

CITY OF LAMONI

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

JUNE 30, 2011

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City of Lamoni

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Janelle Anders	Mayor	January 2012
Marcy Biesemeyer	Mayor Pro-Tem	January 2014
Doug Foster	Council Member	January 2012
Roger Potts	Council Member	January 2012
Anthony Crandell	Council Member	January 2014
Mary Ann Manuel	Council Member	January 2014
Barb Stuck	Clerk/Administrator/Treasurer	Indefinite
Judy Harris	Deputy Clerk	Indefinite
Robert Rolfe	City Attorney	Indefinite



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

October 25, 2011

Independent Auditors' Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Lamoni's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

Continued...

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Independent Auditor's Report
City of Lamoni

In accordance with *Government Auditing Standards*, we have also issued our reports dated October 25, 2011 on our consideration of the City of Lamoni's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Lamoni's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the six years ended June 30, 2008 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 5, 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.

Schaefer & Associates, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lamoni, we offer readers of the City of Lamoni's financial statements this narrative overview and analysis of the financial activities of the City of Lamoni for the fiscal year ending June 30, 2011. This section should be read in conjunction with the financial statements and the accompanying notes that follow.

2011 Financial Highlights

- Receipts of the City's governmental activities decreased by \$55,954 from fiscal 2010 to fiscal 2011. Property tax increased approximately \$49,000. Capital grants decreased approximately \$185,000.
- Disbursements decreased 4.5%, or \$74,115, from fiscal 2010 to fiscal 2011. Capital projects decreased approximately \$160,000.
- The City's total cash basis net assets decreased by \$1,838,778 from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased \$59,165 and the assets of the business type activities decreased by \$1,897,943. The decrease was primarily due to the expenditure of note proceeds received the prior year.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The city has two kinds of funds:

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased \$59,165 from a year ago. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30,	
	2011	2010
Receipts:		
Program receipts:		
Charges for service	\$ 261,960	232,073
Operating grants, contributions and restricted interest	457,079	414,551
Capital grants, contributions and restricted interest	17,471	202,817
General receipts:		
Property tax	674,926	625,889
Tax increment financing	28,905	27,026
Local option sales tax	112,497	118,447
Grants and contributions not restricted to specific purpose	16,044	1,193
Unrestricted interest on investments	972	401
Sale of assets	-	3,411
Total receipts	<u>1,569,854</u>	<u>1,625,808</u>
Disbursements:		
Public safety	338,027	302,133
Public works	550,816	541,905
Culture and recreation	286,084	278,841
Community and economic development	64,046	27,035
General government	147,623	146,803
Debt service	203,290	205,571
Capital projects	400	162,113
Total disbursements	<u>1,590,286</u>	<u>1,664,401</u>
Change in cash basis net assets before transfers	(20,432)	(38,593)
Transfers, net	<u>79,597</u>	<u>77,074</u>
Change in cash basis net assets	59,165	38,481
Cash basis net assets beginning of year	<u>398,316</u>	<u>359,835</u>
Cash basis net assets end of year	<u>\$ 457,481</u>	<u>398,316</u>

The total receipts for governmental activities decreased \$55,954.

The cost of all governmental activities this year was \$1,590,286 compared to \$1,664,401 last year.

Decrease in costs was noted for capital projects.

As shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was \$853,776, due to costs paid by those directly benefited from the programs of \$261,960 or by other governments, organizations that subsidized certain programs with grants, contributions and restricted interest of \$457,079 and by capital grants received of \$17,417.

	Year ended June 30,	
	2011	2010
Changes in Cash Basis Net Assets of Business Type Activities		
Receipts:		
Program receipts:		
Charges for service:		
Electric	\$ 2,486,223	2,279,681
Gas	686,531	802,181
Water	470,745	435,926
Sewer	239,889	232,604
Capital grants, contributions and restricted interest	112,504	159,165
General receipts:		
Unrestricted interest on investments	25,489	33,963
Note proceeds	164,828	2,442,891
Total receipts	<u>4,186,209</u>	<u>6,386,411</u>
Disbursements:		
Electric	4,293,619	2,176,551
Gas	657,693	560,447
Water	754,878	939,626
Sewer	298,365	294,130
Total disbursements	<u>6,004,555</u>	<u>3,970,754</u>
Change in cash basis net assets before transfers	(1,818,346)	2,415,657
Transfers, net	<u>(79,597)</u>	<u>(77,074)</u>
Change in cash basis net assets	(1,897,943)	2,338,583
Cash basis net assets beginning of year	<u>4,206,178</u>	<u>1,867,595</u>
Cash basis net assets end of year	<u>\$ 2,308,235</u>	<u>4,206,178</u>

