

CITY OF LAMONI

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

JUNE 30, 2010

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City of Lamoni

Officials

<u>Name</u>	<u>Title</u> (Before January 2010)	<u>Term Expires</u>
James Hammer	Mayor	January 2010
Roger Potts	Mayor Pro-Tem	January 2012
Mark Ballantyne	Council Member	January 2010
Anthony Crandell	Council Member	January 2010
Diane Gray	Council Member	January 2010
Doug Foster	Council Member	January 2012

<u>Name</u>	<u>Title</u> (After January 2010)	<u>Term Expires</u>
Janelle Anders	Mayor	January 2012
Marcy Biesemeyer	Mayor Pro-Tem	January 2014
Doug Foster	Council Member	January 2012
Roger Potts	Council Member	January 2012
Anthony Crandell	Council Member	January 2014
Mary Ann Manuel	Council Member	January 2014

Barb Stuck	Clerk/Administrator/Treasurer	Indefinite
Judy Harris	Deputy Clerk	Indefinite
Robert Rolfe	City Attorney	Indefinite



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

October 18, 2010

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

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Independent Auditor's Report
City of Lamoni

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 18, 2010 on our consideration of the City of Lamoni's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 11 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Lamoni's basic financial statements. 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 which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the six years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Schroer & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lamoni, we offer readers of the City of Lamoni's financial statements this narrative overview and analysis of the financial activities of the City of Lamoni for the fiscal year ending June 30, 2010. This section should be read in conjunction with the financial statements and the accompanying notes that follow.

2010 Financial Highlights

- Receipts of the City's governmental activities decreased by \$2,856 from fiscal 2009 to fiscal 2010. Property tax increased approximately \$79,000
- Disbursements decreased 13.4%, or approximately \$259,000, from fiscal 2009 to fiscal 2010. Capital projects decreased approximately \$264,000.
- The City's total cash basis net assets increased by \$2,377,064 from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities increased \$38,481 and the assets of the business type activities increased by \$2,338,583. The increase was primarily due to note proceeds.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, and debt service. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the electric and gas utilities, the water works, and the sanitary sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The city has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, and 4) the Capital Projects Fund. The Governmental Fund Financial Statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$38,481 from a year ago. The analysis that follows focuses on the changes in cash balances for governmental activities.

	Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service	\$ 232,073	235,674
Operating grants, contributions and restricted interest	414,551	298,796
Capital grants, contributions and restricted interest	202,817	354,025
General receipts:		
Property tax	625,889	602,786
Tax increment financing	27,026	28,035
Local option sales tax	118,447	106,920
Grants and contributions not restricted to specific purpose	1,193	1,293
Unrestricted interest on investments	401	1,135
Sale of assets	3,411	-
Total receipts	<u>1,625,808</u>	<u>1,628,664</u>
Disbursements:		
Public safety	302,133	326,683
Public works	541,905	483,886
Culture and recreation	278,841	261,384
Community and economic development	27,035	64,795
General government	146,803	158,924
Debt service	205,571	201,079
Capital projects	162,113	426,256
Total disbursements	<u>1,664,401</u>	<u>1,923,007</u>
Change in cash basis net assets before transfers	(38,593)	(294,343)
Transfers, net	<u>77,074</u>	<u>59,641</u>
Change in cash basis net assets	38,481	(234,702)
Cash basis net assets beginning of year	<u>359,835</u>	<u>594,537</u>
Cash basis net assets end of year	<u>\$ 398,316</u>	<u>359,835</u>

The total receipts for governmental activities decreased \$2,856.

The cost of all governmental activities this year was \$1,664,401 compared to \$1,923,007 last year.

Decrease in costs was noted for capital projects.

As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was \$814,960, due to costs paid by those directly benefited from the programs of \$232,073 or by other governments, organizations that subsidized certain programs with grants, contributions and restricted interest of \$414,551 and by capital grants received of \$202,817.

Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30,	
	2010	2009
Receipts:		
Program receipts:		
Charges for service:		
Electric	\$ 2,279,681	2,164,566
Gas	802,181	928,468
Water	435,926	440,746
Sewer	232,604	233,241
Operating grants, contributions and restricted interest	159,165	1,958
General receipts:		
Unrestricted interest on investments	33,963	61,668
Bond and note proceeds	2,442,891	30,281
Total receipts	<u>6,386,411</u>	<u>3,860,928</u>
Disbursements:		
Electric	2,176,551	2,134,497
Gas	560,447	1,149,403
Water	939,626	468,995
Sewer	294,130	295,860
Total disbursements	<u>3,970,754</u>	<u>4,048,755</u>
Change in cash basis net assets before transfers	2,415,657	(187,827)
Transfers, net	<u>(77,074)</u>	<u>(59,641)</u>
Change in cash basis net assets	2,338,583	(247,468)
Cash basis net assets beginning of year	<u>1,867,595</u>	<u>2,115,063</u>
Cash basis net assets end of year	<u>\$ 4,206,178</u>	<u>1,867,595</u>

Total business type activities receipts for the fiscal year were \$6,386,411 compared to \$3,860,928 last year. The cash balance increased by \$2,338,583. This was primarily due to note proceeds. Total disbursements for the fiscal year decreased \$78,001.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Lamoni completed the year, its governmental funds reported a combined fund balance of \$398,316, an increase of \$38,481 from last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund balance at the end of the year was \$8,711, a decrease of \$16,641 from the prior year primarily because revenue projections fell short.
- The Road Use Tax Fund balance at the end of the fiscal year was \$76,145, a decrease of \$48,450 due to reimbursements not coming before year end and the unplanned purchase of a dump truck due to an accident destroying an old one.
- The Local Option Sales Tax Fund balance at the end of the fiscal year was \$294,212, an increase of \$32,227 from the prior year due to the fact that we had no major projects in this fiscal year.
- The Debt Service Fund balance was (82,693), a decrease of \$32,886 from the prior year due to final payment of an airport note.
- The Capital Projects Fund at the end of the fiscal year was \$56,982, an increase of \$40,704 from the prior year due to recouping monies from the previous year's airport projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Electric Fund balance at the end of the fiscal year was \$3,010,271, an increase of \$2,218,951 from the prior year due to loan proceeds of \$2,156,000.
- The Gas Fund balance at the end of the fiscal year was \$484,352, an increase of \$246,857 due to gas removed from storage that was paid the prior year.
- The Water Fund balance at the end of the fiscal year was \$327,750, a decrease of \$71,335 from the prior year due to project costs paid before reimbursements were received and an insurance claim yet to be settled for labor and equipment costs of approximately \$28,000 and falling revenues.
- The Sewer Fund balance at the end of the fiscal year was \$383,805, a decrease of \$55,890 from the prior year due to replacement costs of 3 pumps at approximately \$10,000 each and falling revenues.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City budget was amended by \$260,075 for receipts and \$116,774 for disbursements. City receipts were approximately \$550,000 less than budgeted primarily due to projected projects and funding that did not materialize. After the budget amendment, total disbursements were approximately \$184,000 less than anticipated primarily due to projected disbursements not paid until after the close of the fiscal year.

