

CITY OF LAKE PARK

INDEPENDENT AUDITORS' REPORTS
PRIMARY GOVERNMENT
BASIC FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND SCHEDULE OF FINDINGS

JUNE 30, 2010

TABLE OF CONTENTS

		<u>Page</u>
Officials		1
Independent Auditors' Report		2 - 3
Basic Financial Statements:		
	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets - Cash Basis	A	4 - 5
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	B	6 - 7
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	C	8
Notes to Financial Statements		9 - 16
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances - Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds		17 - 18
Notes to Required Supplementary Information - Budgetary Reporting		19
Other Supplementary Information:		
	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances - Nonmajor Governmental Funds	1	20
Schedule of Indebtedness	2	21 - 22
Bond and Note Maturities	3	23 - 25
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		26 - 27
Schedule of Findings		28 - 32

CITY OF LAKE PARK
OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January 2010)		
John Engel	Mayor	December 31, 2009
Lance Heikens	Mayor Pro-Tem	December 31, 2009
John Woods	Council Member	December 31, 2011
Gary Taber	Council Member	December 31, 2009
Lori Eggers	Council Member	December 31, 2011
Richard Packebush	Council Member	December 31, 2009
Tom Underwood	City Administrator	Indefinite
Vernette Palmer	Clerk	December 31, 2012
Jon Martin	Attorney	December 31, 2009
(After January 1, 2010)		
John Engel	Mayor	December 31, 2011
Lance Heikens	Mayor Pro-Tem	December 31, 2013
John Woods	Council Member	December 31, 2011
Clark Reekers	Council Member	December 31, 2013
Lori Eggers	Council Member	December 31, 2011
Richard Packebush	Council Member	December 31, 2013
Tom Underwood	City Administrator	Indefinite
Vernette Palmer	Clerk	December 31, 2012
Jon Martin	Attorney	December 31, 2011

WINTHER, STAVE & Co., LLP
Certified Public Accountants

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

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

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Lake Park
Lake Park, IA 51347

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 primary government of the City of Lake Park, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of City of Lake Park'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 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 U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2009.

As described in Note 1, the financial statements do not include financial data for the City's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the component unit required to be discretely presented, totaling \$5,875,000, \$2,748,000, \$3,127,000, \$2,319,000, and \$2,019,000, respectively, have not been reported.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component unit of the City of Lake Park, Iowa, as of June 30, 2010 or the changes in financial position thereof for the year then ended.

Further, 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 for the primary government of the City of Lake Park at 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2010 on our consideration of The City of Lake Park'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 on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Budgetary comparison information on pages 17 through 19 is not a required part of the basic financial statements, but is 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 required supplementary information. We did not audit the information and express no opinion on it.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insight on that information that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City's primary government. Other supplementary information included in Schedules 1 through 3 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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2009, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wintner, Stave & Co., LLP

December 30, 2010

BASIC FINANCIAL STATEMENTS

CITY OF LAKE PARK
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 and Contributions	Capital Grants and Contributions
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 197,577	\$ 4,917		
Public works	419,936	101,962		\$ 457,433
Health and social services	4,400			
Culture and recreation	214,756	53,677	\$ 8,694	
Community and economic development	18,726	5,783		
General government	192,978			
Debt service	158,800		9,095	
Total governmental activities	<u>1,207,173</u>	<u>166,339</u>	<u>17,789</u>	<u>457,433</u>
Business-type activities:				
Sewer	<u>171,586</u>	<u>206,032</u>		
TOTAL	<u>\$1,378,759</u>	<u>\$372,371</u>	<u>\$ 17,789</u>	<u>\$ 457,433</u>

General Receipts:
Property taxes levied for:
 General purposes

 Tax increment financing

 Debt service

Local option sales tax

Grants and contributions not
restricted to specific purpose

Unrestricted investment earnings .

