

CITY OF BELMOND, IOWA
FINANCIAL STATEMENTS
JUNE 30, 2010

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Officials

Name	Title	Term Expires
Elected Officials		
(Before January 1, 2010)		
Rex Peterson	Mayor	December, 2009
Harlan Tulp	Council member	December, 2009
Sidney Swenson	Council member	December, 2009
Earl Kalkwarf	Council member	December, 2009
Todd Buseman	Council member	December, 2011
Leon Robertson	Council member	December, 2011
(After December 31, 2009)		
Alan Mattison	Mayor	December, 2011
Harlan Tulp	Council member	December, 2013
Sidney Swenson	Council member	December, 2013
Earl Kalkwarf	Council member	December, 2013
Todd Buseman	Council member	December, 2011
Leon Robertson	Council member	December, 2011
Appointed Officials		
Lee Ann Waltzing	Manager/Clerk/Treasurer	Indefinite
Gary Berkland	Attorney	Indefinite

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A Professional Corporation

Certified Public Accountants and Consultants

Independent Auditor's Report

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

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

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

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

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. The financial statements referred to above include only the primary government of the City of Belmond, Iowa, which consists of all funds, organizations, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include the financial data of legally separate component units which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Belmond at June 30, 2010, and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2010 on our consideration of the City of Belmond's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Belmond's basic financial statements. We previously audited the financial statements for the ten years ended June 30, 2009 (which are not presented herein) and supplementary data in accordance with the standards referred to in the second paragraph of this report and expressed qualified opinions on the financial statements and supplementary data which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included on Pages 22 through 27 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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Mason City, Iowa
September 28, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Belmont provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased 1%, or approximately \$23,000, from fiscal 2009 to fiscal 2010. The decrease was primarily due to a decrease in grants and contributions.
- Disbursements of the City's governmental activities increased 17%, or approximately \$323,000, in fiscal 2010 from fiscal 2009 mainly due to a large street construction project.
- The City's total cash basis net assets decreased 39%, or approximately \$667,000, from June 30, 2009 to June 30, 2010. Of this amount, the assets of the governmental activities decreased approximately \$377,000 and the assets of the business-type activities decreased by approximately \$290,000.

USING THIS ANNUAL REPORT

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

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

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

Basis of Accounting

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

REPORTING THE CITY’S FINANCIAL ACTIVITIES

Government-Wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$1,285,009 to \$907,594. 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 and Transfers:		
Program Receipts:		
Charges for service	\$ 53,498	\$ 39,382
Operating grants, contributions and restricted interest	378,732	357,161
Capital grants, contributions and restricted interest	28,277	77,468
General Receipts:		
Property tax	964,846	940,396
Local option sales tax	196,217	197,292
Grants and contributions not restricted to specific purposes	9,448	22,538
Unrestricted investment earnings	6,913	16,850
Other general receipts	24,165	33,598
Transfers, net	<u>150,538</u>	<u>147,227</u>
Total Receipts and Transfers	<u>1,812,634</u>	<u>1,831,912</u>
Disbursements:		
Public safety	411,557	420,551
Public works	245,066	221,402
Health and social services	11,865	8,850
Culture and recreation	288,722	300,586
Community and economic development	65,618	109,905
General government	220,688	230,632
Debt service	485,697	494,270
Capital projects	<u>460,836</u>	<u>80,617</u>
Total Disbursements	<u>2,190,049</u>	<u>1,866,813</u>
Decrease in Cash Basis Net Assets	(377,415)	(34,901)
Cash Basis Net Assets - Beginning of Year	<u>1,285,009</u>	<u>1,319,910</u>
Cash Basis Net Assets - End of Year	<u>\$ 907,594</u>	<u>\$ 1,285,009</u>

The City's total receipts for governmental activities decreased by 1%, or \$19,278. The total cost of all programs and services increased by \$323,236, or 17%, with no new programs added this year. The decrease in receipts was primarily due to a decrease in grants and contributions. The significant increase in disbursements was due to capital projects, primarily street projects.

Due to a change in valuation, the City's property tax receipts increased by approximately \$24,000 in 2010. Based on the total assessed valuation, property tax receipts are budgeted to increase slightly next year.

The cost of all governmental activities this year was \$2,190,049 compared to \$1,866,813 last year. However, as shown in the Statement of Activities and Net Assets - Cash Basis on Page 10, the amount taxpayers ultimately financed for these activities was only \$1,729,542 because some of the cost was paid by those directly benefited from the programs (\$53,498) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$407,009). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2010 from approximately \$474,000 to approximately \$461,000 principally due to fewer capital grants in the current year. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$960,000 in property taxes (some of which could only be used from certain programs) and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business-Type Activities		
	Year Ended June 30,	
	2010	2009
Receipts:		
Program Receipts:		
Charges for Service and Miscellaneous:		
Water	\$ 305,780	\$ 288,806
Sewer	371,207	388,011
Landfill	46,500	72,675
Storm sewer	31,051	2,465
General Receipts:		
Unrestricted investment earnings	2,310	6,121
Total Receipts	<u>756,848</u>	<u>758,078</u>
Disbursements:		
Water	627,248	255,148
Sewer	202,691	221,629
Landfill	66,164	69,778
Storm sewer	147	183
Transfers	150,538	147,227
Total Disbursements and Transfers	<u>1,046,788</u>	<u>693,965</u>
Increase (Decrease) in Cash Basis Net Assets	(289,940)	64,113
Cash Basis Net Assets - Beginning of Year	<u>447,208</u>	<u>383,095</u>
Cash Basis Net Assets - End of Year	<u>\$ 157,268</u>	<u>\$ 447,208</u>

