600,000	2025	3.75% - 4.25%	$185,000 - $435,000	$ 4,875,000
Urban renewal	2006	6,000,000	2025	5.25% - 5.70%	130,000 - 390,000[1]	6,000,000
Urban renewal	2006	5,400,000	2026	4.00% - 4.75%	205,000 - 385,000	4,620,000
Urban renewal	2007	2,945,000	2027	5.45% - 5.65%	5,000 - 100,000[2]	2,945,000
Capital loan notes	2008	325,000	2013	4.25% - 4.50%	55,000 - 75,000	210,000
Capital loan notes	2010	2,500,000	2029	2.00% - 6.10%	40,000 - 200,000	2,500,000
Total						$21,150,000

[1] One additional $2,330,000 payment in 2025

[2] Payments begin in 2013. Additional annual payments of $945,000 and $1,215,000 in 2026 and 2027, respectively.

Revenue Bonds/Notes

The City issues bonds/notes where the government pledges income derived from the required or constructed assets to pay debt service. Details of revenue bonds/notes payable at June 30, 2010 are as follows:

	Year Issued	Issue Amount	Year Matures	Interest Rates	Annual Principal Payments	Outstanding Balance
Water revenue	2003	$7,500,000	2024	3.0%	$324,000 - $490,000	$ 5,694,000
Storm water revenue	2006	729,000	2027	3.0%	29,000 - 48,000	645,000
Wastewater revenue	2007	725,000	2027	3.0%	25,000 - 44,000	583,000
Wastewater revenue	2010	900,000	2014	3.0%	None[3]	900,000
Total						$ 7,822,000

[3] One $900,000 payment on December 1, 2014.

The City has pledged future water customer revenues, net of specified operating expenses, to repay $7,500,000 in water revenue notes issued in August 2003. Proceeds from the notes provided financing for the construction of improvements to the water system. The notes are payable solely from water customer net revenues and are payable through 2024. Annual principal and interest payments on the notes are expected to require less than 60 percent of net revenues. The total principal and interest remaining to be paid on the notes is $7,142,520. For the current year, principal and interest paid and total customer net revenues (operating revenues plus depreciation expense) were $504,540 and $980,861, respectively.

The City has pledged future wastewater customer receipts, net of specified operating disbursements, to repay $725,000 in wastewater revenue notes issued in April 2007. Proceeds from the notes provided financing for the construction of improvements to the wastewater treatment plant. The notes are payable solely from wastewater customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require less than 25 percent of net receipts. The total principal and interest remaining to be paid on the notes is $762,415. For the current year, principal and interest paid and total customer net receipts were $43,240 and $357,436, respectively.

The City has pledged future storm water customer receipts, net of specified operating disbursements, to repay $729,000 in storm water revenue notes issued in October 2006. Proceeds from the notes provided financing for the construction of improvements to the storm water system. The notes are payable solely from storm water customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require less than 50 percent of net receipts. The total principal and interest remaining to be paid on the notes is $842,715. For the current year, principal and interest paid and total customer net receipts were $49,200 and $131,776, respectively.

The resolutions providing for the issuance of the 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 separate revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.

c. Water user rates shall be established at a level which produces and maintains net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

During the year ended June 30, 2010, the City was in compliance with the revenue note provisions.

7. JOINTLY GOVERNED ORGANIZATIONS

The City participates in a jointly governed organization agreement with the Buena Vista County Solid Waste Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Commission includes providing economic disposal of solid waste produced or generated within the member county and cities.

The City's ongoing financial interest in the jointly governed organization consists of the operation of the landfill and other solid waste collection and disposal operations. The City collects landfill fees as a part of its regular utility billings. The Commission then bills the City quarterly for its operations. This fee is computed for each municipality on a per capita basis. For the year ended June 30, 2010, this fee totaled $375,812.

Copies of the Commission's financial statements are available from the City Clerk at the City of Alta, or from the State Auditor's Office.

The City participates in a jointly governed organization agreement with the Lake Improvements Commission, a political subdivision created under Chapter 28E of the Code of Iowa. The financial information for the Commission is reflected as an agency fund in these financial statements. The purpose of the Commission is to finance and effect a continued dredging of Lake Storm Lake.

Copies of the Commission's financial statements are available from the City Clerk at City of Storm Lake, 620 Erie Street, Storm Lake, IA 50588 or from the State Auditor's Office.