Total business type activities receipts for the fiscal year were \$4,186,209 compared to \$6,386,411 last year. The cash balance decreased by \$1,897,943. This was primarily due to the expenditure of note proceeds received the prior year. Total disbursements for the fiscal year increased \$2,033,801.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Lamoni completed the year, its governmental funds reported a combined fund balance of \$457,481, an increase of \$59,165 from last year. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund balance at the end of the year was \$9,576, an increase of \$865 from the prior year.
- The Road Use Tax Fund balance at the end of the fiscal year was \$98,145, an increase of \$22,674 due to delaying a seal coating project to next fiscal year.
- The Local Option Sales Tax Fund balance at the end of the fiscal year was \$321,991, an increase of \$27,779 from the prior year. The City is accumulating LOST funds for a completion of a third ball field and a bathhouse/storm shelter project.
- Debt Service Fund balance was \$(121,226), a decrease of \$38,553 from the prior year due to payment of existing debt.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Electric Fund balance at the end of the fiscal year was \$1,161,062, a decrease of \$1,849,209 from the prior year due to capital project costs of \$1,950,252..
- The Gas Fund balance at the end of the fiscal year was \$516,751, an increase of \$32,399.
- The Water Fund balance at the end of the fiscal year was \$298,653, a decrease of \$29,097. The city council decided to wait for bonds to be paid off rather than increase water rates. This shortfall was foreseen. With the bonds paid off June 30th, this number will positively change.
- The Sewer Fund balance at the end of the fiscal year was \$331,769, a decrease of \$52,036 from the prior year. This shortfall is the result of unexpected plant maintenance expenses and falling revenue. The sewer rates were increased April 1, 2011, but too late to effect this year's budget.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City budget was amended by \$499,661 for receipts and \$2,445,829 for disbursements. City receipts were approximately \$488,000 less than budgeted primarily due to overestimating charges for services. After the budget amendment, total disbursements were approximately \$406,000 less than anticipated primarily due to less disbursements for debt service and business type activities.

DEBT ADMINISTRATION

At June 30, 2011, the City had approximately \$3,671,000 in bonds and other long-term debt, compared to approximately \$4,170,000 last year as shown below:

	Outstanding Debt at Year End (Expressed in Thousands)	
	Year ended June 30,	
	2011	2010
General obligation notes and bonds	\$ 573	\$ 738
Revenue bonds and notes	3,042	3,175
Other debt	56	257
	<u>\$ 3,671</u>	<u>\$ 4,170</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$573,000 is below its constitutional debt limit of approximately \$3,480,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Lamoni's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates, and fees that will be charged for various City activities.

Little change is anticipated in the new budget year as receipts look to be about the same. Retirements have resulted in large payouts, but new staff has started at a lower salary range.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

City of Lamoni

City of Lamoni
Basic Financial Statements

City of Lamoni
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2011

	Disbursements	Program Receipts	
		Charges for Service	Operating Grants Contributions and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 338,027	12,300	30,744
Public works	550,816	201,553	295,364
Culture and recreation	286,084	47,487	87,818
Community and economic development	64,046	-	30,325
General government	147,623	620	12,828
Debt service	203,290	-	-
Capital projects	400	-	-
Total governmental activities	1,590,286	261,960	457,079
Business type activities:			
Electric	4,293,619	2,486,223	-
Gas	657,693	686,531	-
Water	754,878	470,745	-
Sewer	298,365	239,889	-
Total business type activities	6,004,555	3,883,388	-
Total	\$ 7,594,841	4,145,348	457,079

General Receipts:

Property tax levied for:
 General purposes
 Debt service
 Tax increment financing
 Local option sales tax
 Grants and contributions not restricted to specific purpose
 Unrestricted interest on investments
 Note proceeds
 Transfers
 Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year, restated

Cash basis net assets end of year

Cash Basis Net Assets:

Restricted:

Expendable:
 Streets
 Local option referendum purposes
 Debt service
 Other purposes

Unrestricted

Total cash basis net assets

See notes to financial statements.

Capital Grants Contributions and Restricted Interest	Net (Disbursement) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
-	(294,983)	-	(294,983)
-	(53,899)	-	(53,899)
-	(150,779)	-	(150,779)
-	(33,721)	-	(33,721)
-	(134,175)	-	(134,175)
-	(203,290)	-	(203,290)
17,471	17,071	-	17,071
<u>17,471</u>	<u>(853,776)</u>	-	<u>(853,776)</u>
-	-	(1,807,396)	(1,807,396)
-	-	28,838	28,838
108,353	-	(175,780)	(175,780)
4,151	-	(54,325)	(54,325)
<u>112,504</u>	<u>-</u>	<u>(2,008,663)</u>	<u>(2,008,663)</u>
<u>129,975</u>	<u>(853,776)</u>	<u>(2,008,663)</u>	<u>(2,862,439)</u>
\$	532,197	-	532,197
	142,729	-	142,729
	28,905	-	28,905
	112,497	-	112,497
	16,044	-	16,044
	972	25,489	26,461
	-	164,828	164,828
	79,597	(79,597)	-
	<u>912,941</u>	<u>110,720</u>	<u>1,023,661</u>
	59,165	(1,897,943)	(1,838,778)
	<u>398,316</u>	<u>4,206,178</u>	<u>4,604,494</u>
\$	<u>457,481</u>	<u>2,308,235</u>	<u>2,765,716</u>
\$	98,819	-	98,819
	321,991	-	321,991
	-	786,781	786,781
	98,305	-	98,305
	<u>(61,634)</u>	<u>1,521,454</u>	<u>1,459,820</u>
\$	<u>457,481</u>	<u>2,308,235</u>	<u>2,765,716</u>

City of Lamoni
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances - Governmental Funds
As of and for the year ended June 30, 2011