DEBT ADMINISTRATION

At June 30, 2010, the City had approximately \$4,170,000 in bonds and other long-term debt, compared to approximately \$1,997,000 last year as shown below:

	Outstanding Debt at Year End (Expressed in Thousands)	
	Year ended June 30,	
	2010	2009
General obligation notes and bonds	\$ 738	\$ 898
Revenue bonds and notes	3,175	1,007
Other debt	257	92
	<u>\$ 4,170</u>	<u>\$ 1,997</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$738,000 is below its constitutional debt limit of approximately \$2,950,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Lamoni's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for various City activities.

The City budgeted somewhat conservatively due to the recession – anticipating a lower census count that will have an impact on revenue.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Barb Stuck, City Clerk, 190 South Chestnut Street, Lamoni, Iowa.

City of Lamoni

City of Lamoni
Basic Financial Statements

City of Lamoni
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2010

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 302,133	6,029	33,459
Public works	541,905	193,510	328,123
Culture and recreation	278,841	31,464	33,515
Community and economic development	27,035	-	6,095
General government	146,803	1,070	13,359
Debt service	205,571	-	-
Capital projects	162,113	-	-
Total governmental activities	<u>1,664,401</u>	<u>232,073</u>	<u>414,551</u>
Business type activities:			
Electric	2,176,551	2,279,681	-
Gas	560,447	802,181	-
Water	939,626	435,926	-
Sewer	294,130	232,604	-
Total business type activities	<u>3,970,754</u>	<u>3,750,392</u>	<u>-</u>
Total	<u>\$ 5,635,155</u>	<u>3,982,465</u>	<u>414,551</u>

General Receipts:

Property tax levied for:	
General purposes	
Debt service	
Tax increment financing	
Local option sales tax	
Grants and contributions not restricted to specific purpose	
Unrestricted interest on investments	
Short term notes issued	
Short term notes redeemed	
Note proceeds, net of discount \$44,000	
Note proceeds	
Sale of capital assets	
Transfers	
Total general receipts and transfers	

Change in cash basis net assets

Cash basis net assets beginning of year, restated

Cash basis net assets end of year

Cash Basis Net Assets:

Restricted:	
Expendable:	
Streets	
Local option referendum purposes	
Debt service	
Capital projects	
Unrestricted	

Total cash basis net assets

See notes to financial statements.

Capital Grants Contributions and Restricted Interest	Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
-	(262,645)	-	(262,645)
-	(20,272)	-	(20,272)
-	(213,862)	-	(213,862)
-	(20,940)	-	(20,940)
-	(132,374)	-	(132,374)
-	(205,571)	-	(205,571)
202,817	40,704	-	40,704
<u>202,817</u>	<u>(814,960)</u>	<u>-</u>	<u>(814,960)</u>
-	-	103,130	103,130
-	-	241,734	241,734
159,165	-	(344,535)	(344,535)
-	-	(61,526)	(61,526)
<u>159,165</u>	<u>-</u>	<u>(61,197)</u>	<u>(61,197)</u>
<u>361,982</u>	<u>(814,960)</u>	<u>(61,197)</u>	<u>(876,157)</u>
\$	475,807	-	475,807
	150,082	-	150,082
	27,026	-	27,026
	118,447	-	118,487
	1,193	-	1,193
	401	33,963	34,364
	100,000	12,428	112,428
	(100,000)	(42,709)	(142,709)
	-	2,156,000	2,156,000
	-	317,172	317,172
	3,411	-	3,411
	77,074	(77,074)	-
	<u>853,441</u>	<u>2,399,780</u>	<u>3,253,221</u>
	38,481	2,338,583	2,377,064
	<u>359,835</u>	<u>1,867,595</u>	<u>2,227,430</u>
\$	<u>398,316</u>	<u>4,206,178</u>	<u>4,604,494</u>
\$	76,145	-	76,145
	294,212	-	294,212
	-	748,227	748,227
	56,982	1,803,015	1,859,997
	(29,023)	1,654,936	1,625,913
\$	<u>398,316</u>	<u>4,206,178</u>	<u>4,604,494</u>

City of Lamoni
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2010

	Special Revenue			
	General	Road Use Tax	Local Option Sales Tax	Debt Service
Receipts				
Property tax	\$ 337,787	-	-	149,537
Tax increment financing collections	-	-	-	-
Other city tax	16,136	-	118,447	545
Licenses and permits	1,275	-	-	-
Use of money and property	12,401	-	-	-
Intergovernmental	19,953	226,710	-	-
Charges for service	209,887	-	-	-
Miscellaneous	41,837	-	-	-
Total receipts	<u>639,276</u>	<u>226,710</u>	<u>118,447</u>	<u>150,082</u>
Disbursements				
Operating:				
Public safety	213,875	-	32,197	-
Public works	221,298	275,160	-	-
Culture and recreation	188,688	-	24,023	-
Community and economic development	3,240	-	-	-
General government	115,587	-	-	-
Debt service	-	-	-	205,571
Capital projects	-	-	-	-
Total disbursements	<u>742,688</u>	<u>275,160</u>	<u>56,220</u>	<u>205,571</u>
Excess (deficiency) of receipts over (under) disbursements	(103,412)	(48,450)	62,227	(55,489)
Other financing sources (uses):				
Sale of capital assets	2,300	-	-	-
Short term note issued	-	-	-	-
Short term note redeemed	-	-	-	-
Operating transfers in	84,471	-	-	22,603
Operating transfers out	-	-	(30,000)	-
Total other financing sources (uses)	<u>86,771</u>	<u>-</u>	<u>(30,000)</u>	<u>22,603</u>
Net change in cash balances	(16,641)	(48,450)	32,227	(32,886)
Cash balances beginning of year	<u>25,352</u>	<u>124,595</u>	<u>261,985</u>	<u>(49,807)</u>
Cash balances end of year	<u>\$ 8,711</u>	<u>76,145</u>	<u>294,212</u>	<u>(82,693)</u>
Cash Basis Fund Balances				
Unreserved:				
General fund	\$ 8,711	-	-	-
Special revenue funds	-	76,145	294,212	-
Debt service fund	-	-	-	(82,693)
Capital projects fund	-	-	-	-
Total cash basis fund balances	<u>\$ 8,711</u>	<u>76,145</u>	<u>294,212</u>	<u>(82,693)</u>