The City also participates in several jointly governed organizations for which the City is not financially accountable, or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following Boards or Commissions: Buena Vista County Assessor's Conference Board, Buena Vista County Emergency Management Commission, Buena Vista County Communications Commission, Joint E911 Service Board, Region V Drug Task Force, Storm Lake Chamber of Commerce, Storm Lake Area Development Corporation, Buena Vista County Foundation, Community Education, and Storm Lake Cemetery.

8. PENSION AND RETIREMENT BENEFITS

Municipal Fire and Police Retirement System

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate based upon an actuarially determined normal contribution rate cannot be less than 17% of earnable compensation. Contribution rates are established by state statute. The City's contributions to the Plan for the years ended June 30, 2010, 2009, and 2008 were $152,137, $145,858, and $196,917, respectively, which met the required minimum contribution requirement for each year.

Iowa Public Employees Retirement System

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute 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, PO Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual covered salary. The City's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were $116,227, $112,051, and $98,532, respectively, equal to the required contributions for each year.

ICMA Retirement Plan
The Public Safety Director, City Administrator, and City Community Development Director are covered under the nationwide retirement plan offered by the International City Manager's Association (ICMA). Contributions required by the employer are 12% of the annual salary for the Public Safety Director, $8,000 less the City's IPERS contribution per year for the City Administrator, and $2,000 per year for the City Community Development Director.

The City's responsibility is limited to payment of contributions required by the established rates. The employer's contribution paid by the City for the year ended June 30, 2010 totaled $16,698.

9. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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, 2010.

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their eligible dependents. There are 54 active and no retired members in the plan. Eligible retirees receive health care coverage through the same plans that are available for active employees. Participants must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

Contributions are required for both retiree and dependent coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by retiree contributions.

The medical/prescription drug coverage is provided through a self-insured plan. 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.

Annual OPEB Cost and Net OPEB Obligation - The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	$ 13,600
Interest on net OPEB obligation	
Adjustment to annual required contribution	
Annual OPEB cost	13,600
Contributions made	
Increase in net OPEB obligation	13,600
Net OPEB obligation - beginning of year	
Net OPEB obligation - end of year	$ 13,600

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the City did not contribute to the retiree plan. No plan members are eligible for retiree benefits.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2010	$13,600	0%	$ 13,600

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was approximately $85,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of $85,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately $2,250,000 and the ratio of the UAAL to covered payroll was 3.8%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs

between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 60, or at the first subsequent year in which the member would qualify for benefits.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on the 2004 United States Life Tables.

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - A rate of 10 percent initially, reduced to an ultimate rate of 5.0 percent after six years, was used for the expected rate of increase in healthcare insurance premiums.

Health insurance premiums - 2010 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

10. COMMITMENTS

The City has entered into construction contracts totaling approximately $1,867,000 for a utility improvement and campground projects. As of June 30, 2010, costs of approximately $741,000 have been incurred on the projects. The remaining $1,126,000 will be paid as work on the projects progresses.

The City has entered into an agreement for the operation and maintenance of the City's wastewater treatment facilities through June 2013, with the fee to be negotiated yearly. The fee for the year ending June 30, 2011 is $81,179 per month.

The City has entered into an agreement for the operations and maintenance of the City's water and water treatment facilities through June 2013, with the fee to be negotiated yearly. The fee for the year ending June 30, 2011 is $57,045.

The City has entered into an agreement for the management of the airport for the year ending June 30, 2011 for $2,926 per month.

At June 30, 2009, the City had entered into agreements for the operation and maintenance of the City's King's Pointe Waterpark Resort and Outdoor Waterpark facilities through August 29, 2012 and June 21, 2012, respectively, with the base management fees to be negotiated yearly. In addition, the King's Pointe Waterpark Resort agreement contained terms whereby additional incentive management fees could be paid. These agreements were terminated in July 2009.

In July 2009, the City entered into a settlement agreement with Leisure Hotels, L.L.C. (Leisure) for the termination of contracts the City had entered into with Leisure for the management of the King's Pointe Resort and Waterpark (Lodge project). As part of the settlement, the City paid Leisure $343,480 in consideration of Leisure's undertakings contained in the agreement.

Effective July 17, 2009, the City entered into a Facility Management Agreement with Kinseth Hotel Corporation (Kinseth) to manage the King's Pointe Waterpark Resort through June 30, 2011, with annual one-year renewals thereafter. A base management fee for the year ending June 30, 2011 will be paid at $4,000 per month for five months of operation (July through September 2010 and May through June 2011).