	General	Special Revenue		
		Road Use Tax	Local Option Sales Tax	Debt Service
Receipts				
Property tax	\$ 393,864	-	-	142,529
Tax increment financing collections	-	-	-	-
Other city tax	15,403	-	112,497	200
Licenses and permits	941	-	-	-
Use of money and property	10,051	-	-	-
Intergovernmental	22,039	232,216	-	-
Charges for service	236,843	-	-	-
Miscellaneous	28,934	-	-	-
Total receipts	708,075	232,216	112,497	142,729
Disbursements				
Operating:				
Public safety	232,733	-	31,270	-
Public works	214,925	209,542	-	-
Culture and recreation	223,362	-	20,948	-
Community and economic development	3,025	-	-	-
General government	120,734	-	2,500	-
Debt service	-	-	-	203,290
Capital projects	-	-	-	-
Total disbursements	794,779	209,542	54,718	203,290
Excess (deficiency) of receipts over (under) disbursements	(86,704)	22,674	57,779	(60,561)
Other financing sources (uses):				
Operating transfers in	87,569	-	-	22,028
Operating transfers out	-	-	(30,000)	-
Total other financing sources (uses)	87,569	-	(30,000)	22,028
Net change in cash balances	865	22,674	27,779	(38,533)
Cash balances beginning of year	8,711	76,145	294,212	(82,693)
Cash balances end of year	\$ 9,576	98,819	321,991	(121,226)
Cash Basis Fund Balances				
Restricted for:				
Streets	\$ -	98,819	-	-
Local option referendum purposes	-	-	321,991	-
Other purposes	-	-	-	-
Assigned for capital projects	-	-	-	-
Unassigned	9,576	-	-	(121,226)
Total cash basis fund balances	\$ 9,576	98,819	321,991	(121,226)

See notes to financial statements.

Other Nonmajor Governmental Funds	Total
137,586	673,979
28,905	28,905
194	128,294
-	941
536	10,587
120,949	375,204
-	236,843
86,167	115,101
<u>374,337</u>	<u>1,569,854</u>
74,024	338,027
126,349	550,816
41,774	286,084
61,021	64,046
24,389	147,623
-	203,290
400	400
<u>327,957</u>	<u>1,590,286</u>
46,380	(20,432)
-	109,597
-	(30,000)
-	<u>79,597</u>
46,380	59,165
<u>101,941</u>	<u>398,316</u>
<u>148,321</u>	<u>457,481</u>
-	98,819
-	321,991
98,305	98,305
103,432	103,432
(53,416)	(165,066)
<u>148,321</u>	<u>457,481</u>

City of Lamoni
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2011

	Enterprise Funds				
	Electric	Gas	Water	Sewer	Total
Operating receipts:					
Charges for service	\$ 2,372,873	685,733	420,918	236,792	3,716,316
Miscellaneous	110,660	792	47,846	3,095	162,393
Total operating receipts	<u>2,483,533</u>	<u>686,525</u>	<u>468,764</u>	<u>239,887</u>	<u>3,878,709</u>
Operating disbursements:					
Business type activities	2,144,603	656,832	486,300	184,359	3,472,094
Total operating disbursements	<u>2,144,603</u>	<u>656,832</u>	<u>486,300</u>	<u>184,359</u>	<u>3,472,094</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	338,930	29,693	(17,536)	55,528	406,615
Non-operating receipts (disbursements):					
Interest on investments	15,756	3,561	3,883	2,289	25,489
Rent	2,690	6	1,981	2	4,679
Intergovernmental	-	-	108,353	4,151	112,504
Debt service	(198,764)	-	(131,951)	(74,260)	(404,975)
Capital projects	(1,950,252)	(861)	(136,627)	(39,746)	(2,127,486)
Total non-operating receipts (disbursements)	<u>(2,130,570)</u>	<u>2,706</u>	<u>(154,361)</u>	<u>(107,564)</u>	<u>(2,389,789)</u>
Excess (deficiency) of receipts over (under) disbursements	(1,791,640)	32,399	(171,897)	(52,036)	(1,983,174)
Other financing sources (uses):					
Note proceeds	-	-	164,828	-	164,828
Operating transfers out	(57,569)	-	(22,028)	-	(79,597)
Total other financing sources (uses)	<u>(57,569)</u>	<u>-</u>	<u>142,800</u>	<u>-</u>	<u>85,231</u>
Net change in cash balances	(1,849,209)	32,399	(29,097)	(52,036)	(1,897,943)
Cash balances beginning of year	<u>3,010,271</u>	<u>484,352</u>	<u>327,750</u>	<u>383,805</u>	<u>4,206,178</u>
Cash balances end of year	<u>\$ 1,161,062</u>	<u>516,751</u>	<u>298,653</u>	<u>331,769</u>	<u>2,308,235</u>
Cash Basis Fund Balances					
Restricted for debt service	\$ 412,885	-	298,653	75,243	786,781
Unrestricted	<u>748,177</u>	<u>516,751</u>	<u>-</u>	<u>256,526</u>	<u>1,521,454</u>
Total cash basis fund balances	<u>\$ 1,161,062</u>	<u>516,751</u>	<u>298,653</u>	<u>331,769</u>	<u>2,308,235</u>

See notes to financial statements.

City of Lamoni
Notes to Financial Statements
June 30, 2011

NOTE (1) Summary of Significant Accounting Policies

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

A. Reporting Entity

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

City of Lamoni
Notes to Financial Statements
June 30, 2011

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

City of Lamoni
Notes to Financial Statements
June 30, 2011

NOTE (1) Summary of Significant Accounting Policies - Continued

B. Basis of Presentation - Continued

Special Revenue - Continued:

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

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

The City reports the following major proprietary funds:

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

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balances and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

City of Lamoni
Notes to Financial Statements
June 30, 2011

NOTE (1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus and Basis of Accounting - Continued

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

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public works and business type activities functions.