See notes to financial statements.

Capital Projects	Other Nonmajor Governmental Funds	Total
-	121,843	609,167
-	27,026	27,026
-	41	135,169
-	-	1,275
-	1,067	13,468
202,817	83,824	533,304
-	-	209,887
-	51,264	93,101
<u>202,817</u>	<u>285,065</u>	<u>1,622,397</u>
-	56,061	302,133
-	45,447	541,905
-	66,130	278,841
-	23,795	27,035
-	31,216	146,803
-	-	205,571
162,113	-	162,113
<u>162,113</u>	<u>222,649</u>	<u>1,664,401</u>
40,704	62,416	(42,004)
-	1,111	3,411
100,000	-	100,000
(100,000)	-	(100,000)
-	-	107,074
-	-	(30,000)
<u>-</u>	<u>1,111</u>	<u>80,485</u>
40,704	63,527	38,481
<u>16,278</u>	<u>(18,568)</u>	<u>359,835</u>
<u>56,982</u>	<u>44,959</u>	<u>398,316</u>
-	-	8,711
-	44,959	415,316
-	-	(82,693)
56,982	-	56,982
<u>56,982</u>	<u>44,959</u>	<u>398,316</u>

City of Lamoni
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2010

	Enterprise Funds				
	Electric	Gas	Water	Sewer	Total
Operating receipts:					
Charges for service	\$ 2,193,656	800,810	414,443	229,012	3,637,921
Miscellaneous	83,601	1,371	17,527	3,592	106,091
Total operating receipts	<u>2,277,257</u>	<u>802,181</u>	<u>431,970</u>	<u>232,604</u>	<u>3,744,012</u>
Operating disbursements:					
Business type activities	<u>2,119,894</u>	<u>525,856</u>	<u>309,940</u>	<u>217,637</u>	<u>3,173,327</u>
Total operating disbursements	<u>2,119,894</u>	<u>525,856</u>	<u>309,940</u>	<u>217,637</u>	<u>3,173,327</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	157,363	276,325	122,030	14,967	570,685
Non-operating receipts (disbursements):					
Interest on investments	14,292	5,123	8,912	5,636	33,963
Rent	2,424	-	3,956	-	6,380
Intergovernmental	-	-	159,165	-	159,165
Debt service	-	-	(113,457)	(73,760)	(187,217)
Capital projects	(56,657)	(34,591)	(516,229)	(2,733)	(610,210)
Total non-operating receipts (disbursements)	<u>(39,941)</u>	<u>(29,468)</u>	<u>(457,653)</u>	<u>(70,857)</u>	<u>(597,919)</u>
Excess (deficiency) of receipts over (under) disbursements	117,422	246,857	(335,623)	(55,890)	(27,234)
Other financing sources (uses):					
Short term note issued	-	-	12,428	-	12,428
Short term note redeemed	-	-	(42,709)	-	(42,709)
Note proceeds, net discount of \$44,000	2,156,000	-	-	-	2,156,000
Note proceeds	-	-	317,172	-	317,172
Operating transfers out	(54,471)	-	(22,603)	-	(77,074)
Total other financing sources (uses)	<u>2,101,529</u>	<u>-</u>	<u>264,288</u>	<u>-</u>	<u>2,365,817</u>
Net change in cash balances	2,218,951	246,857	(71,335)	(55,890)	2,338,583
Cash balances beginning of year	<u>791,320</u>	<u>237,495</u>	<u>399,085</u>	<u>439,695</u>	<u>1,867,595</u>
Cash balances end of year	<u>\$ 3,010,271</u>	<u>484,352</u>	<u>327,750</u>	<u>383,805</u>	<u>4,206,178</u>
Cash Basis Fund Balances					
Reserved for debt service	\$ 352,985	-	320,000	75,242	748,227
Reserved for capital projects	1,803,015	-	-	-	1,803,015
Unreserved	<u>854,271</u>	<u>484,352</u>	<u>7,750</u>	<u>308,563</u>	<u>1,654,936</u>
Total cash basis fund balances	<u>\$ 3,010,271</u>	<u>484,352</u>	<u>327,750</u>	<u>383,805</u>	<u>4,206,178</u>

See notes to financial statements.

City of Lamoni
Notes to Financial Statements
June 30, 2010

NOTE (1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

City of Lamoni
Notes to Financial Statements
June 30, 2010

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

City of Lamoni
Notes to Financial Statements
June 30, 2010

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue - Continued:

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

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

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

The City reports the following major proprietary funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

City of Lamoni
Notes to Financial Statements
June 30, 2010

NOTE (1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting - Continued

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public works and business type activities functions.

E. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2008, to compute the amounts which became liens on property on July 1, 2009. These taxes were due and payable in two installments on September 30, 2009 and March 31, 2010, at the Decatur County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

NOTE (2) Cash and Pooled Investments

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

At June 30, 2010, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
EE bonds	\$ <u>275</u>	\$ <u>275</u>	January 2015

City of Lamoni
Notes to Financial Statements
June 30, 2010

NOTE (2) Cash and Pooled Investments – Continued

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$890 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The City’s investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

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

NOTE (3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds & Notes Principal	Revenue Bonds & Notes Principal	Other Debt Principal	Total Principal
2011	\$ 165,000	299,000	6,000	470,000
2012	86,000	197,000	6,000	289,000
2013	92,000	200,000	6,000	298,000
2014	97,000	207,000	6,000	310,000
2015	98,000	209,000	6,000	313,000
2016-2020	200,000	1,141,000	30,000	1,371,000
2021-2025	-	1,053,172	2,500	1,055,672
2026-2030	-	63,000	-	63,000
Total	\$ <u>738,000</u>	<u>3,369,172</u>	<u>62,500</u>	<u>4,169,672</u>

Year Ending June 30,	General Obligation Bonds & Notes Interest	Revenue Bonds & Notes Interest	Other Debt Interest	Total Interest
2011	\$ 31,390	113,030	-	144,420
2012	23,584	107,840	-	131,424
2013	20,150	103,180	-	123,330
2014	16,432	98,055	-	114,487
2015	12,421	92,365	-	104,786
2016-2020	18,629	356,917	-	375,546
2021-2025	-	140,738	-	140,738
2026-2030	-	5,760	-	5,760
Total	\$ <u>122,606</u>	<u>1,017,885</u>	<u>-</u>	<u>1,140,491</u>

Interest costs paid during the year ended June 30, 2010 totaled \$71,197.

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

City of Lamoni
Notes to Financial Statements
June 30, 2010

NOTE (3) Bonds and Notes Payable – Continued

The City has a general obligation debt limit of approximately \$2,950,000 which was not exceeded during the year ended June 30, 2010.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$700,000 in water revenue notes issued in November 2004 and \$317,172 issued in January 2010. \$194,000 may be forgiven if all conditions are met. Proceeds from the notes provided financing for the construction of water main extensions and improvements to the water treatment facility. The notes are payable solely from water customer net receipts and are payable through 2021. Annual principal and interest payments on the notes are expected to require less than 80% of net receipts. Total principal and interest remaining to be paid on the notes is \$180,625. For the current year, principal and interest paid and total customer net receipts were \$113,456 and \$122,010, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$514,000 in sewer revenue notes issued in June 2002, and \$594,000 in sewer revenue notes issued in October 2002. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 90% of net receipts. The total principal and interest remaining to be paid on the notes is \$894,580. For the current year, principal and interest paid and total customer net receipts were \$73,760 and \$14,967, respectively.

The City has pledged future electric customer receipts, net of specific operating disbursements, to repay \$2,200,000 in electric revenue notes issued on June 30, 2010. Proceeds from the notes are to provide financing for the construction of improvements to the municipal electric utility system, including the acquisition and installation of two diesel generators. The notes are payable solely from electric customer receipts and are payable through 2025. Annual principal and interest payments on the notes are expected to require 90% of net receipts. Total principal and interest remaining to be paid on the notes is \$2,973,290. For the current year, there were no principal and interest payments and total customer net receipts were \$157,363.

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

- a) The notes will only be redeemed from the future earnings of the water enterprise activity and the note holders hold a lien on the future earnings of the fund.

City of Lamoni
Notes to Financial Statements
June 30, 2010

NOTE (3) Bonds and Notes Payable - Continued

- b) Sufficient monthly transfers shall be made to a separate water revenue note sinking account for the purpose of making the note principal and interest payments when due.
- c) \$70,000 is required to be maintained in a water revenue note reserve account. The account is restricted for the purpose of paying the note principal and interest payments whenever, for any reason, the funds in the water revenue note sinking account are insufficient to pay such principal and interest when due.
- d) Monthly transfers of \$1,500 shall be made to the water revenue note improvement and extension account, after the sinking and reserve funds have been adequately funded. Transfers are to be made until \$125,000 has been accumulated. This account is restricted for the purpose of paying for any improvement, extension or repair to the system or for correcting any deficiencies in the sinking and revenue accounts.
- e) All funds remaining in the water account after the payment of all maintenance and operating expenses and required transfers shall be placed in the water revenue surplus account within the Enterprise Funds until a minimum of \$125,000 is accumulated. This account is restricted for the purpose of correcting any deficiencies in the sinking, reserve, and improvement and extension accounts.
- f) User rates shall be established at a level which produces and maintains net receipts at a level not less than 125% of the amount of principal and interest on the notes falling due in the next year.

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

- a) The bonds will only be redeemed from the future earnings of the sewer enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- c) All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in the sewer revenue surplus account within the Enterprise Funds. This account is restricted for the purpose of correcting any deficiencies in the sinking account.

City of Lamoni
Notes to Financial Statements
June 30, 2010

NOTE (3) Bonds and Notes Payable – Continued

- d) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the next year.

The resolution providing for the issuance of the electric revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the electric enterprise activity and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate electric revenue note sinking account for the purpose of making the note principal and interest payments when due.
- c) \$202,985 shall be deposited and maintained in an electric revenue note reserve account. The account is restricted for the purpose of paying the principal and interest payments whenever, for any reason, the funds in the electric revenue note sinking account is insufficient to pay such principal and interest when due.
- d) \$150,000 shall be deposited and maintained in an electric revenue note improvement and extension account. This account is restricted for the purpose of paying any improvement, extension or repair to the system, or for correcting any deficiencies in the sinking and reserve accounts.

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

NOTE (4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008, were \$69,310, \$61,984, and \$60,100, respectively, equal to the required contributions for each year.

City of Lamoni
Notes to Financial Statements
June 30, 2010

NOTE (5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. City employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon retirement, up to a maximum of 480 hours. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2010, primarily relating to the General Fund and Proprietary Funds are as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 48,000
Sick leave	<u> 138,000</u>
	<u>\$ 186,000</u>

This liability is computed on rates of pay effective as of June 30, 2010.

NOTE (6) Other Postemployment Benefits (OPEB)

City Employee Benefits

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 8 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$352 for single coverage and \$879 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$5,295 and the plan member eligible for benefits contributed \$10,591 to the plan.

City of Lamoni
Notes to Financial Statements
June 30, 2010

NOTE (6) Other Postemployment Benefits (OPEB) - Continued

Utility Employee Benefits

Plan Description - The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 17 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utility and plan members are \$396 for single coverage and \$990 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the Utility contributed \$4,752 and plan members eligible for benefits contributed \$9,504 to the plan.

