

CITY OF BELMOND

INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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CITY OF BELMOND

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Alan Mattison	Mayor	Jan 2012
Todd Buseman	Council Member	Jan 2012
Leon Robertson	Council Member	Jan 2012
Harlan Tulp	Council Member	Jan 2014
Sidney Swenson	Council Member	Jan 2014
Earl Kalkwarf	Council Member	Jan 2014
LeeAnn Waltzing	Manager/Clerk/Treasurer	Indefinite
Gary Berkland	Attorney	Indefinite

## INDEPENDENT AUDITOR'S 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 Belmond, 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 City of Belmond'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.

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. The financial statements referred to above include only the primary government of the City of Belmond, Iowa, which consists of all funds, organizations, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include the financial data of legally separate component units which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Belmond at June 30, 2011 and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2011 on our consideration of the City of Belmond's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or 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.

Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 28 through 29 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Belmont's basic financial statements. The financial statements and supplemental data for the nine years ended June 30, 2010, (none of which are presented herein) were audited by other auditors in accordance with standards referred to in the second paragraph of this report who expressed qualified opinions on the financial statements and supplementary data which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

November 3, 2011

Renner & Birchem, P.C.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Belmont provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2011 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased .9%, or \$14,483 from fiscal 2010 to fiscal 2011. Intergovernmental receipts decreased \$85,083, property tax receipts increased \$29,420 and local option tax decreased \$12,052.
- Disbursements decreased 18.6% or \$407,735 in fiscal 2011 from fiscal 2010. Capital projects, public safety and health and social services disbursements decreased \$446,471, \$26,363 and \$10,226, respectively. Debt service and public works disbursements increased \$51,082 and \$115,539, respectively.
- The City's total cash basis net assets increased 46.5%, or \$495,460 from June 30, 2010 to June 30, 2011. Of this amount, the assets of the governmental activities increased \$67,838 and the assets of the business type activities increased by \$427,622.

### 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 nonmajor governmental funds and the City's indebtedness.

### **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 limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information that 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, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks 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, 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 statement for governmental funds is 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 six Enterprise Funds to provide separate information for the water and sewer funds, considered to be major funds of the City.

The required financial statement for proprietary funds is 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 from a year ago, from \$907,594 to \$975,432. The analysis that follows focuses on the changes in cash balances for governmental activities.

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**Changes in Cash Basis Net Assets of Government Activities**

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Receipts:	Year Ended June 30,	
	2011	2010
Program receipts:		
Charges for service	\$ 45,551	53,498
Operating grants, contributions and restricted interest	288,782	378,732
Capital grants, contributions and restricted interest	33,144	28,277
General receipts:		
Property tax	994,266	964,846
Local option tax	184,165	196,217
Unrestricted interest	4,143	6,913
Other general receipts	97,562	33,613
Total receipts	<u>1,647,613</u>	<u>1,662,096</u>

Disbursements:		
Public safety	385,194	411,557
Public works	360,605	245,066
Health and social services	1,639	11,865
Culture and recreation	245,914	288,722
Community and economic development	47,135	65,618
General government	190,683	220,688
Debt service	536,779	485,697
Capital projects	14,365	460,836
Total disbursements	<u>1,782,314</u>	<u>2,190,049</u>
Change in cash basis net assets before other financing sources	<u>(134,701)</u>	<u>(527,953)</u>
Other financing sources (uses)		
Sale of assets	8,526	
Transfers, net	194,013	150,538
Total other financing sources (uses)	<u>202,539</u>	<u>150,538</u>
Change in cash basis net assets	67,838	(377,415)
Cash basis net assets beginning of year	<u>907,594</u>	<u>1,285,009</u>
Cash basis net assets end of year	<u><u>975,432</u></u>	<u><u>907,594</u></u>

The City's total receipts for governmental activities decreased by .9%, or \$14,483. The total cost of all programs and services decreased by \$407,735, or 18.6%, with no new programs added this year.

The cost of all governmental activities this year was \$1,782,314 compared to \$2,190,049 last year. However, as shown in the Statement of Activities and Net Assets on page 14, the amount taxpayers ultimately financed for these activities was only \$1,414,837 because some of the cost was paid by those directly benefiting from the programs (\$45,551) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$321,926). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2011 from \$460,507 to \$367,477.