F. Property Tax Calendar

The City's property tax rates were extended against the assessed valuation of the City as of January 1, 2009, to compute the amounts which became liens on property on July 1, 2010. These taxes were due and payable in two installments on September 30, 2010 and March 31, 2011, at the Decatur County Treasurer's Office. These taxes are recognized as income to the City when they are received from the county.

City of Lamoni
Notes to Financial Statements
June 30, 2011

NOTE (2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 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, 2011, the City had the following investments:

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

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$902 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

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

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

City of Lamoni
Notes to Financial Statements
June 30, 2011

NOTE (3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds & Notes Principal	Revenue Bonds & Notes Principal	Other Debt Principal	Total Principal
2012	\$ 86,000	190,000	6,000	276,000
2013	92,000	192,000	6,000	284,000
2014	97,000	199,000	6,000	296,000
2015	98,000	201,000	6,000	299,000
2016	68,000	207,000	6,000	275,000
2017-2021	132,000	1,136,000	26,500	1,268,000
2022-2026	-	848,000	-	848,000
2027-2030	-	69,000	-	69,000
Total	<u>\$ 573,000</u>	<u>3,042,000</u>	<u>56,500</u>	<u>3,615,000</u>

Year Ending June 30,	General Obligation Bonds & Notes Interest	Revenue Bonds & Notes Interest	Other Debt Interest	Total Interest
2012	\$ 23,584	106,995	-	130,579
2013	20,150	102,545	-	122,695
2014	16,432	97,660	-	114,092
2015	12,421	92,210	-	104,631
2016	8,315	86,180	-	94,495
2017-2021	10,314	321,512	-	331,826
2022-2026	-	101,333	-	101,333
2027-2030	-	5,010	-	5,010
Total	<u>\$ 91,216</u>	<u>913,445</u>	<u>-</u>	<u>1,004,661</u>

Interest costs paid during the year ended June 30, 2011 totaled \$138,366.

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

The City has a general obligation debt limit of approximately \$3,480,000 which was not exceeded during the year ended June 30, 2011.

City of Lamoni
Notes to Financial Statements
June 30, 2011

NOTE (3) Bonds and Notes Payable - Continued

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$700,000 in water revenue notes issued in November 2004 and \$293,000 issued in January 2010. Proceeds from the notes provided financing for the construction of water main extensions and improvements to the water treatment facility. The notes are payable solely from water customer net receipts and are payable through 2021. Annual principal and interest payments on the notes are expected to require less than 80% of net receipts. Total principal and interest remaining to be paid on the notes is \$366,820. For the current year, principal and interest paid and total customer net receipts were \$131,951 and \$(17,536), respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$514,000 in sewer revenue notes issued in June 2002, and \$594,000 in sewer revenue notes issued in October 2002. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment plant. The notes are payable solely from sewer customer net receipts and are payable through 2022. Annual principal and interest payments on the notes are expected to require less than 90% of net receipts. The total principal and interest remaining to be paid on the notes is \$820,320. For the current year, principal and interest paid and total customer net receipts were \$74,260 and \$55,528, respectively.

The City has pledged future electric customer receipts, net of specific operating disbursements, to repay \$2,200,000 in electric revenue notes issued on June 30, 2010. Proceeds from the notes are to provide financing for the construction of improvements to the municipal electric utility system, including the acquisition and installation of two diesel generators. The notes are payable solely from electric customer receipts and are payable through 2025. Annual principal and interest payments on the notes are expected to require 90% of net receipts. Total principal and interest remaining to be paid on the notes is \$2,768,305. For the current year, principal and interest payments and total customer net receipts were \$198,764 and \$338,930, respectively.

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

- a) The notes will only be redeemed from the future earnings of the water enterprise activity and the note holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate water revenue note sinking account for the purpose of making the note principal and interest payments when due.

City of Lamoni
Notes to Financial Statements
June 30, 2011

NOTE (3) Bonds and Notes Payable - Continued

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

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

- a) The bonds will only be redeemed from the future earnings of the sewer enterprise activity and the bond holders hold a lien on the future earnings of the fund.
- b) Sufficient monthly transfers shall be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.
- c) All funds remaining in the sewer account after the payment of all maintenance and operating expenses and required transfers shall be placed in the sewer revenue surplus account within the Enterprise Funds. This account is restricted for the purpose of correcting any deficiencies in the sinking account.
- d) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the bonds falling due in the next year.

City of Lamoni
Notes to Financial Statements
June 30, 2011

NOTE (3) Bonds and Notes Payable – Continued

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

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

Current year net receipts do not meet the provisions of the bond resolutions above, for the Enterprise Funds, Water and Sewer Accounts.

NOTE (4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009, were \$71,884, \$69,310, and \$61,984, respectively, equal to the required contributions for each year.

City of Lamoni
Notes to Financial Statements
June 30, 2011

NOTE (5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. City employees accumulate a limited amount of earned but unused sick leave for subsequent use or for payment upon retirement, up to a maximum of 480 hours. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2011, primarily relating to the General Fund and Proprietary Funds are as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 55,000
Sick leave	<u> 136,000</u>
	<u>\$ 191,000</u>

This liability is computed on rates of pay effective as of June 30, 2011.