Note proceeds

Miscellaneous

Total general receipts

Change in cash basis net assets

Cash basis net assets - beginning of year

Cash basis net assets - end of year

Cash basis net assets

 Restricted, expendable:

 Local option sales tax

 Debt service

 Other purposes

 Unrestricted

Total cash basis net assets

Exhibit A

<hr/> Net (Disbursement) Receipts and Changes in Cash Basis Net Assets <hr/>		
Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
\$ (192,660)		\$ (192,660)
139,459		139,459
(4,400)		(4,400)
(152,385)		(152,385)
(12,943)		(12,943)
(192,978)		(192,978)
<u>(149,705)</u>		<u>(149,705)</u>
<u>(565,612)</u>		<u>(565,612)</u>
	\$ 34,446	34,446
<u>(565,612)</u>	<u>34,446</u>	<u>(531,166)</u>
318,627		318,627
53,255		53,255
127,134		127,134
154,934		154,934
297,605		297,605
2,964	1,405	4,369
	127,444	127,444
<u>54,770</u>		<u>54,770</u>
<u>1,009,289</u>	<u>128,849</u>	<u>1,138,138</u>
443,677	163,295	606,972
<u>523,012</u>	<u>135,212</u>	<u>658,224</u>
<u>\$ 966,689</u>	<u>\$298,507</u>	<u>\$1,265,196</u>
\$ 246,332		\$ 246,332
83,070	\$125,000	208,070
40,656		40,656
<u>596,631</u>	<u>173,507</u>	<u>770,138</u>
<u>\$ 966,689</u>	<u>\$298,507</u>	<u>\$1,265,196</u>

CITY OF LAKE PARK
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Special Revenue</u>		
	<u>General</u>	<u>Local Option Sales Tax</u>	<u>Debt Service</u>
RECEIPTS:			
Property tax	\$ 228,032		\$127,134
Tax increment financing collections			
Other city tax		\$154,934	
Licenses and permits	11,141		
Use of money and property	26,555		997
Intergovernmental	664,611		
Charges for service	169,163		
Special assessments			22,254
Miscellaneous	<u>7,252</u>		<u>4,500</u>
TOTAL RECEIPTS	<u>1,106,754</u>	<u>154,934</u>	<u>154,885</u>
DISBURSEMENTS:			
Operating:			
Public safety	168,984		
Public works	395,502		
Health and social services	4,400		
Culture and recreation	204,716		
Community and economic development	18,726		
General government	166,961		
Debt service			<u>158,800</u>
TOTAL DISBURSEMENTS	<u>959,289</u>		<u>158,800</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>147,465</u>	<u>154,934</u>	<u>(3,915)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	279,550		53,255
Operating transfers out		<u>(180,000)</u>	
TOTAL OTHER FINANCING SOURCES (USES)	<u>279,550</u>	<u>(180,000)</u>	<u>53,255</u>
NET CHANGE IN CASH BALANCES	427,015	(25,066)	49,340
CASH BALANCES - BEGINNING OF YEAR	<u>169,616</u>	<u>271,398</u>	<u>33,730</u>
CASH BALANCES - END OF YEAR	<u>\$ 596,631</u>	<u>\$246,332</u>	<u>\$ 83,070</u>
CASH BASIS FUND BALANCES:			
Reserved:			
Debt service			\$ 83,070
Unreserved:			
General fund	\$ 596,631		
Special revenue funds		<u>\$246,332</u>	
TOTAL CASH BASIS FUND BALANCES	<u>\$ 596,631</u>	<u>\$246,332</u>	<u>\$ 83,070</u>

Exhibit B

Other Nonmajor Governmental Funds	Total Governmental Funds (Memorandum Only)
\$ 90,595	\$ 445,761
53,255	53,255
	154,934
	11,141
	27,552
90,427	755,038
	169,163
	22,254
	11,752
<u>234,277</u>	<u>1,650,850</u>
28,593	197,577
24,434	419,936
	4,400
10,040	214,756
	18,726
26,017	192,978
	158,800
<u>89,084</u>	<u>1,207,173</u>
<u>145,193</u>	<u>443,677</u>
	332,805
<u>(152,805)</u>	<u>(332,805)</u>
<u>(152,805)</u>	
(7,612)	443,677
<u>48,268</u>	<u>523,012</u>
<u>\$ 40,656</u>	<u>\$ 966,689</u>
	\$ 83,070
	596,631
<u>\$ 40,656</u>	<u>286,988</u>
<u>\$ 40,656</u>	<u>\$ 966,689</u>