Total business-type activities receipts for the fiscal year were \$756,848 compared to \$758,078 last year. This decrease was due to a slight decrease in sewer charges. The cash balance decreased by approximately \$290,000 from the prior year due to construction costs on the water plant project. Total disbursements and transfers for the fiscal year increased by 51% to a total of \$1,046,788.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Belmont completed the year, its governmental funds reported a combined fund balance of \$907,594, a decrease of \$377,415 from last year's total of \$1,285,009. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased by approximately \$75,000 from the prior year to \$92,468. This decrease was mainly due to overall disbursements exceeding receipts.
- The Road Use Tax Fund cash balance increased by approximately \$31,000 to \$53,902 during the fiscal year. This increase was due to an increase in funds received from the state which included I-Jobs money.
- The Local Option Sales Tax Fund cash balance decreased by approximately \$59,000 from the prior year due to the street project paid for in the current year.
- The Economic Development Fund cash balance decreased by approximately \$5,000 to \$92,599.
- The Debt Service cash balance increased by approximately \$500 to \$7,394.
- The Capital Projects - Streets cash balance decreased by approximately \$275,000 to \$25,225 due to capital outlay for streets.
- The Capital Projects - Industrial Park cash balance increased approximately \$700 to \$100,236.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by approximately \$324,000 to (\$12,792) due primarily to the construction costs relative to the new water plant.
- The Sewer Fund cash balance increased by approximately \$20,000 to \$43,744 due primarily to a decrease in sewer operating expenses.
- The Landfill Fund cash balance decreased by approximately \$19,000 to \$59,257 due to a decrease in landfill fees to offset the new storm sewer fee that was implemented during the last fiscal year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved on May 17, 2010 to decrease disbursements in certain City departments and increase it for others.

DEBT ADMINISTRATION

At June 30, 2010, the City had \$2,861,431 in bonds and other long-term debt, compared to \$3,217,816 last year, as shown below.

	Outstanding Debt at Year End	
	Year Ended June 30,	
	2010	2009
General obligation bonds	\$ 2,687,000	\$ 3,018,000
Urban renewal tax increment financing revenue bonds	<u>174,431</u>	<u>199,816</u>
Total	<u>\$ 2,861,431</u>	<u>\$ 3,217,816</u>

The Constitution of the State of Iowa limits the amount of general obligation and tax increment financing debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding debt of \$2,861,431 is below its constitutional debt limit of \$4,870,100 at June 30, 2010.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Belmond's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and fees that will be charged for various City activities. One of those factors is the economy. During the budget preparation, the consumer price index was listed at 1.3%. In addition, there will be no wage increase for the employees for the fiscal year beginning July 1, 2010. Since the budget was approved, gasoline and steel prices have increased substantially.

The City Council implemented new rates for sewer usage.

These indicators were taken into account when adopting the budget for fiscal year 2011. Amounts available for appropriation in the operating budget are \$8,066,462. Included in this amount is \$736,793 of fund transfers between different funds of the City along with State Revolving Fund (Water Quality) funding of \$5 million which had been anticipated to be sold in the previous fiscal year. Net of transfers and the capital funding, total amounts available for appropriation are \$2,329,669, a decrease of 37.7% from the final 2010 budget. Budgeted disbursements (net of transfers between different funds of the City) are expected to increase by \$4,013,630 from the 2010 budget. The increase is due to the City building a new water plant.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

Statement of Activities and Net Assets - Cash Basis

Year Ended June 30, 2010

Functions/Programs	Disbursements	Program Receipts			Net (Disbursements), Receipts and Changes in Cash Basis Net Assets		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Public safety	\$ 411,557	\$ 9,357	\$ 58,480	\$ —	\$ (343,720)	\$ —	\$ (343,720)
Public works	245,066	1,480	237,470	—	(6,116)	—	(6,116)
Health and social services.....	11,865	—	—	—	(11,865)	—	(11,865)
Culture and recreation.....	288,722	42,661	65,449	—	(180,612)	—	(180,612)
Community and economic development	65,618	—	17,333	15,183	(33,102)	—	(33,102)
General government.....	220,688	—	—	—	(220,688)	—	(220,688)
Debt service.....	485,697	—	—	—	(485,697)	—	(485,697)
Capital projects.....	460,836	—	—	13,094	(447,742)	—	(447,742)
Total Governmental Activities	2,190,049	53,498	378,732	28,277	(1,729,542)	—	(1,729,542)
Business-Type Activities							
Water	627,248	305,780	—	—	—	(321,468)	(321,468)
Sewer	202,691	369,236	1,971	—	—	168,516	168,516
Landfill	66,164	46,500	—	—	—	(19,664)	(19,664)
Storm sewer	147	31,051	—	—	—	30,904	30,904
Total Business-Type Activities	896,250	752,567	1,971	—	—	(141,712)	(141,712)
Total	\$ 3,086,299	\$ 806,065	\$ 380,703	\$ 28,277	(1,729,542)	(141,712)	(1,871,254)
General Receipts and Transfers							
Property Taxes Levied For							
General purposes.....					504,722	—	504,722
Tax increment financing.....					40,618	—	40,618
Debt service					207,394	—	207,394
Employee benefits.....					142,538	—	142,538
Emergency					14,887	—	14,887
Other city tax					54,687	—	54,687
Local option sales tax.....					196,217	—	196,217
Grants and contributions not restricted to specific purpose.....					9,448	—	9,448
Unrestricted interest on investments					6,913	2,310	9,223
Miscellaneous.....					21,302	—	21,302
Sale of land and equipment.....					2,863	—	2,863
Transfers					150,538	(150,538)	—
Total General Receipts and Transfers					1,352,127	(148,228)	1,203,899
Decrease in Cash Basis Net Assets					(377,415)	(289,940)	(667,355)
Cash Basis Net Assets - Beginning of Year					1,285,009	447,208	1,732,217
Cash Basis Net Assets - End of Year					\$ 907,594	\$ 157,268	\$ 1,064,862
Cash Basis Net Assets							
Restricted							
Nonexpendable							
Cemetery perpetual care.....					\$ 59,030	\$ —	\$ 59,030
Expendable							
Streets.....					53,902	—	53,902
Urban renewal purposes					1,832	—	1,832
Debt service					7,394	—	7,394
Other purposes					591,680	—	591,680
Unrestricted					193,756	157,268	351,024
Total Cash Basis Net Assets					\$ 907,594	\$ 157,268	\$ 1,064,862