NOTE (6) Other Postemployment Benefits (OPEB)

City Employee Benefits

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 11 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$475 for single coverage and \$1,090 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$4,246 and the plan member eligible for benefits contributed \$8,492 to the plan.

City of Lamoni
Notes to Financial Statements
June 30, 2011

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

Utility Employee Benefits

Plan Description - The Utility operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 16 active and 1 retired member in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the Utility. The Utility currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the Utility and plan members are \$443 for single coverage and \$1,017 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the Utility contributed \$2,658 and plan members eligible for benefits contributed \$5,316 to the plan.

NOTE (7) Commitment - Colony Housing Authority

In December 1979, the City entered into an agreement with Colony Housing Authority (CHA) of Lamoni, whereby CHA, who constructed and maintains a multiple dwelling complex for senior citizens, agreed to provide dining facilities for 30 additional persons. In consideration for the above, the City agreed to pay CHA \$500 per month commencing October 1, 1980, for a period of 480 months. The remaining balance at June 30, 2011 is \$56,500.

NOTE (8) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales Tax	\$ 30,000
	Proprietary:	
	Electric	57,569
		<u>87,569</u>
Debt Service	Proprietary:	
	Water	22,028
		<u>22,028</u>
		<u>\$ 109,597</u>

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

City of Lamoni
Notes to Financial Statements
June 30, 2011

NOTE (9) Risk Management

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

NOTE (10) Economic Development

On August 9, 2001, the City entered into an agreement with Saab Auto and Lease, L.L.C. whereby the City will make economic development tax rebate payments to the Company for ten fiscal years during the term of the agreement. The amounts paid will represent the incremental property taxes paid with respect to the project by the Company in that fiscal year. The tax rebate payments shall not constitute general obligations of the City, but shall be paid solely and only from incremental property taxes received by the City attributable to the property. The City paid the Company \$6,354 during the fiscal year ended June 30, 2011.

On April 10, 2003, the City entered into a developing agreement with Southern Iowa Building Center, Inc. whereby the City agreed to make economic development tax rebate payments to the developer for ten fiscal years during the term of the agreement. The amounts paid will represent the property taxes paid with respect to the incremental value of the project, minus the amount of taxes levied. The rebate payments will be made on December 1 and June 1 of each fiscal year, beginning December 1, 2005 and continuing through and including June 1, 2014. The tax rebate payments shall not constitute general obligations of the City, but shall be paid solely and only from incremental property taxes received by the City. The City paid the developer \$20,197 during the fiscal year ended June 30, 2011.

NOTE (11) Wayne- Ringgold- Decatur County Solid Waste Management Commission

The City, in conjunction with thirty-one other municipalities and counties, has created the Wayne-Ringgold-Decatur County Solid Waste Management Commission. The Commission was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Commission is governed by a board composed of an elected representative of the governed body of each participating governmental jurisdiction. During the year ended June 30, 2011, the City of Lamoni paid the Wayne-Ringgold Decatur County Solid Waste Management Commission \$24,140. The City's future commitment is based on its population, which is currently computed at \$2.50 per capita per quarter.

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

City of Lamoni
Notes to Financial Statements
June 30, 2011

NOTE (12) Deficit Fund Balances

At June 30, 2011, the City had the following deficit fund balances:

Special Revenue Fund – Employee Benefits	\$	24,037
Debt Service		121,226
Capital Projects Fund – Airport Account		29,129
Capital Projects Fund – Fire Account		250
Total	\$	174,642

The deficits will be eliminated with transfers and grant reimbursements.

NOTE (13) Contract Commitments

The City had the following contract commitments at June 30, 2011:

	Estimated Contract Amount	Paid to Date	Remaining Commitment	Retainage Payable
Electric Utility				
– Generators Project				
Engineer	\$ 133,000	126,600	6,400	-
Generator contracts	1,930,692	1,718,106	212,586	134,634
			\$ 218,986	134,634

Required Supplementary Information

City of Lamoni
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
 Required Supplementary Information
 Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Actual
Receipts			
Property tax	\$ 673,979	-	673,979
Tax increment financing collections	28,905	-	28,905
Other city tax	128,294	-	128,294
Licenses and permits	941	-	941
Use of money and property	10,587	30,168	40,755
Intergovernmental	375,204	112,504	487,708
Charges for service	236,843	3,716,316	3,953,159
Miscellaneous	115,101	162,393	277,494
Total receipts	<u>1,569,854</u>	<u>4,021,381</u>	<u>5,591,235</u>
Disbursements			
Public safety	338,027	-	338,027
Public works	550,816	-	550,816
Culture and recreation	286,084	-	286,084
Community and economic development	64,046	-	64,046
General government	147,623	-	147,623
Debt service	203,290	-	203,290
Capital projects	400	-	400
Business type activities	-	6,004,555	6,004,555
Total disbursements	<u>1,590,286</u>	<u>6,004,555</u>	<u>7,594,841</u>
Excess (deficiency) of receipts over (under) disbursements	(20,432)	(1,983,174)	(2,003,606)
Other financing sources, net	<u>79,597</u>	<u>85,231</u>	<u>164,828</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	59,165	(1,897,943)	(1,838,778)
Balances beginning of year	<u>398,316</u>	<u>4,206,178</u>	<u>4,604,494</u>
Balances end of year	<u>\$ 457,481</u>	<u>2,308,235</u>	<u>2,765,716</u>

See accompanying independent auditors' report.