See Notes to Financial Statements

CITY OF LAKE PARK
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	<u>Sewer</u>
OPERATING RECEIPTS:	
Use of money and property	\$ 1,405
Charges for service	148,837
Miscellaneous	<u>57,195</u>
TOTAL RECEIPTS	<u>207,437</u>
OPERATING DISBURSEMENTS:	
Business type activities	<u>90,081</u>
TOTAL OPERATING DISBURSEMENTS	<u>90,081</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSMENTS	<u>117,356</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):	
Revenue note proceeds	127,444
Debt service	<u>(81,505)</u>
NET NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>45,939</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	163,295
CASH BALANCES - BEGINNING OF YEAR	<u>135,212</u>
CASH BALANCES - END OF YEAR	<u>\$ 298,507</u>
CASH BASIS FUND BALANCES:	
Reserved:	
Debt service	\$ 125,000
Unreserved	<u>173,507</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 298,507</u>

NOTES TO FINANCIAL STATEMENTS

CITY OF LAKE PARK
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lake Park, Iowa is a political subdivision of the State of Iowa located in Dickinson County. The City operates under the Mayor-Council form of government with the Mayor and City 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 solid waste and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City is considered a primary government and has excluded the financial data of its component unit, Lake Park Municipal Utilities. A primary government is a legal entity or body politic and includes all funds, organizations, agencies, boards, commissions, departments, and offices that are not legally separate. A component unit is a legally separate entity for which the City is financial accountable. 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. Since these financial statements do not include the City's component unit, they do not purport to be prepared in conformity with U.S. generally accepted accounting principles as they relate to the exclusion of the component unit described below

The financial statements of Lake Park Municipal Utilities are audited separately and are presented on the accrual basis of accounting. Complete financial statements of Lake Park Municipal Utilities can be obtained from their administrative offices.

Jointly Governed Organizations

The City also 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 member of the following boards: Dickinson County Assessor's Conference Board, Dickinson County Joint E911 Service Board, Dickinson County Sanitary Landfill Commission, and Northwest Iowa Regional Housing Authority.

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 primary government 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.

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

Expendable restricted net assets results 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 a proprietary fund. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts that are 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 Local Option Sales Tax Fund is used to account for revenues from the tax authorized by referendum and used for property tax relief and capital improvements.

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

Additionally, the City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The City of Lake Park 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 or 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.

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.

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 debt service function.

E. Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued.

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 ensure 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; and perfected repurchase agreements.

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 month 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.

3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation notes and revenue notes are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 88,600	\$ 47,420	\$ 57,000	\$ 28,804	\$ 145,600	\$ 76,224
2012	91,700	44,062	220,002	26,574	311,702	70,636
2013	89,000	40,538	61,000	24,267	150,000	64,805
2014	94,000	37,118	64,000	21,862	158,000	58,980
2015	95,000	33,443	65,000	19,381	160,000	52,824
2016 - 2020	549,000	106,303	265,000	62,575	814,000	168,878
2021 - 2025	<u>201,000</u>	<u>11,815</u>	<u>285,000</u>	<u>21,855</u>	<u>486,000</u>	<u>33,670</u>
Total	<u>\$1,208,300</u>	<u>\$320,699</u>	<u>\$1,017,002</u>	<u>\$205,318</u>	<u>\$2,225,302</u>	<u>\$526,017</u>

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

Revenue Notes - The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$856,000 of sewer revenue notes issued in August 1996, December 1997, and December 2004. 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 2025. Annual principal and interest payments on the notes are expected to require less than 70 percent of net receipts. The total principal and interest remaining to be paid on the notes is \$1,061,318. For the current year, principal and interest paid and total customer net receipts were \$81,505 and \$117,356, respectively.

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

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders retain a lien on the future earnings of the fund.
- b. Sufficient balances are maintained in a separate sewer revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- c. Additional monthly transfers to the sewer reserve account shall be made until specific minimum balances have been accumulated. The sewer reserve account, which exceeds its minimum balance requirement, is restricted for the purpose of paying principal at maturity or interest on the sewer revenue notes if sufficient money is not available in the sinking fund.
- d. User rates shall be established which produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

During the year ended June 30, 2010, the City failed to comply with a certain revenue note provision. See item II-H-10 on page 31 for additional information.