See accompanying notes to the financial statements.

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

Year Ended June 30, 2010

	General	Special Revenue			Debt Service	Capital Projects		Nonmajor Governmental Funds	Total
		Road Use Tax	Local Option Sales Tax	Economic Development		Streets	Industrial Park		
Receipts									
Property tax	\$ 504,722	\$ —	\$ —	\$ —	\$ 207,394	\$ —	\$ —	\$ 157,426	\$ 869,542
T.I.F. collections	—	—	—	—	—	—	—	40,618	40,618
Other city tax	39,316	—	196,217	—	8,654	—	—	6,717	250,904
Licenses and permits.....	6,172	—	—	—	—	—	—	—	6,172
Use of money and property	2,945	—	3,206	901	23	339	694	1,619	9,727
Intergovernmental.....	91,229	237,470	—	11,250	—	427	—	15,183	355,559
Charges for service	53,498	—	—	—	—	—	—	—	53,498
Special assessments.....	—	—	—	—	—	28	—	—	28
Miscellaneous.....	32,755	—	—	7,092	—	—	—	33,338	73,185
Total Receipts	730,637	237,470	199,423	19,243	216,071	794	694	254,901	1,659,233
Disbursements									
Operating									
Public safety	411,107	—	—	—	—	—	—	450	411,557
Public works	49,155	195,911	—	—	—	—	—	—	245,066
Health and social services.....	11,865	—	—	—	—	—	—	—	11,865
Culture and recreation	260,497	—	—	—	—	—	—	28,225	288,722
Community and economic development	11,615	—	—	24,013	—	—	—	29,990	65,618
General government.....	220,688	—	—	—	—	—	—	—	220,688
Debt service.....	—	—	—	—	450,697	—	—	35,000	485,697
Capital projects.....	6,515	8,500	—	—	—	445,821	—	—	460,836
Total Disbursements	971,442	204,411	—	24,013	450,697	445,821	—	93,665	2,190,049
Receipts Over (Under) Disbursements.....	(240,805)	33,059	199,423	(4,770)	(234,626)	(445,027)	694	161,236	(530,816)
Other Financing Sources (Uses)									
Sale of land and equipment.....	2,863	—	—	—	—	—	—	—	2,863
Operating transfers in.....	162,785	—	—	—	235,157	170,000	—	50,355	618,297
Operating transfers out.....	(335)	(2,000)	(258,619)	—	—	—	—	(206,805)	(467,759)
Total Other Financing Sources (Uses)	165,313	(2,000)	(258,619)	—	235,157	170,000	—	(156,450)	153,401
Increase (Decrease) in Cash Balances.....	(75,492)	31,059	(59,196)	(4,770)	531	(275,027)	694	4,786	(377,415)
Cash Balances - Beginning of Year.....	167,960	22,843	459,876	97,369	6,863	300,252	99,542	130,304	1,285,009
Cash Balances - End of Year	\$ 92,468	\$ 53,902	\$ 400,680	\$ 92,599	\$ 7,394	\$ 25,225	\$ 100,236	\$ 135,090	\$ 907,594
Cash Basis Fund Balances									
Reserved									
Debt service.....	\$ —	\$ —	\$ —	\$ —	\$ 7,394	\$ —	\$ —	\$ —	\$ 7,394
Unreserved									
General fund.....	92,468	—	—	—	—	—	—	—	92,468
Special revenue funds	—	53,902	400,680	92,599	—	—	—	100,233	647,414
Capital projects fund.....	—	—	—	—	—	25,225	100,236	(24,173)	101,288
Permanent fund.....	—	—	—	—	—	—	—	59,030	59,030
Total Cash Basis Fund Balances	\$ 92,468	\$ 53,902	\$ 400,680	\$ 92,599	\$ 7,394	\$ 25,225	\$ 100,236	\$ 135,090	\$ 907,594

See accompanying notes to financial statements.