Effective July 17, 2009, the City also entered into a Management Agreement with Kinseth to manage the King's Pointe Resort through June 30, 2011, with annual one-year renewals thereafter. A management fee for the year ending June 30, 2011 will be paid at three percent of each month's gross revenues and twelve percent of the improvement in net available cash at June 30, 2011 compared to June 30, 2010.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductible 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.

Effective August 1, 1983, the City adopted a plan of self-insurance for employee's health benefits. Deposits are made to the Employee Health Benefit Fund, an internal service fund of the City, to pay employee claims. An excess coverage insurance policy covers individual claims over $20,000, or total group claims exceeding 125% of expected claims.

An actuarial study of the adequacy of reserves, rates, and financial condition of the Employee Health Benefit Fund was performed for the plan year January 1, 2009 to December 31, 2009. The study included census of covered members as of December 31, 2009, a summary of aggregate and specific excess loss reinsurance coverage, monthly claim expense information, a summary of revenue and expenses and review of the plan document summary description.

Following is a financial analysis of the plan for the year ended June 30, 2010. Included in this analysis is an estimate of the amount needed at the end of the plan year for incurred but not paid claims.

Net assets - July 1, 2009	$ 477,477
Contributions received	471,795
Interest earned	10,436
Other sources of revenue	975
	960,683
Claims paid	223,862
Aggregate stop-loss premiums and other charges	136,062
	359,924
Net assets - June 30, 2010	600,759
Reserved for estimated incurred but unpaid claims	33,445
Unreserved Funds	$ 567,314

12. DEFERRED COMPENSATION

The City offers its employees deferred compensation plans as allowed by Internal Revenue Code Section 457. City employees are allowed to defer a portion of the current salary until future years. The employee becomes eligible to withdraw funds upon termination, retirement, death, or unforeseeable emergency.

The City has adopted GASB Statement 32 and does not report the assets of the plans on its balance sheet.

13. CONDUIT DEBT OBLIGATIONS

To provide for the construction of additions to the library, dormitories, and a recreation facility at Buena Vista University, the City has issued a series of Higher Education Facilities Revenue Bonds. In addition, the City issued Elderly Housing Revenue Bonds for the construction of dietary and maintenance facilities and an addition of a 38-unit independent living facility at Methodist Manor Retirement Community. These bonds are special limited obligations of the City, payable solely from and secured by a pledge of revenue to be received by the university and the care facility. The bonds do not constitute a debt or pledge of the faith and credit of the City and, accordingly, have not been reported in the accompanying financial statements.

A summary of conduit debt obligations is as follows:

	Originally Issued	Date of Issue	Balance Outstanding June 30, 2010
Higher Education Facilities Revenue Bonds ..	$7,630,000	5-24-00	$5,105,000
Elderly Housing Revenue Bonds	4,565,000	6-01-07	$4,275,000
Elderly Housing Revenue Bonds	5,325,000	10-01-03	$4,690,000

14. LITIGATION

The City is party to various legal proceedings which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. City officials believe the outcome of these matters will not have a material adverse effect on the City's financial statements.

15. SUBSEQUENT EVENTS

Subsequent to June 30, 2010, the City entered into construction and engineering contracts for various improvement projects totaling approximately $1,480,000. The City also purchased land for approximately $227,000 and entered into a development agreement which includes a $200,000 forgivable loan and annual property tax rebates over the next nine years ranging from 25 to 50%.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF STORM LAKE
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) - GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Total
RECEIPTS:			
Property taxes	$ 2,923,257		$ 2,923,257
Tax increment financing collections	543,530		543,530
Other city taxes	1,298,637		1,298,637
Licenses and permits	25,299		25,299
Use of money and property	231,056	$ 109,185	340,241
Intergovernmental	2,542,522		2,542,522
Charges for services	82,233	8,552,870	8,635,103
Miscellaneous	425,233	1,902,674	2,327,907
TOTAL RECEIPTS	8,071,767	10,564,729	18,636,496
DISBURSEMENTS:			
Public safety	2,177,540		2,177,540
Public works	1,049,208		1,049,208
Health and social services	5,984		5,984
Culture and recreation	1,424,859		1,424,859
Community and economic development	636,593		636,593
General government	366,579		366,579
Debt service	1,376,234		1,376,234
Capital projects	1,908,788		1,908,788
Business-type activities		11,473,954	11,473,954
TOTAL DISBURSEMENTS	8,945,785	11,473,954	20,419,739
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(874,018)	(909,225)	(1,783,243)
OTHER FINANCING SOURCES (USES)	108,647	3,139,217	3,247,864
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	(765,371)	2,229,992	1,464,621
CASH BALANCES - BEGINNING OF YEAR	4,427,601	4,640,695	9,068,296
CASH BALANCES - END OF YEAR	$ 3,662,230	$ 6,870,687	$10,532,917