Original Budgeted Amounts	Final Budgeted Amounts	Budget to Actual Variance
684,189	684,189	(10,210)
21,600	28,905	-
258,412	258,412	(130,118)
17,750	17,650	(16,709)
12,930	1,000	39,755
263,546	319,240	168,468
4,321,746	4,663,367	(710,208)
-	107,071	170,423
<u>5,580,173</u>	<u>6,079,834</u>	<u>(488,599)</u>
277,311	317,375	(20,652)
463,655	540,948	(9,868)
275,744	291,521	5,437
24,850	29,986	(34,060)
157,612	185,462	37,839
388,575	388,575	185,285
10,900	10,900	10,500
3,957,031	6,236,740	232,185
<u>5,555,678</u>	<u>8,001,507</u>	<u>406,666</u>
24,495	(1,921,673)	(81,933)
-	-	164,828
24,495	(1,921,673)	82,895
<u>2,134,229</u>	<u>6,738,723</u>	<u>(4,511,293)</u>
<u>2,158,724</u>	<u>4,817,050</u>	<u>(4,428,398)</u>

City of Lamoni
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2011

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

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

Formal and legal budgetary control is based upon major classes of disbursements known as functions, not by fund or fund type. These functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,445,829. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amended amounts budgeted in the public safety, public works and community and economic development functions.

Other Supplementary Information

City of Lamoni
 Schedule of Cash Receipts, Disbursements and Changes
 in Cash Balances – Nonmajor Governmental Funds
 As of and for the year ended June 30, 2011

	Special Revenue				Total
	Employee Benefits	Urban Renewal Tax Increment	Trust Accounts	Capital Projects	
Receipts					
Property tax	\$ 137,586	-	-	-	137,586
Tax increment financing collections	-	28,905	-	-	28,905
Other city tax	194	-	-	-	194
Use of money and property	-	-	536	-	536
Intergovernmental	-	-	103,628	17,321	120,949
Miscellaneous	-	-	86,017	150	86,167
Total receipts	<u>137,780</u>	<u>28,905</u>	<u>190,181</u>	<u>17,471</u>	<u>374,337</u>
Disbursements					
Operating:					
Public safety	53,381	-	20,643	-	74,024
Public works	41,644	-	84,705	-	126,349
Culture and recreation	32,620	-	9,154	-	41,774
Community and economic development	-	26,551	34,470	-	61,021
General government	23,884	-	505	-	24,389
Capital projects	-	-	-	400	400
Total disbursements	<u>151,529</u>	<u>26,551</u>	<u>149,477</u>	<u>400</u>	<u>327,957</u>
Excess (deficiency) of receipts over (under) disbursements	(13,749)	2,354	40,704	17,071	46,380
Cash balances beginning of year	<u>(10,288)</u>	<u>27,367</u>	<u>27,880</u>	<u>56,982</u>	<u>101,941</u>
Cash balances end of year	<u>\$ (24,037)</u>	<u>29,721</u>	<u>68,584</u>	<u>74,053</u>	<u>148,321</u>
Cash Basis Fund Balances					
Restricted for other purposes	\$ -	29,721	68,584	-	98,305
Assigned	-	-	-	103,432	103,432
Unassigned	<u>(24,037)</u>	<u>-</u>	<u>-</u>	<u>(29,379)</u>	<u>(53,416)</u>
Total cash basis fund balances	<u>\$ (24,037)</u>	<u>29,721</u>	<u>68,584</u>	<u>74,053</u>	<u>148,321</u>

See accompanying independent auditors' report.

City of Lamoni
Combining Schedule of Cash Receipts, Disbursements and Changes
in Cash Balances – Capital Projects Fund
As of and for the year ended June 30, 2011

	Capital Projects				
	Street	Trail	Fire	Airport	Total
Receipts					
Intergovernmental	\$ -	-	-	17,321	17,321
Miscellaneous	-	-	150	-	150
Total receipts	-	-	150	17,321	17,471
Disbursements					
Capital projects	-	-	400	-	400
Total disbursements	-	-	400	-	400
Excess receipts over disbursements	-	-	(250)	17,321	17,071
Cash balances beginning of year	86,008	17,424	-	(46,450)	56,982
Cash balances end of year	\$ 86,008	17,424	(250)	(29,129)	74,053

Cash Basis Fund Balances

Assigned	\$ 86,008	17,424	-	-	103,432
Unassigned	-	-	(250)	(29,129)	(29,379)
Total cash basis fund balances	\$ 86,008	17,424	(250)	(29,129)	74,053

See accompanying independent auditors' report.

City of Lamoni
Schedule of Indebtedness
Year ended June 30, 2011

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

See accompanying independent auditors' report.