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

Year Ended June 30, 2010

	Water	Sewer	Landfill	Nonmajor Proprietary Funds	Total
Operating Receipts					
Use of property	\$ 4,800	\$ —	\$ —	\$ —	\$ 4,800
Charges for service	275,174	368,750	45,727	31,051	720,702
Miscellaneous	23,911	486	773	1,895	27,065
Total Operating Receipts	<u>303,885</u>	<u>369,236</u>	<u>46,500</u>	<u>32,946</u>	<u>752,567</u>
Operating Disbursements					
Business-type activities	<u>627,248</u>	<u>202,691</u>	<u>66,164</u>	<u>147</u>	<u>896,250</u>
Operating Receipts Over (Under) Operating Disbursements					
	<u>(323,363)</u>	<u>166,545</u>	<u>(19,664)</u>	<u>32,799</u>	<u>(143,683)</u>
Nonoperating Receipts					
Intergovernmental	—	1,971	—	—	1,971
Interest on investments	1,524	144	524	118	2,310
Net Nonoperating Receipts	<u>1,524</u>	<u>2,115</u>	<u>524</u>	<u>118</u>	<u>4,281</u>
Receipts Over (Under) Disbursements					
	<u>(321,839)</u>	<u>168,660</u>	<u>(19,140)</u>	<u>32,917</u>	<u>(139,402)</u>
Other Financing Uses					
Operating transfers out	<u>(2,000)</u>	<u>(148,538)</u>	<u>—</u>	<u>—</u>	<u>(150,538)</u>
Increase (Decrease) in Cash Balances					
	<u>(323,839)</u>	<u>20,122</u>	<u>(19,140)</u>	<u>32,917</u>	<u>(289,940)</u>
Cash Balances - Beginning of Year	311,047	23,622	78,397	34,142	447,208
Cash Balances - End of Year	<u>\$ (12,792)</u>	<u>\$ 43,744</u>	<u>\$ 59,257</u>	<u>\$ 67,059</u>	<u>\$ 157,268</u>
Cash Basis Fund Balances					
Unreserved	<u>\$ (12,792)</u>	<u>\$ 43,744</u>	<u>\$ 59,257</u>	<u>\$ 67,059</u>	<u>\$ 157,268</u>

See accompanying notes to the financial statements.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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

Reporting Entity

For financial reporting purposes, the City of Belmond has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

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

Excluded Component Units

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

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

The Foundation and Friends have a November fiscal year end. The Foundation and Friends do not prepare financial statements; therefore, audited financial statements are not available. Management has elected to exclude the cash transactions of the Foundation and Friends from City financial statements. Unaudited financial information from the Foundation and Friends' fiscal year end 2009 tax return includes total receipts of \$12,925, cash disbursements of \$12,604, a beginning balance of \$110,173 and an ending balance of \$110,494. Therefore, to avoid material misstatements of governmental activities and aggregate nonmajor fund information of the City, the Foundation and Friends should be included as a discrete component unit in the City's financial statements.

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

Jointly Governed Organizations

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

Basis of Presentation

Government-Wide Financial Statements

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

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

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City. Total nonexpendable restricted net assets at June 30, 2010 were \$59,030.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Total expendable restricted net assets at June 30, 2010 were \$654,808.

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

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

Fund Financial Statements

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

Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

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.

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

The *Economic Development Fund* is used to account for economic development activities.

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

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

The *Capital Projects - Industrial Park Fund* is used to account for bond proceeds and construction costs related to the industrial park project.

The City reports the following major proprietary funds:

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

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

The *Landfill Fund* accounts for the operation and maintenance of the City's solid waste.

Basis of Accounting

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

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

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information. During the year ended June 30, 2010, the City did not exceed the amounts budgeted.

Notes to the Financial Statements

(2) Deposits 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.

At June 30, 2010, the City had no investments.

(3) Bonded Indebtedness

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

Year Ending 6-30	General Obligation Bonds		Urban Renewal Tax Increment Financing (TIF) Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 346,000	\$ 105,081	\$ 26,604	\$ 8,396	\$ 372,604	\$ 113,477
2012	291,000	90,468	27,951	7,049	318,951	97,517
2013	190,000	81,267	29,366	5,634	219,366	86,901
2014	200,000	73,750	30,853	4,147	230,853	77,897
2015	202,000	65,790	32,414	2,586	234,414	68,376
2016-20	964,000	198,286	27,243	945	991,243	199,231
2021-25	494,000	54,298	—	—	494,000	54,298
	<u>\$ 2,687,000</u>	<u>\$ 668,940</u>	<u>\$ 174,431</u>	<u>\$ 28,757</u>	<u>\$ 2,861,431</u>	<u>\$ 697,697</u>

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$203,188 payable through June, 2016. For the current year, interest paid and total T.I.F. receipts were \$9,615 and \$40,618, respectively.

Notes to the Financial Statements

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.3% of their annual covered salary and the City is required to contribute 6.65% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$44,779, \$41,030 and \$41,091, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 14 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

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 \$359 for single coverage and \$897 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed a total of \$99,781 and plan members eligible for benefits contributed a total of \$8,170 to the plan.

(6) Compensated Absences

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

Type of Benefit	June 30, 2010
Vacation.....	<u>\$ 25,310</u>

This liability has been computed based on rates of pay as of June 30, 2010.