NOTE (7) Short Term Loans

In October 2008, the City entered into a non-interest bearing interim loan agreement with Iowa Finance Authority, not to exceed \$49,625, for planning and design costs to upgrade the water system. During the year, the City drew down \$12,428 on the loan, and redeemed the loan balance of \$42,709 with permanent financing.

In September 2009, the City entered into a \$100,000, 5.05% loan agreement for airport improvement costs expected to be reimbursed with grant proceeds. The loan was redeemed in October 2009 with interest of \$210.

NOTE (8) Commitment - Colony Housing Authority

In December 1979, the City entered into an agreement with Colony Housing Authority (CHA) of Lamoni, whereby CHA, who constructed and maintains a multiple dwelling complex for senior citizens, agreed to provide dining facilities for 30 additional persons. In consideration for the above, the City agreed to pay CHA \$500 per month commencing October 1, 1980, for a period of 480 months. The remaining balance at June 30, 2010 is \$62,500.

City of Lamoni
Notes to Financial Statements
June 30, 2010

NOTE (9) Interfund Transfers

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

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 30,000
	Proprietary:	
	Electric	54,471
		<u>84,471</u>
Debt Service	Proprietary:	
	Water	22,603
		<u>\$ 107,074</u>

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

NOTE (10) Risk Management

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

NOTE (11) Economic Development

On August 9, 2001, the City entered into an agreement with Saab Auto and Lease, L.L.C. whereby the City will make economic development tax rebate payments to the Company for ten fiscal years during the term of the agreement. The amounts paid will represent the incremental property taxes paid with respect to the project by the Company in that fiscal year. The tax rebate payments shall not constitute general obligations of the City, but shall be paid solely and only from incremental property taxes received by the City attributable to the property. The City paid the Company \$3,064 during the fiscal year ended June 30, 2010.

On April 10, 2003, the City entered into a developing agreement with Southern Iowa Building Center, Inc. whereby the City agreed to make economic development tax rebate payments to the developer for ten fiscal years during the term of the agreement. The amounts paid will represent the property taxes paid with respect to the incremental value of the project, minus the amount of taxes levied. The rebate payments will be made on December 1 and June 1 of each fiscal year, beginning December 1, 2005 and continuing through and including June 1, 2014. The tax rebate payments shall not constitute general obligations of the City, but shall be paid solely and only from incremental property taxes received by the City. The City paid the developer \$17,083 during the fiscal year ended June 30, 2010.

City of Lamoni
Notes to Financial Statements
June 30, 2010

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

The City, in conjunction with thirty-one other municipalities and counties, has created the Wayne-Ringgold-Decatur County Solid Waste Management Commission. The Commission was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Commission is governed by a board composed of an elected representative of the governed body of each participating governmental jurisdiction. During the year ended June 30, 2010, the City of Lamoni paid the Wayne-Ringgold Decatur County Solid Waste Management Commission \$24,482. The City's future commitment is based on its population, which is currently computed at \$2.50 per capita per quarter.

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

NOTE (13) Deficit Fund Balances

At June 30, 2010, the City had the following deficit fund balances:

Special Revenue Fund – Employee Benefits	\$	10,288
Debt Service		82,693
Capital Projects Fund – Airport Account		46,450
Total	\$	<u>139,431</u>

The deficits will be eliminated with transfers and grant reimbursements.

NOTE (14) Contract Commitments

The City had the following contract commitments at June 30, 2010:

	Estimated Contract Amount	Paid to Date	Remaining Commitment	Retainage Payable
Water Treatment Project				
Engineer	\$ 40,375	40,375	-	-
Construction	622,375	443,223	179,152	23,328
Electric Utility				
– Generators Project				
Engineer	\$ 148,952	-	148,952	-
Generator contract	1,082,540	-	<u>1,082,540</u>	-
			\$ <u>1,410,644</u>	<u>23,328</u>

NOTE (15) Subsequent Events

In July 2010, the City approved a construction contract for a new generator building for \$235,340.

Required Supplementary Information

City of Lamoni
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Actual
Receipts			
Property tax	\$ 609,167	-	609,167
Tax increment financing collections	27,026	-	27,026
Other city tax	135,169	-	135,169
Licenses and permits	1,275	-	1,275
Use of money and property	13,468	40,343	53,811
Intergovernmental	533,304	159,165	692,469
Charges for service	209,887	3,637,921	3,847,808
Miscellaneous	93,101	106,091	199,192
Total receipts	<u>1,622,397</u>	<u>3,943,520</u>	<u>5,565,917</u>
Disbursements			
Public safety	302,133	-	302,133
Public works	541,905	-	541,905
Culture and recreation	278,841	-	278,841
Community and economic development	27,035	-	27,035
General government	146,803	-	146,803
Debt service	205,571	-	205,571
Capital projects	162,113	-	162,113
Business type activities	-	3,970,754	3,970,754
Total disbursements	<u>1,664,401</u>	<u>3,970,754</u>	<u>5,635,155</u>
Excess (deficiency) of receipts over (under) disbursements	(42,004)	(27,234)	(69,238)
Other financing sources, net	<u>80,485</u>	<u>2,365,817</u>	<u>2,446,302</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	38,481	2,338,583	2,377,064
Balances beginning of year	<u>359,835</u>	<u>1,867,595</u>	<u>2,227,430</u>
Balances end of year	<u>\$ 398,316</u>	<u>4,206,178</u>	<u>4,604,494</u>

See accompanying independent auditors' report.

Original Budgeted Amounts	Final Budgeted Amounts	Budget to Actual Variance
611,698	611,698	(2,531)
23,500	27,026	-
145,750	145,750	(10,581)
4,418	4,418	(3,143)
4,950	4,950	48,861
645,405	782,222	(89,753)
4,190,933	4,190,933	(343,125)
229,606	349,338	(150,146)
<u>5,856,260</u>	<u>6,116,335</u>	<u>(550,418)</u>
297,070	329,748	27,615
435,956	435,956	(105,949)
272,862	319,249	40,408
26,750	27,270	235
142,129	179,318	32,515
391,491	391,491	185,920
166,000	166,000	3,887
3,970,370	3,970,370	(384)
<u>5,702,628</u>	<u>5,819,402</u>	<u>184,247</u>
153,632	296,933	(366,171)
<u>-</u>	<u>-</u>	<u>2,446,302</u>
153,632	296,933	2,080,131
<u>2,814,114</u>	<u>2,814,114</u>	<u>(586,684)</u>
<u>2,967,746</u>	<u>3,111,047</u>	<u>1,493,447</u>

City of Lamoni
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2010

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

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

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$116,774. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements exceeded the amended amounts budgeted in the public works and business type activities functions.