<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>
80,000	-	80,000	-	4,480	-
183,000	-	15,000	168,000	7,027	-
165,000	-	30,000	135,000	6,450	-
<u>310,000</u>	<u>-</u>	<u>40,000</u>	<u>270,000</u>	<u>13,433</u>	<u>-</u>
<u>738,000</u>	<u>-</u>	<u>165,000</u>	<u>573,000</u>	<u>31,390</u>	<u>-</u>
344,000	-	24,000	320,000	10,320	-
398,000	-	28,000	370,000	11,940	-
110,000	-	110,000	-	4,180	-
123,172	164,828	11,000	277,000	6,772	-
<u>2,200,000</u>	<u>-</u>	<u>125,000</u>	<u>2,075,000</u>	<u>73,764</u>	<u>-</u>
<u>3,175,172</u>	<u>164,828</u>	<u>298,000</u>	<u>3,042,000</u>	<u>106,976</u>	<u>-</u>
62,500	-	6,000	56,500	-	-
<u>194,000</u>	<u>-</u>	<u>194,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>256,500</u>	<u>-</u>	<u>200,000</u>	<u>56,500</u>	<u>-</u>	<u>-</u>

City of Lamoni
Bond and Note Maturities
June 30, 2011

Year Ending June 30,	General Obligation					
	Water Improvement Issued Mar 1, 2001		Fire Station Issued Jul 7, 2005		Street Improvement Issued Oct 15, 2007	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2012	3.84 %	\$ 16,000	3.80 %	\$ 30,000	4.10 %	\$ 40,000
2013	3.84 %	17,000	3.90 %	35,000	4.20 %	40,000
2014	3.84 %	17,000	4.00 %	35,000	4.25 %	45,000
2015	3.84 %	18,000	4.10 %	35,000	4.35 %	45,000
2016	3.84 %	18,000	-	-	4.40 %	50,000
2017	3.84 %	19,000	-	-	4.45 %	50,000
2018	3.84 %	20,000	-	-	-	-
2019	3.84 %	21,000	-	-	-	-
2020	3.84 %	22,000	-	-	-	-
2021	-	-	-	-	-	-
		<u>\$ 168,000</u>		<u>\$ 135,000</u>		<u>\$ 270,000</u>

Year Ending June 30,	Revenue Bonds and					
	Sewer Issued Jun 30, 2002		Sewer Issued Oct 15, 2002		Water Issued Jan 27, 2010	
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount
2012	3.00 %	\$ 25,000	3.00 %	\$ 29,000	3.00 %	11,000
2013	3.00 %	26,000	3.00 %	30,000	3.00 %	11,000
2014	3.00 %	26,000	3.00 %	31,000	3.00 %	12,000
2015	3.00 %	27,000	3.00 %	32,000	3.00 %	12,000
2016	3.00 %	28,000	3.00 %	32,000	3.00 %	12,000
2017	3.00 %	29,000	3.00 %	33,000	3.00 %	13,000
2018	3.00 %	30,000	3.00 %	34,000	3.00 %	13,000
2019	3.00 %	31,000	3.00 %	35,000	3.00 %	14,000
2020	3.00 %	32,000	3.00 %	37,000	3.00 %	14,000
2021	3.00 %	33,000	3.00 %	38,000	3.00 %	15,000
2022	3.00 %	33,000	3.00 %	39,000	3.00 %	15,000
2023	-	-	-	-	3.00 %	16,000
2024	-	-	-	-	3.00 %	16,000
2025	-	-	-	-	3.00 %	17,000
2026	-	-	-	-	3.00 %	17,000
2027	-	-	-	-	3.00 %	18,000
2028	-	-	-	-	3.00 %	18,000
2029	-	-	-	-	3.00 %	19,000
2030	-	-	-	-	3.00 %	14,000
		<u>\$ 320,000</u>		<u>\$ 370,000</u>		<u>\$ 277,000</u>

See accompanying independent auditors' report.

Bonds

	<u>Total</u>
\$	86,000
	92,000
	97,000
	98,000
	68,000
	69,000
	20,000
	21,000
	22,000
	-
\$	738,000

Other Debt

<u>Crown Colony Contract Issued Oct 1, 1980</u>	
<u>Interest Rates</u>	<u>Amount</u>
0.00 %	\$ 6,000
0.00 %	6,000
0.00 %	6,000
0.00 %	6,000
0.00 %	6,000
0.00 %	6,000
0.00 %	6,000
0.00 %	6,000
0.00 %	6,000
0.00 %	2,500
	\$ 56,500

Notes

<u>Electric Issued June 30, 2010</u>		
<u>Interest Rates</u>	<u>Amount</u>	<u>Total</u>
2.00 %	\$ 125,000	\$ 190,000
2.30 %	125,000	192,000
2.60 %	130,000	199,000
3.00 %	130,000	201,000
3.25 %	135,000	207,000
3.60 %	135,000	210,000
3.80 %	140,000	217,000
4.00 %	145,000	225,000
4.15 %	155,000	238,000
4.30 %	160,000	246,000
4.40 %	165,000	252,000
4.50 %	170,000	186,000
4.65 %	175,000	191,000
4.65 %	185,000	202,000
-	-	17,000
-	-	18,000
-	-	18,000
-	-	19,000
-	-	14,000
	\$ 2,075,000	\$ 3,042,000

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Receipts			
Property tax	\$ 673,979	609,167	585,581
Tax increment financing collections	28,905	27,026	28,035
Other city tax	128,294	135,169	124,125
Licenses and permits	941	1,275	1,330
Use of money and property	10,587	13,468	15,705
Intergovernmental	375,204	533,304	581,540
Charges for service	236,843	209,887	215,379
Miscellaneous	<u>115,101</u>	<u>93,101</u>	<u>76,969</u>
Total	<u>\$ 1,569,854</u>	<u>1,622,397</u>	<u>1,628,664</u>
Disbursements			
Operating:			
Public safety	\$ 338,027	302,133	326,683
Public works	550,816	541,905	483,886
Culture and recreation	286,084	278,841	261,384
Community and economic development	64,046	27,035	64,795
General government	147,623	146,803	158,924
Debt service	203,290	205,571	201,079
Capital projects	<u>400</u>	<u>162,113</u>	<u>426,256</u>
Total	<u>\$ 1,590,286</u>	<u>1,664,401</u>	<u>1,923,007</u>