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**Changes in Cash Basis Net Assets of Business Type Activities**

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Receipts:	<u>Year Ended June 30,</u>	
Program receipts:	2011	2010
Charges for service:		
Water	\$ 581,179	305,780
Sewer	437,102	371,207
Landfill	60,236	46,500
Storm sewer	46,184	31,051
Capital grants, contributions and restricted interest	1,994,284	
General receipts:		
Unrestricted interest on investments	435	2,310
Bond proceeds	3,382,202	
Other general receipts	10,432	
Total receipts	<u>6,512,054</u>	<u>756,848</u>
Disbursements:		
Water	243,917	627,248
Sewer	203,884	202,691
Landfill	66,205	66,164
Storm sewer	435	147
Capital projects	5,375,978	
Total disbursements	<u>5,890,419</u>	<u>896,250</u>
Change in cash basis net assets before transfers	621,635	(139,402)
Transfers, net	(194,013)	(150,538)
Change in cash basis net assets	427,622	(289,940)
Cash basis net assets beginning of year	157,268	447,208
Cash basis net assets end of year	<u>\$ 584,890</u>	<u>157,268</u>

Total business type activities receipts for the fiscal year were \$6,512,054 compared to \$756,848 last year. Total disbursements, including debt service, for the fiscal year increased by \$4,994,169 to a total of \$5,890,419. This significant increase was due primarily to the cost of the water treatment project. The cash balance increased by \$427,622 during the fiscal year compared to a decrease of \$289,940 last year.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Belmond completed the year, its governmental funds reported a combined fund balance of \$975,432, an increase of \$67,838 from last year's total of \$907,594. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$27,088 from the prior year to \$119,556. Net transfers of \$149,367 were received from other funds.
- The Local Option Tax Fund cash balance increased by \$95,105 to \$495,785 during the fiscal year.
- The Economic Development Fund balance increased by \$15,028 to \$107,627 during the fiscal year.
- There was a decrease in the Debt Service Fund cash balance of \$327 for an ending balance of \$7,067.

### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased by \$295,421 to \$282,229 during the fiscal year, due primarily to an increase in the sale of water, bond proceeds and capital grants.
- The Sewer Fund cash balance increased by \$88,792 to \$132,536 during the fiscal year.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget. The amended budget was approved on May 16, 2011 to provide for additional \$5,235,394 receipts and \$669,553 disbursements to provide for additional operating expense in certain City departments.

The City exceeded the amounts budgeted in the public works function.

### **DEBT ADMINISTRATION**

At June 30, 2011, the City had \$5,940,900 in bonds and other long-term debt outstanding, compared to \$2,861,431 at the end of the prior year, as shown below.

	<b>Outstanding Debt at Year-End</b>	
	June 30,	
	2011	2010
General obligation bonds	\$ 2,341,000	2,687,000
Urban renewal tax increment financing revenue bonds	142,738	174,431
Revenue notes	3,457,162	
Total	<u>\$ 5,940,900</u>	<u>2,861,431</u>

Debt increased as a result of issuing revenue bonds for a water treatment project.

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 and TIF debt of \$2,483,738 is below its constitutional debt limit of approximately \$5,025,206.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Belmond's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates, and fees that will be charged for various City activities. Economic factors in the area remain steady as the county unemployment rate remains one of the lowest in the state.

These among other economic factors were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are \$8,603,000, an increase of 8.4% from the final 2011 budget. Budgeted disbursements are expected to increase by \$535,715. The City has budgeted for required improvements to waste water treatment plant for approximately \$1,000,000.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$68,063 by the close of 2012. Actual amounts can and usually do differ from budgeted amounts.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

## Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2011

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions / Programs:</b>							
Governmental activities:							
Public safety	\$ 385,194	9,844	13,829		(361,521)		(361,521)
Public works	360,605		241,687		(118,918)		(118,918)
Health and social services	1,639				(1,639)		(1,639)
Culture and recreation	245,914	35,707	33,266		(176,941)		(176,941)
Community and economic development	47,135			31,823	(15,312)		(15,312)
General government	190,683				(190,683)		(190,683)
Debt service	536,779				(536,779)		(536,779)
Capital projects	14,365			1,321	(13,044)		(13,044)
Total governmental activities	1,782,314	45,551	288,782	33,144	(1,414,837)		(1,414,837)
Business type activities:							
Water	5,405,619	581,179		1,785,000		(3,039,440)	(3,039,440)
Sewer	205,024	437,102		2,027		234,105	234,105
Landfill	66,205	60,236				(5,969)	(5,969)
Storm sewer	213,571	46,184		207,257		39,870	39,870
Total business type activities	5,890,419	1,124,701		1,994,284		(2,771,434)	(2,771,434)
Total	\$ 7,672,733	1,170,252	288,782	2,027,428	(1,414,837)	(2,771,434)	(4,186,271)
<b>General Receipts:</b>							
Property tax levied for:							
General purposes					\$ 519,069		519,069
Tax increment financing					47,089		47,089
Employee benefits and insurance					165,250		165,250
Emergency					15,612		15,612
Debt service					212,358		212,358
Other city tax					34,888		34,888
Local option sales tax					184,165		184,165
Unrestricted interest on investments					4,143	435	4,578
Miscellaneous					97,562	10,432	107,994
Bond proceeds						3,382,202	3,382,202
Sale of assets					8,526		8,526
Transfers					194,013	(194,013)	
Total general receipts and transfers					1,482,675	3,199,056	4,681,731
Change in cash basis net assets					67,838	427,622	495,460
Cash basis net assets beginning of year					907,594	157,268	1,064,862
Cash basis net assets end of year					\$ 975,432	584,890	1,560,322
<b>Cash Basis Net Assets</b>							
Restricted:							
Non expendable:							
Cemetery perpetual care					\$ 60,043		60,043
Expendable:							
Streets					(27,158)		(27,158)
Debt service					7,067	6,466	13,533
Other purposes					472,106		472,106
Unrestricted					463,374	578,424	1,041,798
Total cash basis net assets					\$ 975,432	584,890	1,560,322

See notes to financial statements.

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

As of and for the year ended June 30, 2011

	<u>Special Revenue</u>			<u>Debt</u>	<u>Capital Projects</u>		<u>Total</u>
	<u>General</u>	<u>Local Option Tax</u>	<u>Economic Development</u>		<u>Service</u>	<u>Industrial Park</u>	
<b>Receipts:</b>							
Property tax	\$ 519,069			212,358		180,862	912,289
Tax increment financing collections						47,089	47,089
Other city tax	27,602	184,165		3,889		3,397	219,053
Licenses and permits	6,482						6,482
Use of money and property	1,895	1,116	289	16	195	885	4,396
Intergovernmental	47,095					273,510	320,605
Charges for services	45,551						45,551
Miscellaneous	57,451		20,596			14,101	92,148
<b>Total receipts</b>	<b>705,145</b>	<b>185,281</b>	<b>20,885</b>	<b>216,263</b>	<b>195</b>	<b>519,844</b>	<b>1,647,613</b>
<b>Disbursements:</b>							
Operating:							
Public safety	385,115					79	385,194
Public works	14,158					346,447	360,605
Health and social services	1,639						1,639
Culture and recreation	235,115					10,799	245,914
Community and economic development	4,240		5,857			37,038	47,135
General government	190,683						190,683
Debt service				496,779		40,000	536,779
Capital projects					205	14,160	14,365
<b>Total disbursements</b>	<b>830,950</b>		<b>5,857</b>	<b>496,779</b>	<b>205</b>	<b>448,523</b>	<b>1,782,314</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(125,805)</b>	<b>185,281</b>	<b>15,028</b>	<b>(280,516)</b>	<b>(10)</b>	<b>71,321</b>	<b>(134,701)</b>
<b>Other financing sources (uses):</b>							
Operating transfers in	154,735			280,189		84,870	519,794
Operating transfers out	(5,368)	(90,176)				(230,237)	(325,781)
Sale of assets	3,526				5,000		8,526
<b>Total other financing sources (uses)</b>	<b>152,893</b>	<b>(90,176)</b>		<b>280,189</b>	<b>5,000</b>	<b>(145,367)</b>	<b>202,539</b>
<b>Net change in cash balances</b>	<b>27,088</b>	<b>95,105</b>	<b>15,028</b>	<b>(327)</b>	<b>4,990</b>	<b>(74,046)</b>	<b>67,838</b>
<b>Cash balances beginning of year</b>	<b>92,468</b>	<b>400,680</b>	<b>92,599</b>	<b>7,394</b>	<b>100,236</b>	<b>214,217</b>	<b>907,594</b>
<b>Cash balances end of year</b>	<b>\$ 119,556</b>	<b>495,785</b>	<b>107,627</b>	<b>7,067</b>	<b>105,226</b>	<b>140,171</b>	<b>975,432</b>
<b>Cash Basis Fund Balances</b>							
Nonspendable - Cemetery perpetual care						60,043	60,043
Restricted for:							
Debt service				7,067			7,067
Other purposes		495,785				8,210	503,995
Assigned			107,627		105,226	130,965	343,818
Unassigned	119,556					(59,047)	60,509
<b>Total cash basis fund balances</b>	<b>\$ 119,556</b>	<b>495,785</b>	<b>107,627</b>	<b>7,067</b>	<b>105,226</b>	<b>140,171</b>	<b>975,432</b>