See Accompanying Notes to Budgetary Comparison Schedules

Budgeted Amounts		Final to Total Variance
Original	Final	
$ 2,967,759	$ 2,967,759	$ (44,502)
448,297	448,297	95,233
1,297,305	1,297,305	1,332
138,250	158,250	(132,951)
213,670	213,670	126,571
6,072,912	6,072,912	(3,530,390)
10,287,699	10,287,699	(1,652,596)
359,656	359,656	1,968,251
21,785,548	21,805,548	(3,169,052)
2,296,161	2,407,161	229,621
985,906	1,133,906	84,698
7,500	7,500	1,516
1,556,329	1,556,329	131,470
514,807	616,807	(19,786)
342,110	393,110	26,531
1,376,199	1,376,234	
1,891,722	2,056,722	147,934
12,321,848	12,726,848	1,252,894
21,292,582	22,274,617	1,854,878
492,966	(469,069)	(1,314,174)
	2,490,035	757,829
$ 492,966	$ 2,020,966	$ (556,345)

See Accompanying Notes to Budgetary Comparison Schedules

CITY OF STORM LAKE
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 2010

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
REVENUES	$ 8,071,767	$ (48,771)	$ 8,022,996
EXPENDITURES /EXPENSES	8,945,785	(121,555)	8,824,230
NET	(874,018)	72,784	(801,234)
OTHER FINANCING SOURCES - NET	108,647		108,647
BEGINNING FUND BALANCES/NET ASSETS	4,427,601	285,469	4,713,070
ENDING FUND BALANCES/NET ASSETS	$ 3,662,230	$ 358,253	$ 4,020,483

	Proprietary Funds		
	Cash Basis	Accrual Adjustments	Accrual Basis
REVENUES	$10,564,729	$ (1,667,379)	$ 8,897,350
EXPENDITURES /EXPENSES	11,473,954	(1,751,550)	9,722,404
NET	(909,225)	84,171	(825,054)
OTHER FINANCING SOURCES - NET	3,139,217	(900,001)	2,239,216
BEGINNING FUND BALANCES/NET ASSETS	4,640,695	27,235,977	31,876,672
ENDING FUND BALANCES/NET ASSETS	$ 6,870,687	$26,420,147	$33,290,834

See Accompanying Notes to Budgetary Comparison Schedules

CITY OF STORM LAKE
NOTES TO BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2010

The budgetary comparison is presented as required supplementary information in accordance with Government 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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon 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, permanent fund, and enterprise funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by $982,035. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements in the community and economic development function exceeded the amount budgeted.

CITY OF STORM LAKE
SCHEDULE OF FUNDING PROGRESS FOR THE RETIREE HEALTH PLAN

REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (1)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
2010	July 1, 2009	-	$85,000	$85,000	0.0%	$2,250,000	3.8%

See Note 9 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status, and funding progress.

OTHER SUPPLEMENTARY INFORMATION

CITY OF STORM LAKE
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue			
	Tort Insurance	Emergency Levy	Crime Prevention	Senior Center
ASSETS:				
Cash and cash equivalents	$ 280,896	$ -	$ 26,259	$ 46,369
Receivables:				
Property tax:				
Succeeding year	70,000	66,900	-	-
Prepaid expenses	42,726	-	-	-
TOTAL ASSETS	$ 393,622	$ 66,900	$ 26,259	$ 46,369
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Deferred revenue:				
Succeeding year property tax	$70,000	$66,900	$ -	$ -
TOTAL LIABILITIES	70,000	66,900	-	-
FUND BALANCES:				
Unreserved, undesignated, reported in:				
Special revenue funds	323,622	-	26,259	46,369
Permanent fund	-	-	-	-
TOTAL FUND BALANCES	323,622	-	26,259	46,369
TOTAL LIABILITIES AND FUND BALANCES	$ 393,622	$ 66,900	$ 26,259	$ 46,369