The City has received cumulative advances of \$161,002 through June 30, 2010 from a \$173,500 sewer revenue capital loan anticipation project note issued in May 2009. Proceeds from the note defray certain planning, preparation, and other incidental expenses related to sewer system improvements. The note is expected to be paid with proceeds from capital loan notes anticipated to be issued in fiscal year 2012.

Equipment Purchase Agreement - The City has entered into an equipment purchase agreement. The following is a schedule of the future payments, including interest at 6.25%, at June 30, 2010:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 16,400	\$ 2,114	\$ 18,514
2012	<u>17,425</u>	<u>1,089</u>	<u>18,514</u>
Total payments	<u>\$ 33,825</u>	<u>\$ 3,203</u>	<u>\$ 37,028</u>

Payments under the equipment purchase agreements totaled \$18,514 for the year ended June 30, 2010.

4. PENSION AND RETIREMENT BENEFITS

IPERS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 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 annual 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 year ended June 30, 2010 was \$22,411, equal to the required contribution for the year.

457 Deferred Compensation Plan

The City offers a deferred compensation plan created in accordance with Internal Revenue Code Section 457 to the City Administrator in lieu of participating in the IPERS program. The plan permits the City Administrator to defer a portion of his current salary until future years. The City agrees to pay an amount equal to 8% of gross wages per pay period. The funds are held in trust by a third party investor. The City provides neither administrative service to the plan nor investment advice for the plan.

5. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City sponsors a single-employer healthcare plan which provides medical/ prescription drug benefits for all active and retired employees and their eligible dependents. There are six active and no retired members in the plan. Eligible retirees must be age 55 or older and meet certain other requirements at retirement. Benefits terminate upon attaining Medicare eligibility.

The medical/prescription drug benefits are provided through a fully-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit subsidy. Retiree premiums are fully offset by monthly contributions.

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.

6. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or, in the case of unused vacation hours, 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 vacation and sick leave payments payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 11,800
Sick leave	<u>30,900</u>
 Total	 <u>\$ 42,700</u>

The liability for compensated absences has been computed based on rates of pay as of June 30, 2010.

7. INTERFUND TRANSFERS

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General \$279,550	Special Revenue: Local Option Sales Tax	\$180,000
	Special Revenue: Road Use	99,550
Debt Service <u>53,255</u>	Special Revenue: TIF Supported Projects	<u>53,255</u>
Total		<u>\$332,805</u>

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

8. LOCAL GOVERNMENT RISK POOL

The City of Lake Park is a member of 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.

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 percent 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 of Lake Park'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 of Lake Park's annual contributions to the Pool for the year ended June 30, 2010 were \$21,018.

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. Automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured on an individual-member basis. All property risks are also reinsured on an individual-member basis.

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 company 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 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 the membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100% of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City of Lake Park also carries commercial insurance purchased from other insurers for coverage associated with workers' compensation. 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.

9. LITIGATION

The City may become party to routine legal proceedings and litigation arising in the normal course of governmental operations. These legal proceedings typically are not expected to have a material adverse impact on the City's financial condition.

10. DEFICIT FUND BALANCE

The Road Use Fund had a deficit balance of \$1,848 at June 30, 2010. The deficit balance will be eliminated through reduced operating transfers out in future years.

11. COMMITMENTS

At June 30, 2010, the City has entered into a construction contract totaling approximately \$180,000. No costs were incurred on the project at June 30, 2010. Project costs will be paid as work on the project progresses.

The City also participates in two 28E agreements with the Harris-Lake Park Community School District related to the joint and cooperative construction of shared community center and concession stand facilities. The City has agreed to pay the School District \$40,000 annually through 2023 related to the community center agreement and will make a final \$5,000 payment in fiscal 2011 related to the concession stand agreement.

In addition, the City has agreed to pay \$8,288 annually to the Dickinson County Trails Board through fiscal year 2012 to contribute to completion of the county wide trail system.