See notes to financial statements.

## City of Belmont

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

As of and for the year ended June 30, 2011

	Water	Sewer	Nonmajor	Total
Operating receipts:				
Charges for services	\$ 581,179	437,102	106,420	1,124,701
Miscellaneous		930	3,279	4,209
Total operating receipts	581,179	438,032	109,699	1,128,910
Operating disbursements:				
Business type activities	243,818	203,884	66,739	514,441
Total operating disbursements	243,818	203,884	66,739	514,441
Excess of operating receipts over operating disbursements	337,361	234,148	42,960	614,469
Non-operating receipts (disbursements):				
Intergovernmental	1,785,000	2,027	207,257	1,994,284
Use of money and property	357	72	6,229	6,658
Bond proceeds	3,382,202			3,382,202
Capital projects	(5,161,801)	(1,140)	(213,037)	(5,375,978)
Total non-operating receipts (disbursements)	5,758	959	449	7,166
Excess of receipts over disbursements	343,119	235,107	43,409	621,635
Operating transfers out	(47,698)	(146,315)		(194,013)
Net change in cash balances	295,421	88,792	43,409	427,622
Cash balances beginning of year	(13,192)	43,744	126,716	157,268
Cash balances end of year	\$ 282,229	132,536	170,125	584,890
<b>Cash Basis Fund Balances</b>				
Restricted for debt service			6,466	6,466
Unrestricted	\$ 282,229	132,536	163,659	578,424
Total cash basis fund balances	\$ 282,229	132,536	170,125	584,890

See notes to financial statements.

# CITY OF BELMOND

## Notes to Financial Statements

June 30, 2011

### **(1) Summary of Significant Accounting Policies**

The City of Belmond is a political subdivision of the State of Iowa located in Wright County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a 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 of Belmond also provides water and sewer utilities for its citizens.

#### **A. Reporting Entity**

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

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

#### **Excluded Component Units**

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

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

The Foundation and Friends have a November fiscal year end. The Foundation and Friends do not prepare financial statements; therefore, audited financial statements are not available. Management has elected to exclude the cash transactions of the Foundation and Friends from City financial statements. Unaudited financial information from the Foundation and Friends' fiscal year end 2010 tax return includes total receipts of \$16,340, cash disbursements of \$18,442, a beginning balance of \$110,494 and

# CITY OF BELMOND

## Notes to Financial Statements

June 30, 2011

an ending balance of \$108,728. Therefore, to avoid material misstatements of governmental activities and aggregate nonmajor fund information of the City, the Foundation and Friends should be included as a discrete component unit in the City's financial statements.

### 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 members of the following boards and commissions: Wright County Assessor's Conference Board, Wright County Communications Commission, Wright County Area Landfill Authority, MIDAS Council of Government and the Mid-Iowa Regional Housing Association.

### 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.

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

*Nonexpendable restricted net assets* are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

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

*Unrestricted net assets* consist of net assets that do not meet the definition of the preceding categories. 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.

# CITY OF BELMOND

## Notes to Financial Statements

June 30, 2011

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 not paid from other funds.

Special Revenue:

The Local Option Fund is used to account for local option tax receipts and disbursements.

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

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

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

The City reports the following major proprietary funds:

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

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

### C. Measurement Focus and Basis of Accounting

The City of Belmont maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the 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 balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

# CITY OF BELMOND

## Notes to Financial Statements

June 30, 2011

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.