Notes to the Financial Statements

(7) 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	
	Road Use Tax	\$ 2,000
	Employee Benefits	155,275
	Community Room	1,091
	Christmas Decoration	419
	Enterprise	
	Water	2,000
	Sewer Rental	<u>2,000</u>
		<u>162,785</u>
Special Revenue		
Employee Benefits	General	<u>152</u>
Special Revenue		
Emergency	General	<u>183</u>
Equipment Replacement	Special Revenue	
	Emergency	<u>15,407</u>
Special Revenue	Special Revenue	
T.I.F. Sinking	Tax Increment Financing	<u>34,613</u>
Debt Service	Special Revenue	
	Local Option Sales Tax	88,619
	Enterprise	
	Sewer Rental	<u>146,538</u>
		<u>235,157</u>
Capital Projects		
Streets	Special Revenue	
	Local Option Sales Tax	<u>170,000</u>
Total		<u>\$ 618,297</u>

(8) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August, 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Notes to the Financial Statements

(8) Risk Management

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

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2010 were \$45,203.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

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

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

Notes to the Financial Statements

(9) Wright County Area Landfill Authority

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

The City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2010, the City of Belmond paid the Authority \$64,000 for its share of the costs. Financial statements for the Authority can be obtained from the Wright County Area Landfill Authority.

(10) Related Party Transactions

The City had business transactions between the City and City officials totaling \$2,734 during the year ended June 30, 2010.

(11) Deficit Balance

The Capital Projects - Pool Fund and the Enterprise - Water Fund had deficit balances of \$32,957 and \$12,792, respectively, at June 30, 2010. The deficit balances were a result of insufficient transfers and user fees. The deficits will be eliminated with additional transfers and user fees.

(12) Health Care Facility Revenue Bond

During 1997, the City issued a \$287,722 health care facility bond under the provisions of Chapter 419 of the Code of Iowa, of which \$143,434 was outstanding at June 30, 2010. The bond and related interest are payable from the rents paid by tenants of the borrower's facilities. The bond principal and interest do not constitute liabilities of the City.

(13) Commitments

At June 30, 2010, the City had entered into various contracts totaling approximately \$400,000 for sanitary sewer projects and replacement of utility meters.

(14) Belmond Medical Center

During May, 2009, the City declared an official intent to issue debt to reimburse the Belmond Medical Center for certain original expenditures paid in connection with an expansion project. The estimated cost and anticipated borrowing amount is \$12,600,000. As of June 30, 2010, \$1,419,023 was outstanding. All amounts borrowed are to be repaid by the Belmond Medical Center.

(15) Subsequent Events

Subsequent to June 30, 2010, the City was awarded a hazard mitigation grant of approximately \$1,150,000.

In August, 2010, the Council approved construction bids on the water treatment facility totaling approximately \$7.6 million. The City plans to issue water revenue notes to fund this project.

Required Supplementary Information



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

Year Ended June 30, 2010

	Govern- mental Funds Actual	Propri- etary Funds Actual	Total	Budget Amounts		Over (Under) Budget
				Original	Final	
Receipts						
Property tax.....	\$ 869,542	\$ —	\$ 869,542	\$ 868,592	\$ 868,592	\$ 950
T.I.F. collections.....	40,618	—	40,618	41,735	39,545	1,073
Other city tax.....	250,904	—	250,904	202,874	245,710	5,194
Licenses and permits.....	6,172	—	6,172	7,105	6,593	(421)
Use of money and property.....	9,727	7,110	16,837	30,925	17,017	(180)
Intergovernmental.....	355,559	1,971	357,530	259,850	316,057	41,473
Charges for service.....	53,498	720,702	774,200	786,690	782,987	(8,787)
Special assessments.....	28	—	28	—	28	—
Miscellaneous.....	73,185	27,065	100,250	420,244	160,549	(60,299)
Total Receipts.....	1,659,233	756,848	2,416,081	2,618,015	2,437,078	(20,997)
Disbursements						
Public safety.....	411,557	—	411,557	419,019	419,019	(7,462)
Public works.....	245,066	—	245,066	257,095	289,101	(44,035)
Health and social services.....	11,865	—	11,865	7,352	11,865	—
Culture and recreation.....	288,722	—	288,722	271,208	295,098	(6,376)
Community and economic development.....	65,618	—	65,618	57,005	104,740	(39,122)
General government.....	220,688	—	220,688	237,920	220,892	(204)
Debt service.....	485,697	—	485,697	491,697	490,242	(4,545)
Capital projects.....	460,836	—	460,836	1,473,300	470,000	(9,164)
Business-type activities.....	—	896,250	896,250	3,829,232	1,015,082	(118,832)
Total Disbursements.....	2,190,049	896,250	3,086,299	7,043,828	3,316,039	(229,740)
Receipts Over (Under) Disbursements.....	(530,816)	(139,402)	(670,218)	(4,425,813)	(878,961)	(208,743)
Other Financing Sources, Net	153,401	(150,538)	2,863	4,120,000	22,574	(19,711)
Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses.....	(377,415)	(289,940)	(667,355)	(305,813)	(856,387)	(189,032)
Balances - Beginning of Year	1,285,009	447,208	1,732,217	1,397,991	1,732,217	—
Balances - End of Year.....	\$ 907,594	\$ 157,268	\$ 1,064,862	\$ 1,092,178	\$ 875,830	\$(189,032)

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine 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 decreased budgeted disbursements by approximately \$3.7 million. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted.