12. SUBSEQUENT EVENTS

During July 2010, the City entered into a construction contract for sanitary sewer rehabilitation totaling approximately \$1,600,000. The contract will be paid from the proceeds of general obligation notes and grants.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKE PARK
 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 <u>Actual</u>	Proprietary Fund <u>Actual</u>	<u>Total</u>
RECEIPTS:			
Property tax	\$ 445,761		\$ 445,761
Tax increment financing collections	53,255		53,255
Other city tax	154,934		154,934
Licenses and permits	11,141		11,141
Use of money and property	27,552	\$ 1,405	28,957
Intergovernmental	755,038		755,038
Charges for service	169,163	148,837	318,000
Special assessments	22,254		22,254
Miscellaneous	<u>11,752</u>	<u>57,195</u>	<u>68,947</u>
TOTAL RECEIPTS	<u>1,650,850</u>	<u>207,437</u>	<u>1,858,287</u>
DISBURSEMENTS:			
Public safety	197,577		197,577
Public works	419,936		419,936
Health and social services	4,400		4,400
Culture and recreation	214,756		214,756
Community and economic development	18,726		18,726
General government	192,978		192,978
Debt service	158,800		158,800
Business-type activities		<u>171,586</u>	<u>171,586</u>
TOTAL DISBURSEMENTS	<u>1,207,173</u>	<u>171,586</u>	<u>1,378,759</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	443,677	35,851	479,528
OTHER FINANCING SOURCES		<u>127,444</u>	<u>127,444</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS	443,677	163,295	606,972
BALANCES - BEGINNING OF YEAR	<u>523,012</u>	<u>135,212</u>	<u>658,224</u>
BALANCES - END OF YEAR	<u>\$ 966,689</u>	<u>\$289,507</u>	<u>\$1,265,196</u>

<u>Budgeted Amounts</u>		Budget to Actual
<u>Original</u>	<u>Final</u>	Variance Positive (Negative)
\$ 445,615	\$ 445,615	\$ 146
55,603	55,603	(2,348)
182,600	182,600	(27,666)
3,545	7,058	4,083
53,801	60,794	(31,837)
320,960	357,221	397,817
368,025	368,025	(50,025)
20,000	20,000	2,254
<u>14,050</u>	<u>14,050</u>	<u>54,897</u>
<u>1,464,199</u>	<u>1,510,966</u>	<u>347,321</u>
196,760	218,431	20,854
415,951	436,151	16,215
4,400	4,400	
213,415	225,209	10,453
162,645	162,645	143,919
194,582	194,582	1,604
107,953	112,453	(46,347)
<u>350,968</u>	<u>350,968</u>	<u>179,382</u>
<u>1,646,674</u>	<u>1,704,839</u>	<u>326,080</u>
(182,475)	(193,873)	673,401
<u>139,942</u>	<u>140,272</u>	<u>(12,828)</u>
(42,533)	(53,601)	<u>\$660,573</u>
<u>1,275,756</u>	<u>1,275,756</u>	
<u>\$1,233,223</u>	<u>\$1,222,155</u>	

CITY OF LAKE PARK
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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type activities and non-program. 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 \$58,165.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the debt service function.

OTHER SUPPLEMENTARY INFORMATION

CITY OF LAKE PARK
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN
 CASH BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 AS OF AND FOR YEAR ENDED JUNE 30, 2010