## (2) **Cash and 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 no investments.

## (3) **Bonds and Notes Payable**

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

CITY OF BELMOND

Notes to Financial Statements

June 30, 2011

Year Ending June 30,	General Obligation Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Bond		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 291,000	90,468	27,951	7,049	272,000	206,327	590,951	303,844
2013	190,000	81,267	29,366	5,634	281,000	216,720	500,366	303,621
2014	200,000	73,750	30,853	4,147	290,000	208,290	520,853	286,187
2015	202,000	65,790	32,414	2,586	299,000	199,590	533,414	267,966
2016	205,000	57,575	22,154	945	309,000	190,620	536,154	249,140
2017-2021	849,000	159,728			1,703,000	807,840	2,552,000	967,568
2022-2026	404,000	35,281			1,998,000	535,290	2,402,000	570,571
2027-2031					2,344,000	215,460	2,344,000	215,460
						2,580,137	9,979,738	
	<u>\$ 2,341,000</u>	<u>563,859</u>	<u>142,738</u>	<u>20,361</u>	<u>7,496,000</u>	<u>7</u>	<u>8</u>	<u>3,164,357</u>

Urban Renewal Tax Increment Financing Revenue Bonds

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$163,099 payable through June, 2016. For the current year, interest paid and total T.I.F. receipts were \$8,307 and \$47,089, respectively.

Revenue Notes

The City has pledged future water customer receipts, net of specific operating disbursements to repay \$7,496,000 of water revenue notes issued in September 2010. During fiscal year 2011, the City drew down \$3,457,162 of the Water Revenue Capital Loan Notes with the remaining \$4,038,838 to be drawn over the course of the City's water treatment facility project. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2031. For the current year, interest was \$45,698.

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

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

The City has not made sufficient transfers as required by the water revenue note resolution.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2011

**(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 \$45,737, \$44,779, and \$41,030 respectively, equal to the required contribution for the year.

**(5) Other Postemployment Benefits (OPEB)**

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

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

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$375 for single coverage and \$938 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$105,061.

**(6) Compensated Absences**

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

<u>Type of Benefit</u>	<u>Amount June 30, 2011</u>
Vacation	\$ <u>24,739</u>

This liability has been computed based on rates of pay as of June 30, 2011.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2011

**(7) Interfund Transfers**

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

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$146,468
	Housing	4,267
	Enterprise	
	Water	2,000
	Sewer	<u>2,000</u>
		<u>154,735</u>
Special Revenue:	Special Revenue:	
T.I.F. Sinking	Tax Increment Financing	<u>40,000</u>
RUT	Special Revenue:	
	Employee Benefits	<u>23,700</u>
Equipment Replacement	Special Revenue:	
	Emergency	<u>15,802</u>
Capital Project	General	<u>5,368</u>
Debt Service	Special Revenue:	
	Local Option	90,176
	Enterprise:	
	Water	45,698
	Sewer	<u>144,315</u>
		<u>280,189</u>
Total		\$ <u>519,794</u>

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

**(8) Related Party Transactions**

The City had business transactions between the City and City officials totaling \$1,577 during the year ended June 30, 2011.

**(9) Local Government Risk Pool**

The City of Belmont is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 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.

# CITY OF BELMOND

## Notes to Financial Statements

June 30, 2011

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, claim 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 150 percent of the total of the current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2011 were \$50,929.

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. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total member's 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, 2011, 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 casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2011

The City of Belmond also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation and airport liability. The City assumes liability for any deductibles and claims in excess of coverage limitations. There have not been any claims from this risk in any of the past three fiscal years.

**(10) Wright County Area Landfill Authority**

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

The City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2011, the City of Belmond paid the Authority \$64,000 for its share of the costs. Financial statements for the Authority can be obtained from the Wright County Area Landfill Authority.

**(11) Health Care Facility Revenue Bond**

During 1997, the City issued a \$287,722 health care facility bond under the provisions of Chapter 419 of the Code of Iowa, of which \$127,815 was outstanding at June 30, 2011. The bond and related interest are payable from the rents paid by tenants of the borrower's facilities. The bond principal and interest do not constitute liabilities of the City.

**(12) Commitments**

The City has entered into construction contracts totaling \$7,864,128 for the water treatment facility. As of June 30, 2011 \$4,227,793 had been paid on the contract leaving a balance of \$3,636,335.