			Permanent	
Library	Expendable Gift	Law Enforcement	Emma Myers Trust	Total
$ 116,306	$ 6,246	$ 252,356	$ 2,753	$ 731,185
-	-	-	-	136,900
-	-	-	-	42,726
$ 116,306	$ 6,246	$ 252,356	$ 2,753	$ 910,811
$ -	$ -	$ -	$ -	$136,900
-	-	-	-	136,900
116,306	6,246	252,356	-	771,158
-	-	-	2,753	2,753
116,306	6,246	252,356	2,753	773,911
$ 116,306	$ 6,246	$ 252,356	$ 2,753	$ 910,811

CITY OF STORM LAKE
COMBINING SCHEDULE OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue			
	Tort Insurance	Emergency Levy	Crime Prevention	Senior Center
REVENUES:				
Property tax	$ 65,180	$ 59,312	$ -	$ -
Other tax	3,244	2,949	-	-
Intergovernmental	-	-	-	-
Use of money and property	7,020	-	516	121
Miscellaneous	790	-	5,964	-
TOTAL REVENUES	76,234	62,261	6,480	121
EXPENDITURES:				
Operating:				
Public safety	-	-	4,563	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	128,310	-	-	-
TOTAL EXPENDITURES	128,310	-	4,563	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(52,076)	62,261	1,917	121
OTHER FINANCING SOURCES (USES):				
Operating transfers out	(3,390)	(62,853)	-	-
NET CHANGE IN FUND BALANCES	(55,466)	(592)	1,917	121
FUND BALANCES - BEGINNING OF YEAR	379,088	592	24,342	46,248
FUND BALANCES - END OF YEAR	$ 323,622	$ -	$ 26,259	$ 46,369

			Permanent	
Library	Expendable Gift	Law Enforcement	Emma Myers Trust	Total
$ -	$ -	$ -	$ -	$ 124,492
-	-	-	-	6,193
4,592	18,981	-	-	23,573
6,756	-	649	-	15,062
4,772	-	178,179	-	189,705
16,120	18,981	178,828	-	359,025
-	-	56,695	-	61,258
-	-	4,505	-	4,505
12,323	-	-	-	12,323
-	14,181	-	-	14,181
-	-	-	-	128,310
12,323	14,181	61,200	-	220,577
3,797	4,800	117,628	-	138,448
-	-	-	-	(66,243)
3,797	4,800	117,628	-	72,205
112,509	1,446	134,728	2,753	701,706
$ 116,306	$ 6,246	$ 252,356	$ 2,753	$ 773,911

Schedule 3

CITY OF STORM LAKE
SCHEDULE OF AND CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Lake Improvements Commission			
	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
ASSETS:				
Cash and cash equivalents	$ 2,204,241	$ 405,935	$ 660,080	$ 1,950,096
Interest receivable	13,449	30,495	41,805	2,139
Due from other governments	-	115,438	-	115,438
TOTAL ASSETS	$ 2,217,690	$ 551,868	$ 701,885	$ 2,067,673
LIABILITIES:				
Accounts payable	$ 58,104	$ 29,030	$ 58,104	$ 29,030
Due to other governments	2,159,586	522,838	643,781	2,038,643
TOTAL LIABILITIES	$ 2,217,690	$ 551,868	$ 701,885	$ 2,067,673

	Drainage			
	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
ASSETS:				
Cash and cash equivalents	$ -	$ -	$ 8,380	$ (8,380)
Due from other governments	-	13,029	-	13,029
TOTAL ASSETS	$ -	$ 13,029	$ 8,380	$ 4,649
LIABILITIES:				
Accounts payable	$ -	$ 13,029	$ 8,380	$ 4,649
TOTAL LIABILITIES	$ -	$ 13,029	$ 8,380	$ 4,649

CITY OF STORM LAKE
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST TEN YEARS

	Modified Accrual Basis			
	2010	2009	2008	2007
REVENUES:				
Property tax	$ 2,927,869	$ 2,827,598	$ 2,799,837	$ 2,669,623
Tax increment financing	542,506	281,009	129,377	83,873
Other city tax	1,199,479	1,337,504	1,209,525	1,352,178
Intergovernmental	1,260,382	163,747	256,198	182,624
Licenses and permits	177,904	340,468	383,606	759,810
Charges for service	1,171,084	2,502,482	1,070,861	2,563,765
Use of money and property	271,658	1,171,521	1,150,540	487,579
Special assessments	-	-	-	-
Miscellaneous	472,114	663,245	443,993	628,511
TOTAL REVENUES	$ 8,022,996	$ 9,287,574	$ 7,443,937	$ 8,727,963
EXPENDITURES:				
Operating:				
Public safety	$ 2,130,274	$ 2,092,319	$ 1,996,699	$ 1,731,813
Public works	1,043,094	1,029,727	1,007,552	871,683
Health and social service	5,984	9,796	14,221	12,850
Culture and recreation	1,482,908	1,444,437	1,494,431	715,125
Community and economic development	622,267	1,904,128	348,970	351,232
General government	366,308	386,912	338,702	287,970
Debt service	1,376,234	1,342,923	1,293,896	1,207,354
Capital projects	1,797,161	1,409,263	2,819,570	7,596,287
TOTAL EXPENDITURES	$ 8,824,230	$ 9,619,505	$ 9,314,041	$ 12,774,314