	Special Revenue			Total Nonmajor Governmental Funds
	Road Use	Employee Benefits	TIF Supported Projects	
RECEIPTS:				
Property tax		\$ 90,595		\$ 90,595
Tax increment financing collections			\$ 53,255	53,255
Intergovernmental	<u>\$ 90,427</u>			<u>90,427</u>
TOTAL RECEIPTS	<u>90,427</u>	<u>90,595</u>	<u>53,255</u>	<u>234,277</u>
DISBURSEMENTS:				
Operating:				
Public safety		28,593		28,593
Public works		24,434		24,434
Culture and recreation		10,040		10,040
General government		<u>26,017</u>		<u>26,017</u>
TOTAL DISBURSEMENTS		<u>89,084</u>		<u>89,084</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	<u>90,427</u>	<u>1,511</u>	<u>53,255</u>	<u>145,193</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers out	<u>(99,550)</u>		<u>(53,255)</u>	<u>(152,805)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(99,550)</u>		<u>(53,255)</u>	<u>(152,805)</u>
NET CHANGE IN CASH BALANCES	(9,123)	1,511		(7,612)
CASH BALANCES - BEGINNING OF YEAR	<u>7,275</u>	<u>40,993</u>		<u>48,268</u>
CASH BALANCES - END OF YEAR	<u>\$ (1,848)</u>	<u>\$ 42,504</u>	<u>\$ _____</u>	<u>\$ 40,656</u>
CASH BASIS FUND BALANCES:				
Unreserved:				
Special revenue funds	<u>\$ (1,848)</u>	<u>\$ 42,504</u>	<u>\$ _____</u>	<u>\$ 40,656</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ (1,848)</u>	<u>\$ 42,504</u>	<u>\$ _____</u>	<u>\$ 40,656</u>

CITY OF LAKE PARK
 SCHEDULE OF INDEBTEDNESS
 YEAR ENDED JUNE 30, 2010

<u>Obligation</u>	<u>Date of Issue</u>	<u>Amount Interest Rates</u>	<u>Originally Issued</u>
General obligation notes:			
Refunding Cap. Loan Note	March 15, 2007	3.80 - 4.40%	\$1,090,000
Sanitary Sewer	January 21, 2005	3.00%	300,000
NWIYAA	February 15, 2008	4.25%	28,000
Total			
Tax increment financing notes:			
Tax increment capital loan note	November 1, 1990	7.00%	165,000
Revenue notes:			
Sewer - Series 1996	July 31, 1996	3.00%	332,000
Sewer - Series 1997	November 25, 1997	3.00%	734,000
Sewer - Series 2004	October 21, 2004	3.00%	374,000
Sewer - Series 2009	May 6, 2009	0.00%	173,500
Total			

<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>
\$1,025,000		\$ (65,000)	\$ 960,000	\$ 42,553	
252,000		(13,000)	239,000	7,365	
<u>19,900</u>		<u>(10,600)</u>	<u>9,300</u>	<u>853</u>	
<u>\$1,296,900</u>		<u>\$ (88,600)</u>	<u>\$1,208,300</u>	<u>\$ 50,771</u>	
<u>\$ 20,000</u>		<u>\$ (20,000)</u>		<u>\$ 1,400</u>	
\$ 163,000		\$ (18,000)	\$ 145,000	\$ 4,620	
378,000		(36,000)	342,000	10,800	
370,000		(1,000)	369,000	11,085	
<u>33,558</u>	<u>\$127,444</u>	<u> </u>	<u>161,002</u>	<u> </u>	
<u>\$ 944,558</u>	<u>\$127,444</u>	<u>\$ (55,000)</u>	<u>\$1,017,002</u>	<u>\$ 26,505</u>	

CITY OF LAKE PARK
BOND AND NOTE MATURITIES
JUNE 30, 2010

Year Ending June 30,	General Obligation Notes			
	Corporate Purpose Issued March 15, 2007		Sanitary Sewer Issued January 21, 2005	
	Interest Rates	Amount	Interest Rates	Amount
2011	3.90%	\$ 70,000	3.00%	\$ 13,000
2012	3.95	75,000	3.00	13,000
2013	4.00	75,000	3.00	14,000
2014	4.05	80,000	3.00	14,000
2015	4.10	80,000	3.00	15,000
2016	4.15	85,000	3.00	15,000
2017	4.20	90,000	3.00	15,000
2018	4.25	95,000	3.00	16,000
2019	4.30	95,000	3.00	16,000
2020	4.35	105,000	3.00	17,000
2021	4.40	110,000	3.00	17,000
2022			3.00	18,000
2023			3.00	18,000
2024			3.00	19,000
2025			3.00	19,000
TOTAL		<u>\$ 960,000</u>		<u>\$239,000</u>