**(13) Belmond Medical Center**

On August 18, 2010, the Medical Center closed on Series 2010A Taxable Revenue Bonds, in the sum of not to exceed \$21,600,000. During fiscal year 2011, the Medical Center drew down \$9,681,000 of the Taxable Revenue Bonds, with the remaining \$11,919,000 to be drawn over the course of the Medical Center's addition/renovation project, up through August 18, 2012. Interest only payments at 4.00% are payable annually on August 18, starting on August 18, 2011. Principal payments are payable annually on August 18, starting on August 18, 2013, through August 18, 2050. The bonds are collateralized by a pledge of the Medical Center's net revenues.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2011

On August 18, 2010, the Medical Center closed on Series 2010B/C Revenue Bonds, in the sum of not to exceed \$2,400,000, comprised of Series 2010B (not to exceed \$2,160,000) and 2010C (not to exceed \$240,000). During fiscal year 2011, the Medical center drew down \$50,000 of the Revenue Bonds, with the remaining \$2,350,000 to be drawn down over the course of the Medical Center's addition/renovation project, up through August 1, 2012. Interest only payments at 4.75% are payable monthly on the unpaid outstanding principal balance. Principal payments are payable monthly starting on August 1, 2012. The bonds are collateralized by a pledge of the Medical Center's net revenues.

**(14) Deficit Fund Balance**

The Capital Projects-Pool Fund had a deficit balance of \$31,889 at June 30, 2011. The deficit balance was a result of costs incurred prior to availability of funds. The Road Use Tax Fund had a deficit balance of \$27,158 at June 30, 2011. The deficit balance was a result of costs incurred due to purchase of equipment and will be eliminated with transfers.

**(15) Subsequent Events**

The City was awarded a hazard mitigation grant of approximately \$1,150,000 for the storm sewer project currently in planning stages.

REQUIRED SUPPLEMENTARY INFORMATION

City of Belmont

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	Proprietary Funds	Total	Budgeted Amounts		Final to Total Variance		
				Actual	Actual		Original	Final
Receipts:								
Property tax	\$ 912,289		912,289	900,032	900,032	12,257		
Tax increment financing collections	47,089		47,089	44,000	45,450	1,639		
Other city tax	219,053		219,053	220,593	220,593	(1,540)		
Licenses and permits	6,482		6,482	6,775	7,114	(632)		
Use of money and property	4,396	6,658	11,054	15,260	11,585	(531)		
Intergovernmental	320,605	1,994,284	2,314,889	278,150	2,334,974	(20,085)		
Charges for services	45,551	1,124,701	1,170,252	801,515	897,570	272,682		
Miscellaneous	92,148	4,209	96,357	414,311	98,712	(2,355)		
Total receipts	1,647,613	3,129,852	4,777,465	2,680,636	4,516,030	261,435		
Disbursements:								
Public safety	385,194		385,194	382,566	385,918	724		
Public works	360,605		360,605	249,278	359,221	(1,384)		
Health and social services	1,639		1,639	5,785	5,785	4,146		
Culture and recreation	245,914		245,914	241,575	253,388	7,474		
Community and economic development	47,135		47,135	82,133	127,990	80,855		
General government	190,683		190,683	203,992	201,056	10,373		
Debt service	536,779		536,779	511,082	575,263	38,484		
Capital projects	14,365		14,365	280,000	40,372	26,007		
Business type activities		5,890,419	5,890,419	5,373,258	6,050,229	159,810		
Total disbursements	1,782,314	5,890,419	7,672,733	7,329,669	7,999,222	326,489		
Excess (deficiency) of receipts over (under) disbursements	(134,701)	(2,760,567)	(2,895,268)	(4,649,033)	(3,483,192)	587,924		
Other financing sources, net	202,539	3,188,189	3,390,728	20,000	3,420,000	(29,272)		
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	67,838	427,622	495,460	(4,629,033)	(63,192)	558,652		
Balances beginning of year	907,594	157,268	1,064,862	5,837,512	1,064,858	4		
Cash balances end of year	\$ 975,432	584,890	1,560,322	1,208,479	1,001,666	558,656		

See accompanying independent auditor's report.

City of Belmond

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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, the Permanent Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$669,553. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public works function.