2006	2005	2004	2003	2002	2001
$ 2,625,565	$ 2,369,578	$ 2,201,582	$ 2,143,224	$ 2,067,635	$ 2,063,576
84,850	36,460	33,264	31,544	30,661	30,175
1,132,590	1,076,883	1,113,416	961,224	830,486	743,679
109,485	100,288	142,724	97,694	127,029	96,113
693,381	298,777	445,652	184,277	312,140	421,797
1,535,489	2,059,008	1,476,894	1,291,763	2,093,900	1,561,390
430,791	472,177	464,140	372,442	358,163	345,797
-	1,343	50,142	21,963	22,513	22,601
866,338	563,315	130,143	328,504	263,919	351,490
$ 7,478,489	$ 6,977,829	$ 6,057,957	$ 5,432,635	$ 6,106,446	$ 5,636,618
$ 1,747,843	$ 1,741,482	$ 1,640,085	$ 1,720,395	$ 1,633,205	$ 1,565,691
921,209	947,440	819,776	812,980	716,976	738,310
10,700	9,034	15,700	15,700	10,000	10,000
837,193	829,871	837,515	826,506	718,526	776,700
336,781	365,144	408,725	330,421	517,937	116,408
273,172	278,934	268,705	242,472	329,345	254,725
570,555	361,282	456,073	355,951	386,814	557,564
3,807,559	2,150,456	1,676,848	1,662,726	1,643,794	1,752,688
$ 8,505,012	$ 6,683,643	$ 6,123,427	$ 5,967,151	$ 5,956,597	$ 5,772,086

WINTHER, STAVE & CO., LLP
Certified Public Accountants

1316 West 18th Street
P.O. Box 175
Spencer, Iowa 51301-0175
Phone 712-262-3117
FAX 712-262-3159

1004 21st Street #4
P.O. Box 187
Milford, Iowa 51351
Phone 712-338-2488
FAX 712-338-2510

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*

The Honorable Mayor and
Members of the City Council
City of Storm Lake
Storm Lake, IA 50588

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 Storm Lake, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated February 23, 2011. 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'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 an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we considered to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a

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deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-10 and I-B-10 to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards.* 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, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Storm Lake, and other parties to whom the City 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 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.

Winther, Stave & Co., LLP

February 23, 2011

CITY OF STORM LAKE
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Part I: Findings Related to the General Purpose Financial Statements

Internal Control Deficiencies:

I-A-10 Bank Reconciliations - During our audit, we found that bank reconciliations were not being properly agreed with the cash and investments reported in the general ledger.

Recommendation - We recommend that the bank reconciliations include all outstanding items and reconcile both cash and investments to the general ledger. Further the reconciliations should be reviewed by a member of management to ensure they are being properly completed.

Response - Management was aware of this issue and will properly reconcile with both the cash and investment balances in the general ledger.

Conclusion - Response accepted.

I-B-10 Financial Statement Preparation - During our audit, we noted the City does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with the accrual basis of accounting. 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 the accrual basis of accounting in preparing the financial statements and the related disclosures.

Recommendation - The City should consider obtaining additional knowledge through reading relevant accounting literature and attending local professional education courses.

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

Conclusion - Response accepted.

Instances of Non-Compliance:

No findings were noted.

Part II: Other Findings Related to Required Statutory Reporting

II-A-10 Certified Budget - Disbursements during the year ended June 30, 2010 exceeded the amount budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended 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 the future, if applicable.

Conclusion - Response accepted.

II-B-10 Questionable Expenditures - We noted no expenditures 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-10 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted. No travel advances to City officials or employees were noted.

II-D-10 Business Transactions - No business transactions were noted between the City and City officials or employees.

II-E-10 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.

II-F-10 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-10 Deposits and Investments - 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 were noted.

II-H-10 Revenue Note - No instances of noncompliance with revenue capital loan note provisions were noted.