Other Supplementary Information

City of Lamoni
 Schedule of Cash Receipts, Disbursements and Changes
 in Cash Balances – Nonmajor Governmental Funds
 As of and for the year ended June 30, 2010

	Special Revenue			Total
	Employee Benefits	Urban Renewal Tax Increment	Trust Accounts	
Receipts				
Property tax	\$ 121,843	-	-	121,843
Tax increment financing collections	-	27,026	-	27,026
Other city tax	41	-	-	41
Use of money and property	-	-	1,067	1,067
Intergovernmental	-	-	83,824	83,824
Miscellaneous	-	-	51,264	51,264
Total receipts	<u>121,884</u>	<u>27,026</u>	<u>136,155</u>	<u>285,065</u>
Disbursements				
Operating:				
Public safety	41,453	-	14,608	56,061
Public works	35,784	-	9,663	45,447
Culture and recreation	25,759	-	40,371	66,130
Community and economic development	-	20,147	3,648	23,795
General government	31,216	-	-	31,216
Total disbursements	<u>134,212</u>	<u>20,147</u>	<u>68,290</u>	<u>222,649</u>
Excess (deficiency) of receipts over (under) disbursements	(12,328)	6,879	67,865	62,416
Other financing sources (uses):				
Sale of capital assets	-	-	1,111	1,111
Net change in cash balances	(12,328)	6,879	68,976	63,527
Cash balances beginning of year	2,040	20,488	(41,096)	(18,568)
Cash balances end of year	<u>\$ (10,288)</u>	<u>27,367</u>	<u>27,880</u>	<u>44,959</u>
 Cash Basis Fund Balances				
Unreserved:				
Special revenue funds	(10,288)	27,367	27,880	44,959
Total cash basis fund balances	<u>\$ (10,288)</u>	<u>27,367</u>	<u>27,880</u>	<u>44,959</u>

See accompanying independent auditors' report.

City of Lamoni
Combining Schedule of Cash Receipts, Disbursements and Changes
in Cash Balances – Capital Projects Fund
As of and for the year ended June 30, 2010

	Capital Projects			
	Street	Trail	Airport	Total
Receipts				
Intergovernmental	\$ -	5,070	197,747	202,817
Total receipts	-	5,070	197,747	202,817
Disbursements				
Capital projects	-	-	162,113	162,113
Total disbursements	-	-	162,113	162,113
Excess receipts over disbursements	-	5,070	35,634	40,704
Other financing sources (uses)				
Short term note proceeds	-	-	100,000	100,000
Short term note redeemed	-	-	(100,000)	(100,000)
	-	-	-	-
Net change in cash balances	-	5,070	35,634	40,704
Cash balances beginning of year	86,008	12,354	(82,084)	16,278
Cash balances end of year	\$ 86,008	17,424	(46,450)	56,982

Cash Basis Fund Balances

Unreserved:				
Capital Projects Fund	\$ 86,008	17,424	(46,450)	56,982
Total cash basis fund balances	\$ 86,008	17,424	(46,450)	56,982

See accompanying independent auditors' report.

City of Lamoni
Schedule of Indebtedness
Year ended June 30, 2010

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds and notes:			
Street improvement	Dec 1, 2000	5.50-5.60 %	\$ 530,000
Water improvement	Mar 1, 2001	3.84 %	298,000
Fire Station	Jul 7, 2005	3.60-4.10 %	300,000
Street improvement	Oct 15, 2007	4.00-4.50 %	385,000
Revenue bonds and notes:			
Sewer	Jun 30, 2002	3.00 %	\$ 514,000
Sewer	Oct 15, 2002	3.00 %	594,000
Water	Nov 15, 2004	3.40-3.80 %	700,000
Water	Jan 27, 2010	3.00 %	293,000
Water (forgiveable)	Jan 27, 2010	3.00 %	194,000
Electric	June 30, 2010	1.60-4.65 %	2,200,000
Other debt:			
Crown colony contract	Oct 1, 1980	0.00 %	\$ 240,000
Airport loan	Apr 12, 2002	3.00 %	40,000
Interim Loan:			
Water	Oct 2, 2008	0.00 %	\$ 49,625
Airport	Sept 30, 2009	5.05 %	100,000

See accompanying independent auditors' report.

Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
155,000	-	75,000	80,000	8,605	-
198,000	-	15,000	183,000	7,603	-
195,000	-	30,000	165,000	7,530	-
350,000	-	40,000	310,000	15,033	-
<u>898,000</u>	<u>-</u>	<u>160,000</u>	<u>738,000</u>	<u>38,771</u>	<u>-</u>
367,000	-	23,000	344,000	11,010	-
425,000	-	27,000	398,000	12,750	-
215,000	-	105,000	110,000	7,960	-
-	123,172	-	123,172	496	-
-	194,000	-	194,000	-	-
-	2,200,000	-	2,200,000	-	-
<u>1,007,000</u>	<u>2,517,172</u>	<u>155,000</u>	<u>3,369,172</u>	<u>32,216</u>	<u>-</u>
68,500	-	6,000	62,500	-	-
13,264	-	13,264	-	-	-
<u>81,764</u>	<u>-</u>	<u>19,264</u>	<u>62,500</u>	<u>-</u>	<u>-</u>
30,281	12,428	42,709	-	-	-
-	100,000	100,000	-	210	-
<u>30,281</u>	<u>112,428</u>	<u>142,709</u>	<u>-</u>	<u>210</u>	<u>-</u>