See accompanying independent auditors' report.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
522,565	528,850	516,208	472,696	470,646
40,922	37,754	48,751	46,607	30,214
132,198	122,015	103,695	123,931	102,130
17,848	2,923	5,320	3,238	4,340
14,939	15,587	16,966	21,302	15,397
281,586	296,819	646,347	445,651	272,793
190,563	190,790	185,773	172,962	151,651
167,901	207,189	131,358	360,411	127,047
<u>1,368,522</u>	<u>1,401,927</u>	<u>1,654,418</u>	<u>1,646,798</u>	<u>1,174,218</u>
232,799	282,443	764,396	240,241	253,426
499,136	421,147	422,318	395,564	373,860
226,990	197,735	311,418	280,795	232,608
137,163	95,912	73,196	75,298	47,938
138,969	126,163	139,699	136,823	138,504
144,511	343,423	338,720	275,348	122,947
330,787	123,014	412,303	578,299	39,103
<u>1,710,355</u>	<u>1,589,837</u>	<u>2,462,050</u>	<u>1,982,368</u>	<u>1,208,386</u>

City of Lamoni



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

October 25, 2011

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lamoni, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 25, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Continued...

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lamoni's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part 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, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Lamoni and other parties to whom the City of Lamoni may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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

Schroer & Associates, P. C.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

I-A-11 Segregation of Duties

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

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

Response – We will consider this.

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

I-B-11 Reconciliation of Utility Billings and Collections

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

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

Response – We will do this for each billing period.

Conclusion – Response accepted.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2011

Part II: Other Findings Related to Statutory Reporting:

II-A-11 Certified Budget

Comment – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the public safety, public works and community and economic development functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

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

Conclusion – Response accepted.

II-B-11 Questionable Disbursements

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

II-C-11 Travel Expense

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

II-D-11 Business Transactions

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

II-E-11 Bond Coverage

Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2011

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

II-F-11 Council Minutes

Comment - No transactions were found that we believe should have been approved in the Council minutes but were not. However, publications did not include a summary of receipts by fund for each month.

The Council went into closed session. However, the minutes' record did not document the specific information regarding the closed session as required by Chapter 21 of the Code of Iowa, commonly known as the open-meetings law.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa. Receipts by fund should be published as required.

Response - We will publish receipts as required. We will document in the future the specific information required by Chapter 21 for closed meetings.

Conclusion - Response accepted.

II-G-11 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.

II-H-11 Revenue Bonds and Notes

Comment - Current year net receipts of the Enterprise Funds, Water and Sewer Accounts do not meet the provisions of the bond resolutions.

Recommendation - The City should review its water and sewer rates in order to generate sufficient receipts to comply with the provisions of the revenue debt.

Response - We raised sewer fees in April 2011. We will review our water rates.

Conclusion - Response accepted.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2011

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

II-I-11 Financial Condition

Comment - At June 30, 2011, the City had the following deficit fund balances:

Special Revenue Fund – Employee Benefits	\$	24,037
Debt Service		121,226
Capital Projects Fund – Airport Account		29,129
Capital Projects Fund – Fire Account		250
Total	\$	<u>174,642</u>

Recommendation – The deficit in the Debt Service Fund was due to insufficient transfers from the Special Revenue, Local Option Sales Tax Fund that were to be used for property tax relief. The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial condition.

Response – We will do so.

Conclusion – Response accepted.

II-J-11 Inactive Capital Projects

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

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

Response – We will do so.

Conclusion – Response accepted.

II-K-11 Excess Balance

Comment – The balance in the Special Revenue Fund – Lost Option Sales Tax Account at June 30, 2011, was in excess of the fund's disbursements during the year.

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

Response – We will review this further.

Conclusion – Response accepted.

City of Lamoni
Schedule of Findings
Year Ended June 30, 2011

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

II-L-11 Outstanding Checks

Comment – Unclaimed property per Chapter 556.1(10) of the Code of Iowa has not been reported to the State Treasurer as required.

Recommendation – The City should comply with Chapter 556.1(10) of the Code of Iowa.

Response – We will do this.

Conclusion – Response accepted.

II-M-11 Excess Tax Increment Financing Balance

Comment – The City's TIF balance includes funds collected and remitted to the City for property taxes assessed on a property in which the business had closed.

Recommendation – Chapter 403.19 requires the City to certify any reduction in the TIF debt for any reason to the County Auditor. The City should complete Form 3 or the TIF Indebtedness Certification to reduce the TIF indebtedness outstanding for cash on hand at June 30, 2011.

Response – We will do this.

Conclusion – Response accepted.



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

October 25, 2011

Barb Stuck
City of Lamoni
190 South Chestnut Street
Lamoni, IA 50140

Dear Barb:

Enclosed are two copies of the City Annual Report for the City of Lamoni for publication.

Please sign and forward to the State Auditor in the envelope provided.

Sincerely,

SCHROER & ASSOCIATES, P.C.

A handwritten signature in cursive script that reads "Diane McGrain".

Diane McGrain
Shareholder

DM/jb
Enc.

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