Other Supplementary Information 

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

Year Ended June 30, 2010

	Special Revenue							
	Equipment Replacement	Employee Benefits	Emergency	Urban Renewal Tax Increment	Community Room	Housing Assistance	Library Improvement	T.I.F. Sinking Fund
Receipts								
Property tax	\$ —	\$ 142,539	\$ 14,887	\$ —	\$ —	\$ —	\$ —	\$ —
T.I.F. collections	—	—	—	40,618	—	—	—	—
Other city tax	—	6,082	635	—	—	—	—	—
Use of money and property	131	—	21	—	783	—	44	143
Intergovernmental.....	—	—	—	—	—	15,183	—	—
Miscellaneous.....	—	8,170	—	—	—	—	—	—
Total Receipts	<u>131</u>	<u>156,791</u>	<u>15,543</u>	<u>40,618</u>	<u>783</u>	<u>15,183</u>	<u>44</u>	<u>143</u>
Disbursements								
Operating								
Public safety	—	—	—	—	—	—	—	—
Culture and recreation	—	—	—	—	—	—	—	—
Community and economic development	—	—	—	4,533	274	25,183	—	—
Debt service.....	—	—	—	—	—	—	—	35,000
Total Disbursements	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,533</u>	<u>274</u>	<u>25,183</u>	<u>—</u>	<u>35,000</u>
Receipts Over (Under) Disbursements.....	<u>131</u>	<u>156,791</u>	<u>15,543</u>	<u>36,085</u>	<u>509</u>	<u>(10,000)</u>	<u>44</u>	<u>(34,857)</u>
Other Financing Sources (Uses)								
Operating transfers in.....	15,407	152	183	—	—	—	—	34,613
Operating transfers out.....	—	(155,275)	(15,407)	(34,613)	(1,091)	—	—	—
Total Other Financing Sources (Uses)	<u>15,407</u>	<u>(155,123)</u>	<u>(15,224)</u>	<u>(34,613)</u>	<u>(1,091)</u>	<u>—</u>	<u>—</u>	<u>34,613</u>
Increase (Decrease) in Cash Balances.....	15,538	1,668	319	1,472	(582)	(10,000)	44	(244)
Cash Balances - Beginning of Year.....	15,167	920	(183)	360	4,854	21,302	5,087	330
Cash Balances - End of Year	<u>\$ 30,705</u>	<u>\$ 2,588</u>	<u>\$ 136</u>	<u>\$ 1,832</u>	<u>\$ 4,272</u>	<u>\$ 11,302</u>	<u>\$ 5,131</u>	<u>\$ 86</u>
Cash Basis Fund Balances								
Unreserved								
Special Revenue Funds	\$ 30,705	\$ 2,588	\$ 136	\$ 1,832	\$ 4,272	\$ 11,302	\$ 5,131	\$ 86
Capital Projects Funds	—	—	—	—	—	—	—	—
Permanent Fund.....	—	—	—	—	—	—	—	—
Total Cash Basis Fund Balances	<u>\$ 30,705</u>	<u>\$ 2,588</u>	<u>\$ 136</u>	<u>\$ 1,832</u>	<u>\$ 4,272</u>	<u>\$ 11,302</u>	<u>\$ 5,131</u>	<u>\$ 86</u>

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

Year Ended June 30, 2010

	Special Revenue				Capital Projects		Permanent Cemetery Perpetual Care	Total
	Memorial Park Fund	Veterans Memorial Fund	Restitution Fund	Christmas Decoration Fund	Pool	Traffic Lights		
Receipts								
Property tax	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 157,426
T.I.F. collections	—	—	—	—	—	—	—	40,618
Other city tax	—	—	—	—	—	—	—	6,717
Use of money and property	75	25	12	317	—	76	(8)	1,619
Intergovernmental.....	—	—	—	—	—	—	—	15,183
Miscellaneous.....	11,706	—	269	—	12,668	—	525	33,338
Total Receipts	11,781	25	281	317	12,668	76	517	254,901
Disbursements								
Operating								
Public safety	—	—	450	—	—	—	—	450
Culture and recreation	27,354	—	—	871	—	—	—	28,225
Community and economic development	—	—	—	—	—	—	—	29,990
Debt service.....	—	—	—	—	—	—	—	35,000
Total Disbursements	27,354	—	450	871	—	—	—	93,665
Receipts Over (Under) Disbursements.....	(15,573)	25	(169)	(554)	12,668	76	517	161,236
Other Financing Sources (Uses)								
Operating transfers in.....	—	—	—	—	—	—	—	50,355
Operating transfers out.....	—	—	—	(419)	—	—	—	(206,805)
Total Other Financing Sources (Uses)	—	—	—	(419)	—	—	—	(156,450)
Increase (Decrease) in Cash Balances.....	(15,573)	25	(169)	(973)	12,668	76	517	4,786
Cash Balances - Beginning of Year.....	19,144	2,896	1,681	37,150	(45,625)	8,708	58,513	130,304
Cash Balances - End of Year	\$ 3,571	\$ 2,921	\$ 1,512	\$ 36,177	\$ (32,957)	\$ 8,784	\$ 59,030	\$ 135,090
Cash Basis Fund Balances								
Unreserved								
Special Revenue Funds	\$ 3,571	\$ 2,921	\$ 1,512	\$ 36,177	\$ —	\$ —	\$ —	\$ 100,233
Capital Projects Funds	—	—	—	—	(32,957)	8,784	—	(24,173)
Permanent Fund.....	—	—	—	—	—	—	59,030	59,030
Total Cash Basis Fund Balances	\$ 3,571	\$ 2,921	\$ 1,512	\$ 36,177	\$ (32,957)	\$ 8,784	\$ 59,030	\$ 135,090