Year Ending June 30,	General Obligation Notes		
	Land Issued February 15, 2008		
	Interest Rates	Amount	Total
2011	4.25%	\$ 5,600	\$ 88,600
2012	4.25	3,700	91,700
2013			89,000
2014			94,000
2015			95,000
2016			100,000
2017			105,000
2018			111,000
2019			111,000
2020			122,000
2021			127,000
2022			18,000
2023			18,000
2024			19,000
2025			19,000
TOTAL		<u>\$ 9,300</u>	<u>\$1,208,300</u>

See Accompanying Independent Auditors' Report

CITY OF LAKE PARK
 BOND AND NOTE MATURITIES - Continued
 JUNE 30, 2010

Year Ending June 30,	<u>Revenue Notes</u>			
	<u>Series Sewer 1996</u>		<u>Sewer Series 1997</u>	
	<u>Interest</u>		<u>Interest</u>	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2011	3.00%	\$ 19,000	3.00%	\$ 37,000
2012	3.00	19,000	3.00	39,000
2013	3.00	20,000	3.00	40,000
2014	3.00	21,000	3.00	42,000
2015	3.00	21,000	3.00	43,000
2016	3.00	22,000	3.00	45,000
2017	3.00	23,000	3.00	47,000
2018			3.00	49,000
2019				
2020				
2021				
2022				
2023				
2024				
2025				
TOTAL		<u>\$ 145,000</u>		<u>\$ 342,000</u>

<u>Revenue Notes</u>				
<u>Sewer Series 2004</u>		<u>Sewer Series 2009</u>		
<u>Issued October 21, 2004</u>		<u>Issued May 6, 2009</u>		
<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
3.00%	\$ 1,000			\$ 57,000
3.00	1,000	0.00%	\$ 161,002	220,002
3.00	1,000			61,000
3.00	1,000			64,000
3.00	1,000			65,000
3.00	1,000			68,000
3.00	1,000			71,000
3.00	1,000			50,000
3.00	24,000			24,000
3.00	52,000			52,000
3.00	54,000			54,000
3.00	55,000			55,000
3.00	57,000			57,000
3.00	59,000			59,000
3.00	<u>60,000</u>			<u>60,000</u>
	<u>\$ 369,000</u>		<u>\$ 161,002</u>	<u>\$1,017,002</u>

WINTHER, STAVE & CO., LLP
Certified Public Accountants

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

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

**INDEPENDENT AUDITORS' REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Mayor and
Members of the City Council
City of Lake Park
Lake Park, IA 51347

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 primary government of the City of Lake Park, Iowa as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents and have issued our report thereon dated December 30, 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 Lake Park's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control 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 a certain deficiency in internal control over financial reporting we consider to be a material weakness and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-A-10 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-10 and I-C-10 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the financial statements of the primary government of the City of Lake Park 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 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 primary government of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

Winters, Stover & Co, LLP

December 30, 2010

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

Part I: Findings Related to the Financial Statements

Internal Control Deficiencies:

I-A-10 Segregation of Duties - One important aspect of internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted employees were performing incompatible functions.

Recommendation - We realize that it is difficult to appropriately segregate duties when the number of employees is limited. Therefore, we recommend the Council maintain their diligence in the review of the financial records.

Response - We will continue our review.

Conclusion - Response accepted.

I-B-10 Financial Institution Account Not Reflected in City Financial Records - During our audit, we noted a Lake Park Firemans Fund financial institution account from which expenditures are made without approval by the City Council. The City did not receive the bank statements or any other type of financial reporting for these accounts and did not include the activity or balances of the accounts in its monthly financial reports. The balance and activity of this account are considered immaterial and have not been included in the audited financial statements.

Recommendation - We recommend the City Council approve all future expenditures from the account noted. Statements for the accounts should be delivered to City offices and activity and balances in the accounts should be reflected in City financial records.

Response - The City will consider how to include the activity in this financial institution account in its financial records and the approval process for expenditures made from the account.

Conclusion - Response acknowledge.

I-C-10 Payments to Volunteer Fire Department Members - Volunteer members of the fire department receive payments for responding to emergency calls. We noted currently no payments are reported to taxing authorities.

Recommendation - We recommend the City account for all payments to these individuals and report the applicable payments on form W-2 or form 1099 as appropriate and required by law.

Response - The City will make every effort to comply with the applicable regulations for expenditures to volunteer fire department members when required.