City of Lamoni
Bond and Note Maturities
June 30, 2010

Year Ending June 30,	General Obligation					
	Street Improvement Issued Dec 1, 2000		Water Improvement Issued Mar 1, 2001		Fire Station Issued Jul 7, 2005	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2011	5.60 %	\$ 80,000	3.84 %	\$ 15,000	3.70 %	\$ 30,000
2012	-	-	3.84 %	16,000	3.80 %	30,000
2013	-	-	3.84 %	17,000	3.90 %	35,000
2014	-	-	3.84 %	17,000	4.00 %	35,000
2015	-	-	3.84 %	18,000	4.10 %	35,000
2016	-	-	3.84 %	18,000	-	-
2017	-	-	3.84 %	19,000	-	-
2018	-	-	3.84 %	20,000	-	-
2019	-	-	3.84 %	21,000	-	-
2020	-	-	3.84 %	22,000	-	-
2021	-	-	-	-	-	-
		<u>\$ 80,000</u>		<u>\$ 183,000</u>		<u>\$ 165,000</u>

Year Ending June 30,	Revenue Bonds and					
	Sewer Issued Jun 30, 2002		Sewer Issued Oct 15, 2002		Water Issued Nov 15, 2004	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2011	3.00 %	\$ 24,000	3.00 %	\$ 28,000	3.80 %	\$ 110,000
2012	3.00 %	25,000	3.00 %	29,000	-	-
2013	3.00 %	26,000	3.00 %	30,000	-	-
2014	3.00 %	26,000	3.00 %	31,000	-	-
2015	3.00 %	27,000	3.00 %	32,000	-	-
2016	3.00 %	28,000	3.00 %	32,000	-	-
2017	3.00 %	29,000	3.00 %	33,000	-	-
2018	3.00 %	30,000	3.00 %	34,000	-	-
2019	3.00 %	31,000	3.00 %	35,000	-	-
2020	3.00 %	32,000	3.00 %	37,000	-	-
2021	3.00 %	33,000	3.00 %	38,000	-	-
2022	3.00 %	33,000	3.00 %	39,000	-	-
2023	-	-	-	-	-	-
2024	-	-	-	-	-	-
2025	-	-	-	-	-	-
2026	-	-	-	-	-	-
2027	-	-	-	-	-	-
2028	-	-	-	-	-	-
2029	-	-	-	-	-	-
2030	-	-	-	-	-	-
		<u>\$ 344,000</u>		<u>\$ 398,000</u>		<u>\$ 110,000</u>

See accompanying independent auditors' report.

Bonds			Other Debt		
Street Improvement Issued Oct 15, 2007			Crown Colony Contract Issued Oct 1, 1980		
Interest Rates	Amount	Total	Interest Rates	Amount	
4.00 %	\$ 40,000	\$ 165,000	0.00 %	\$ 6,000	
4.10 %	40,000	86,000	0.00 %	6,000	
4.20 %	40,000	92,000	0.00 %	6,000	
4.25 %	45,000	97,000	0.00 %	6,000	
4.35 %	45,000	98,000	0.00 %	6,000	
4.40 %	50,000	68,000	0.00 %	6,000	
4.45 %	50,000	69,000	0.00 %	6,000	
-	-	20,000	0.00 %	6,000	
-	-	21,000	0.00 %	6,000	
-	-	22,000	0.00 %	6,000	
-	-	-	0.00 %	2,500	
	<u>\$ 310,000</u>	<u>\$ 738,000</u>		<u>\$ 62,500</u>	

Notes

Water Issued Jan 27, 2010		Water Issued Jan 27, 2010		Electric Issued June 30, 2010		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
3.00 %	\$ 1,000	3.00 %	\$ 11,000	1.60 %	\$ 125,000	\$ 299,000
3.00 %	7,000	3.00 %	11,000	2.00 %	125,000	197,000
3.00 %	8,000	3.00 %	11,000	2.30 %	125,000	200,000
3.00 %	8,000	3.00 %	12,000	2.60 %	130,000	207,000
3.00 %	8,000	3.00 %	12,000	3.00 %	130,000	209,000
3.00 %	9,000	3.00 %	12,000	3.25 %	135,000	216,000
3.00 %	9,000	3.00 %	12,000	3.60 %	135,000	218,000
3.00 %	9,000	3.00 %	13,000	3.80 %	140,000	226,000
3.00 %	9,000	3.00 %	13,000	4.00 %	145,000	233,000
3.00 %	10,000	3.00 %	14,000	4.15 %	155,000	248,000
3.00 %	10,000	3.00 %	2,172	4.30 %	160,000	243,172
3.00 %	10,000	-	-	4.40 %	165,000	247,000
3.00 %	11,000	-	-	4.50 %	170,000	181,000
3.00 %	11,000	-	-	4.65 %	175,000	186,000
3.00 %	11,000	-	-	4.65 %	185,000	196,000
3.00 %	12,000	-	-	-	-	12,000
3.00 %	12,000	-	-	-	-	12,000
3.00 %	13,000	-	-	-	-	13,000
3.00 %	13,000	-	-	-	-	13,000
3.00 %	13,000	-	-	-	-	13,000
	<u>\$ 194,000</u>		<u>\$ 123,172</u>		<u>\$ 2,200,000</u>	<u>\$ 3,369,172</u>

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Receipts			
Property tax	\$ 609,167	585,581	522,565
Tax increment financing collections	27,026	28,035	40,922
Other city tax	135,169	124,125	132,198
Licenses and permits	1,275	1,330	17,848
Use of money and property	13,468	15,705	14,939
Intergovernmental	533,304	581,540	281,586
Charges for service	209,887	215,379	190,563
Miscellaneous	<u>93,101</u>	<u>76,969</u>	<u>167,901</u>
Total	<u>\$ 1,622,397</u>	<u>1,628,664</u>	<u>1,368,522</u>
Disbursements			
Operating:			
Public safety	\$ 302,133	326,683	232,799
Public works	541,905	483,886	499,136
Culture and recreation	278,841	261,384	226,990
Community and economic development	27,035	64,795	137,163
General government	146,803	158,924	138,969
Debt service	205,571	201,079	144,511
Capital projects	<u>162,113</u>	<u>426,256</u>	<u>330,787</u>
Total	<u>\$ 1,664,401</u>	<u>1,923,007</u>	<u>1,710,355</u>