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

Year Ended June 30, 2010

	Customer Deposits	Storm Sewer	Total
Operating Receipts			
Charges for service	\$ —	\$ 31,051	\$ 31,051
Miscellaneous.....	<u>1,895</u>	<u>—</u>	<u>1,895</u>
Total Operating Receipts	<u>1,895</u>	<u>31,051</u>	<u>32,946</u>
Operating Disbursements			
Business-type activities	<u>84</u>	<u>63</u>	<u>147</u>
Operating Receipts Over Operating Disbursements	1,811	30,988	32,799
Nonoperating Receipts			
Interest on investments	<u>—</u>	<u>118</u>	<u>118</u>
Increase in Cash Balances	1,811	31,106	32,917
Cash Balances - Beginning of Year.....	<u>31,860</u>	<u>2,282</u>	<u>34,142</u>
Cash Balances - End of Year	<u>\$ 33,671</u>	<u>\$ 33,388</u>	<u>\$ 67,059</u>
Cash Basis Fund Balances			
Unreserved	<u>\$ 33,671</u>	<u>\$ 33,388</u>	<u>\$ 67,059</u>

Schedule of Indebtedness

Year Ended June 30, 2010

	Amount Originally Issued	Date of Issue	Interest Rates	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Bonds									
Fire station.....	\$ 400,000	4-15-02	4.50%	\$ 115,000	\$ —	\$ 55,000	\$ 60,000	\$ 5,175	\$ —
Street improvement	1,800,000	3-20-03	3.35 - 4.55	1,310,000	—	115,000	1,195,000	49,956	—
Refunding Capital Loan Bonds.....	850,000	12-1-05	4.15 - 5.50	400,000	—	130,000	270,000	16,538	—
Street improvement	1,115,000	3-27-07	3.75 - 4.30	1,115,000	—	5,000	1,110,000	45,584	—
Pool improvement.....	130,000	8-1-07	3.75 - 3.80	<u>78,000</u>	<u>—</u>	<u>26,000</u>	<u>52,000</u>	<u>2,444</u>	<u>—</u>
Total General Obligation Bonds.....				<u>\$ 3,018,000</u>	<u>\$ —</u>	<u>\$ 331,000</u>	<u>\$ 2,687,000</u>	<u>\$ 119,697</u>	<u>\$ —</u>
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds									
Dumond Estates	\$ 400,000	2-18-98	5.00%	<u>\$ 199,816</u>	<u>\$ —</u>	<u>\$ 25,385</u>	<u>\$ 174,431</u>	<u>\$ 9,615</u>	<u>\$ —</u>

Schedule of Bond and Note Maturities

At June 30, 2010

Year Ending June 30,	General Obligation Notes										Urban Renewal Tax Increment (TIF) Revenue Bond Dumond Estates		
	Fire Station Issued 4-15-02		Street Improvement Issued 3-20-03		Refunding Capital Loan Issued 12-1-05		Street Improvement Issued 3-27-07		Pool Improvement Issued 8-1-07		Total	Issued 2-18-98	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount
2011.....	4.50%	\$ 60,000	3.35%	\$ 120,000	5.50%	\$ 135,000	3.75%	\$ 5,000	3.75%	\$ 26,000	\$ 346,000	5.00%	\$ 26,604
2012.....	—	—	3.55	125,000	4.15	135,000	3.80	5,000	3.80	26,000	291,000	5.00	27,951
2013.....	—	—	3.75	130,000	—	—	3.85	60,000	—	—	190,000	5.00	29,366
2014.....	—	—	3.95	130,000	—	—	3.88	70,000	—	—	200,000	5.00	30,853
2015.....	—	—	4.05	130,000	—	—	3.90	72,000	—	—	202,000	5.00	32,414
2016.....	—	—	4.15	130,000	—	—	3.95	75,000	—	—	205,000	5.00	27,243
2017.....	—	—	4.30	140,000	—	—	4.00	78,000	—	—	218,000	—	—
2018.....	—	—	4.45	140,000	—	—	4.05	80,000	—	—	220,000	—	—
2019.....	—	—	4.55	150,000	—	—	4.10	84,000	—	—	234,000	—	—
2020.....	—	—	—	—	—	—	4.15	87,000	—	—	87,000	—	—
2021.....	—	—	—	—	—	—	4.20	90,000	—	—	90,000	—	—
2022.....	—	—	—	—	—	—	4.20	95,000	—	—	95,000	—	—
2023.....	—	—	—	—	—	—	4.20	99,000	—	—	99,000	—	—
2024.....	—	—	—	—	—	—	4.25	103,000	—	—	103,000	—	—
2025.....	—	—	—	—	—	—	4.30	107,000	—	—	107,000	—	—
Totals.....		\$ 60,000		\$ 1,195,000		\$ 270,000		\$ 1,110,000		\$ 52,000	\$ 2,687,000		\$ 174,431