Conclusion - Response accepted.

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

Part I: Findings Related to the Financial Statements

Internal Control Deficiencies:

I-A-10 Segregation of Duties - One important aspect of internal control over financial reporting is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted employees were performing incompatible functions.

Recommendation - We realize that it is difficult to appropriately segregate duties when the number of employees is limited. Therefore, we recommend the Council maintain their diligence in the review of the financial records.

Response - We will continue our review.

Conclusion - Response accepted.

I-B-10 Financial Institution Account Not Reflected in City Financial Records - During our audit, we noted a financial institution account from which expenditures are made without approval by the City Council. The City did not receive the bank statements or any other type of financial reporting for these accounts and did not include the activity or balances of the accounts in its monthly financial reports. The balance and activity of this account are considered immaterial and have not been included in the audited financial statements.

Recommendation - We recommend the City Council approve all future expenditures from the account noted. Statements for the accounts should be delivered to City offices and activity and balances in the accounts should be reflected in City financial records.

Response - The City will consider how to include the activity in this financial institution account in its financial records and the approval process for expenditures made from the account.

Conclusion - Response acknowledge.

I-C-10 Payments to Volunteer Fire Department Members - Volunteer members of the fire department receive payments for responding to emergency calls. We noted currently no payments are reported to taxing authorities.

Recommendation - We recommend the City account for all payments to these individuals and report the applicable payments on form W-2 or form 1099 as appropriate and required by law.

Response - The City will make every effort to comply with the applicable regulations for expenditures to volunteer fire department members when required.

Conclusion - Response accepted.

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

Part I: Findings Related to the Financial Statements - Continued

Instances of Noncompliance:

No matters were noted.

CITY OF LAKE PARK
SCHEDULE OF FINDINGS - Continued
YEAR ENDED JUNE 30, 2010

Part II: Other Findings Related to Required Statutory Reporting

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

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

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

II-B-10 Questionable Disbursements - We noted a certain disbursement we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. The disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Gunderson's	Firemen Christmas party	\$ 786

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and an improper purpose is very thin.

Recommendation - The Council should determine and document the public purpose served by this type of disbursement before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response - We will comply with this recommendation.

Conclusion - Response accepted.

II-C-10 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-10 Business Transactions - We noted no business transactions between the City and city officials or employees during the year.

CITY OF LAKE PARK
SCHEDULE OF FINDINGS - Continued
YEAR ENDED JUNE 30, 2010

Part II: Other Findings Related to Required Statutory Reporting - Continued

II-E-10 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

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

II-G-10 Deposits and Investments - 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 City Council has not reviewed the investment policy in the past five years as required by the policy.

II-H-10 Revenue Notes - The City has not complied with a certain sewer revenue note resolution. The City has maintained its financial records on the cash basis of accounting whereas the bond resolutions stipulate use of generally accepted accounting principles which require accrual accounting.

Recommendation - The City should determine whether using the cash basis of accounting for its accounting records is acceptable.

Response - We will determine whether our accounting system satisfies our revenue note requirements.

Conclusion - Response accepted.

II-I-10 Financial Condition - The Road Use Fund had a deficit balance at June 30, 2010 of \$1,848. The deficit was primarily the result of operating transfers out for the fiscal year.

Recommendation - The City should reduce operating transfers out for future fiscal years to eliminate this deficit in order to return this fund to a sound financial position.

Response - The City agrees that the deficit fund balance listed is not desirable. City staff will reduce operating transfers out for future fiscal years to eliminate any remaining negative fund balance.

Conclusion - Response accepted.

CITY OF LAKE PARK
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2010

Part II: Other Findings Related to Required Statutory Reporting - Continued

II-J-10 I-JOBS Revenue - We noted the City recorded I-JOBS revenue of approximately \$4,400 into the General Fund rather than the Road Use Fund.

Recommendation - The City should determine whether the funds were used properly as intended or whether a transfer should be made to the fund where the associated expenditures were made. Future I-JOBS revenues should be recorded in the Road Use Fund.

Response - We will determine the proper disposition of prior I-JOBS revenues and will record future revenues in the Road Use Fund.

Conclusion - Response accepted.