See accompanying independent auditors' report.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
528,850	516,208	472,696	470,646
37,754	48,751	46,607	30,214
122,015	103,695	123,931	102,130
2,923	5,320	3,238	4,340
15,587	16,966	21,302	15,397
296,819	646,347	445,651	272,793
190,790	185,773	172,962	151,651
207,189	131,358	360,411	127,047
<u>1,401,927</u>	<u>1,654,418</u>	<u>1,646,798</u>	<u>1,174,218</u>
282,443	764,396	240,241	253,426
421,147	422,318	395,564	373,860
197,735	311,418	280,795	232,608
95,912	73,196	75,298	47,938
126,163	139,699	136,823	138,504
343,423	338,720	275,348	122,947
123,014	412,303	578,299	39,103
<u>1,589,837</u>	<u>2,462,050</u>	<u>1,982,368</u>	<u>1,208,386</u>

City of Lamoni
 Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2010

Grantor/Program	CFDA Number	Agency Pass- through Number	Program Expenditures
Direct:			
U.S. Department of Agriculture Community Facilities Grant	10.766		\$ 18,590
U.S. Department of Transportation Airport Improvement Grant	66.606		147,147
Indirect:			
U.S. Department of Housing and Urban Development: Iowa Department of Economic Development: Community Development Block Grants/ State's Program	14.228	08-WS-034	205,621
U.S. Environmental Protection Agency: Iowa Department of Natural Resources: Drinking Water State Revolving Loan Fund	66.468		194,000
			<u>\$ 565,358</u>

Basis of Presentation - The Schedule Expenditures of Federal Awards includes the federal grant activity of the City of Lamoni. The City of Lamoni's financial statements are presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

City of Lamoni



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

October 18, 2010

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 18, 2010. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Continued...

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

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Lamoni's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

Compliance and Other Matters

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

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.

City of Lamoni's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of Lamoni'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 Lamoni and other parties to whom the City of Lamoni may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Schroer & Associates, P.C.



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

October 18, 2010

Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and On Internal Control over
Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

We have audited the compliance of the City of Lamoni, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2010. The City of Lamoni's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal programs is the responsibility of the City of Lamoni's management. Our responsibility is to express an opinion on the City of Lamoni's compliance based on our audit.

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

In our opinion, City of Lamoni complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Continued...

City of Lamoni
Independent Auditors' Report on Compliance
in Accordance with OMB Circular A-13

Internal Control Over Compliance

The management of City of Lamoni is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered City of Lamoni's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Lamoni's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as described above.

City of Lamoni's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of Lamoni'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 Lamoni and other parties to whom the City of Lamoni may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Schroer & Associates, P.C.

City of Lamoni
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Part I: Findings Related to the Financial Statements:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The audit did not disclose any significant deficiencies or material weaknesses in internal control over its major programs.
- (e) An unqualified opinion was issued on compliance with requirements applicable to its major programs.
- (f) The audit did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 14.228 – Community Development Block Grants/State’s Program
 - CFDA Number 66.468 – Drinking Water State Revolving Loan Fund
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) City of Lamoni did not qualify as a low-risk auditee.

City of Lamoni
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties

Comment – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that certain functions are not entirely segregated.

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

Response – We will consider this.

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

II-B-10 Reconciliation of Utility Billings and Collections

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

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

Response – We will do this for each billing period.

Conclusion – Response accepted.

II-C-10 Computer Reports

Comment – We noted various financial reports for the City did not reconcile to each other. Instances were noted where general ledger amounts did not agree with the budget expenditures report, and general ledger account detail did not foot to the account ledger total. Computer software support staff indicate there were errors in how reports were run.

Recommendation – The City should consider updating the software or changing to a more user friendly package. Reports should be reviewed for accuracy of financial reporting.

Response – We will review this further.

Conclusion – Response accepted.

City of Lamoni
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES (Continued):

II-D-10 Financial Reporting

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

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

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

Conclusion – Response accepted.

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

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

City of Lamoni
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Part III: Findings and Questioned Cost for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No comments or recommendations.

City of Lamoni
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting:

IV-A-10 Certified Budget

Comment – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public works and business type activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

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

Conclusion – Response accepted.

IV-B-10 Questionable Disbursements

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

IV-C-10 Travel Expense

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

IV-D-10 Business Transactions

No business transactions were noted between the City and City officials.

IV-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.

City of Lamoni
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

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

IV-F-10 Council Minutes

Comment - No transactions were found that we believe should have been approved in the Council minutes but were not. However, publications did not include a summary of receipts by fund for each month. In addition, annual gross salaries published for the year included active employees only.

Recommendation - Published minutes should include a summary of receipts by fund and published annual gross salaries should include all salaries paid during the year.

Response - We will make the proper publications in the future.

Conclusion - Response accepted.

IV-G-10 Deposits and Investments

Comment - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy. However, the interest rates on two library certificates of deposits did not meet the statutory rates established by the State Rate Setting Committee.

Recommendation - The City should contact the financial institution to correct the rates and request that they pay the interest as required.

Response - We will do this.

Conclusion - Response accepted.

IV-H-10 Revenue Bonds and Notes

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

City of Lamoni
Schedule of Findings and Questioned Costs
Year Ended June 30, 2010

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

IV-I-10 Financial Condition

Comment - At June 30, 2010, the City had the following deficit fund balances:

Special Revenue Fund – Employee Benefits	\$	10,288
Debt Service		82,693
Capital Projects Fund – Airport Account		46,450
Total	\$	<u>139,431</u>

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

Response – We will do so.

Conclusion – Response accepted.

IV-J-10 Inactive Capital Projects

Comment – The Capital Projects Fund – Street Account is inactive.

Recommendation – The City should make the appropriate transfer to close the account.

Response – We will do so.

Conclusion – Response accepted.

IV-K-10 Excess Balance

Comment – The balance in the Special Revenue Fund – Lost Option Sales Tax Account at June 30, 2010, was in excess of the fund's disbursements during the year.

Recommendation – A portion (33.5%) of the local option sales tax receipts was provided by referendum to be used for property tax relief and should be transferred each year to the General Fund. A transfer was made in the current year, but no adjustment was made for transfers missed.

Response – We will review this further.

Conclusion – Response accepted.