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

Years Ended June 30, 2001 Through 2010

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Receipts										
Property taxes	\$ 869,542	\$ 846,658	\$ 816,941	\$ 807,969	\$ 799,193	\$ 803,228	\$ 803,321	\$ 796,224	\$ 855,132	\$ 825,994
Tax increment financing	40,618	39,152	31,553	32,141	28,059	27,919	22,691	15,546	15,016	7,097
Other city taxes.....	250,904	251,879	252,173	250,913	207,637	255,355	219,182	205,314	151,030	71,303
Licenses and permits.....	6,172	6,758	7,074	5,199	6,178	5,070	4,898	4,528	5,997	6,764
Use of money and property	9,727	20,427	58,926	37,314	22,272	16,687	27,916	20,212	26,920	34,885
Intergovernmental.....	355,559	376,792	324,731	369,554	247,258	246,822	253,600	306,244	313,782	318,428
Charges for service	53,498	39,382	42,258	45,179	37,609	43,958	34,395	35,427	33,612	30,142
Special assessments.....	28	—	32	18	—	18	1,992	465	965	3,255
Miscellaneous.....	73,185	98,711	262,168	203,188	213,431	142,723	200,382	818,850	174,742	103,898
Total Receipts	\$ 1,659,233	\$ 1,679,759	\$ 1,795,856	\$ 1,751,475	\$ 1,561,637	\$ 1,541,780	\$ 1,568,377	\$ 2,202,810	\$ 1,577,196	\$ 1,401,766
Disbursements										
Public safety	\$ 411,557	\$ 420,551	\$ 394,758	\$ 403,876	\$ 374,039	\$ 329,833	\$ 327,588	\$ 354,663	\$ 308,419	\$ 316,425
Public works	245,066	221,402	257,042	234,675	267,905	193,829	170,322	199,377	211,692	218,414
Health and social services.....	11,865	8,850	6,125	13,265	625	12,125	6,050	6,000	6,000	6,105
Culture and recreation	288,722	300,586	258,554	337,101	321,933	252,874	220,778	271,263	246,023	224,422
Community and economic development.....	65,618	109,905	98,908	137,154	30,618	41,922	25,854	12,124	35,124	16,879
General government.....	220,688	230,632	204,863	185,489	164,758	175,801	161,260	158,339	152,053	148,679
Debt service.....	485,697	494,270	484,029	393,643	1,294,286	476,996	488,721	469,445	544,036	493,998
Capital projects.....	460,836	80,617	1,147,992	125,164	33,284	1,024,701	1,086,378	161,687	205,027	47,398
Nonprogram.....	—	—	—	—	—	—	9,054	7,772	3,000	—
Total Disbursements	\$ 2,190,049	\$ 1,866,813	\$ 2,852,271	\$ 1,830,367	\$ 2,487,448	\$ 2,508,081	\$ 2,496,005	\$ 1,640,670	\$ 1,711,374	\$ 1,472,320

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Certified Public Accountants and Consultants

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

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Belmond, Iowa, as of and for the year ended June 30, 2010, and have issued our report thereon dated September 28, 2010. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses 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 consider 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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Belmond's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part I of the accompanying schedule of findings as items 10-1C-1 and 10-1C-2 to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 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 of Belmond's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Belmond's responses and, accordingly, we express no opinion them.

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



HOGAN - HANSEN

Mason City, Iowa
September 28, 2010

Schedule of Findings

Year Ended June 30, 2010

Part I: Findings Related to the Financial Statements:

Internal Control Deficiencies

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

10-IC-1 Segregation of Duties

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

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

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

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

Auditor's Conclusion - Response accepted.

10-IC-2 Financial Statement Preparation

Prior Year Finding and Recommendation - The City does not have a system of internal controls that fully prepares financial statements and disclosures that are fairly presented in conformity with the cash 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 cash basis accounting principles in preparing the financial statements and the related disclosures. However, the City should obtain additional knowledge through reading relevant accounting literature and attending local professional education courses.

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

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

City's Response - The City is aware of this requirement and has considered obtaining additional knowledge where cost effective but will continue to rely on its audit firm for assistance with drafting the financial statements and disclosures.

Auditor's Conclusion - Response accepted.

Schedule of Findings

Year Ended June 30, 2010

Part II: Other Findings Related to Statutory Reporting:

- 10-C-1 Certified Budget** - Disbursements for the year ended June 30, 2010 did not exceed the amounts budgeted.
- 10-C-2 Questionable Disbursements** - We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General's opinion.
- 10-C-3 Travel Expense** - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- 10-C-4 Business Transactions** - Business transactions between the City and City officials or employees were as follows:

Name, Title and Business Connection	Transaction Description	Amount
Harlan Tulp, Council Member, owner of H & K Plumbing & Heating	Plumbing repair	\$ 1,614
Earl Kalkwarf, Council Member, owner of Kalkwarf Tree Service	Tree trimming	800
Sidney Swenson, Council Member, owner of Swenson Signs	Signs	320

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

- 10-C-5 Bond Coverage** - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- 10-C-6 Council Minutes** - No transactions were found that we believe should have been approved in the Council minutes but were not.
- 10-C-7 Deposits and Investments** - We noted no instances of noncompliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

Schedule of Findings

Year Ended June 30, 2010

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

Prior Year Finding and Recommendation - The sinking fund is not adequately funded. The notes are not general obligations of the City, but have the first lien on revenue from the T.I.F. Urban Renewal Project. The City should adequately fund the sinking fund if possible and first use the revenue from the T.I.F. Urban Renewal Project to make the necessary transfers of principal and interest into these accounts before making other disbursements.

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

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

City's Response - The City will use future T.I.F. revenue to pay minor maintenance costs and the remaining revenue will be used to fund the proper sinking fund accounts.

Auditor's Conclusion - Response accepted.

10-C-9 Financial Condition - The Capital Projects - Pool Fund and the Enterprise - Water Fund had deficit balances at June 30, 2010 of \$32,957 and \$12,792, respectively.

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

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

Auditor's Conclusion - Response accepted.