OTHER SUPPLEMENTARY INFORMATION

## City of Belmont

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

As of and for the year ended June 30, 2011

	Special Revenue								
	Road Use Tax	Equipment Replacement	Employee Benefits	Emergency	Urban Renewal Tax Increment	Community Room	Housing Assistance	Library Improvement	T.I.F Sinking Fund
Receipts:									
Property tax			165,250	15,612					
Tax increment financing collections					47,089				
Other city tax			3,104	293					
Use of money and property		62		6	5	598		2	21
Intergovernmental	\$ 241,687						31,823		
Miscellaneous			9,387						
Total receipts	241,687	62	177,741	15,911	47,094	598	31,823	2	21
Disbursements:									
Operating:									
Public safety									
Public works	346,447								
Culture and recreation								10,501	
Community and economic development					4,098	120	32,820		
Debt service									40,000
Capital projects									
Total disbursements	346,447				4,098	120	32,820	10,501	40,000
Excess (deficiency) of receipts over (under) disbursements	(104,760)	62	177,741	15,911	42,996	478	(997)	(10,499)	(39,979)
Other financing sources (uses):									
Operating transfers in	23,700	15,802						5,368	40,000
Operating transfers out			(170,168)	(15,802)	(40,000)		(4,267)		
Total other financing sources (uses):	23,700	15,802	(170,168)	(15,802)	(40,000)		(4,267)	5,368	40,000
Net change in cash balances	(81,060)	15,864	7,573	109	2,996	478	(5,264)	(5,131)	21
Cash balances beginning of year	53,902	30,705	2,588	136	1,832	4,272	11,302	5,131	86
Cash balances end of year	\$ (27,158)	46,569	10,161	245	4,828	4,750	6,038		107
<b>Cash Basis Fund Balances</b>									
Nonspendable - cemetery perpetual care									
Restricted for other purposes			1,315		4,828				107
Assigned		46,569	8,846	245		4,750	6,038		
Unassigned	\$ (27,158)								
Total cash basis fund balances	\$ (27,158)	46,569	10,161	245	4,828	4,750	6,038		107

City of Belmont

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

As of and for the year ended June 30, 2011

	Special Revenue				Capital Projects			Permanent	Total
	Memorial Park Fund	Veterans Memorial Fund	Restitution Fund	Christmas Decoration Fund	Pool	Streets	Traffic Lights	Cemetery Perpetual Care	
<b>Receipts:</b>									
Property tax									180,862
Tax increment financing collections									47,089
Other city tax									3,397
Use of money and property	14	9	5	105		32	26		885
Intergovernmental									273,510
Miscellaneous	2,111		522		1,068			1,013	14,101
<b>Total receipts</b>	<b>2,125</b>	<b>9</b>	<b>527</b>	<b>105</b>	<b>1,068</b>	<b>32</b>	<b>26</b>	<b>1,013</b>	<b>519,844</b>
<b>Disbursements:</b>									
<b>Operating:</b>									
Public safety			79						79
Public works									346,447
Culture and recreation	54			244					10,799
Community and economic development									37,038
Debt service									40,000
Capital projects						14,160			14,160
<b>Total disbursements</b>	<b>54</b>		<b>79</b>	<b>244</b>		<b>14,160</b>			<b>448,523</b>
Excess (deficiency) of receipts over (under) disbursements	2,071	9	448	(139)	1,068	(14,128)	26	1,013	71,321
<b>Other financing sources (uses):</b>									
Operating transfers in									84,870
Operating transfers out									(230,237)
<b>Total other financing sources (uses):</b>									<b>(145,367)</b>
<b>Net change in cash balances</b>	<b>2,071</b>	<b>9</b>	<b>448</b>	<b>(139)</b>	<b>1,068</b>	<b>(14,128)</b>	<b>26</b>	<b>1,013</b>	<b>(74,046)</b>
Cash balances beginning of year	3,571	2,921	1,512	36,177	(32,957)	25,225	8,784	59,030	214,217
Cash balances end of year	5,642	2,930	1,960	36,038	(31,889)	11,097	8,810	60,043	140,171
<b>Cash Basis Fund Balances</b>									
Nonspendable - cemetery perpetual care								60,043	60,043
Restricted for other purposes			1,960						8,210
Assigned	5,642	2,930		36,038		11,097	8,810		130,965
Unassigned					(31,889)				(59,047)
<b>Total cash basis fund balances</b>	<b>5,642</b>	<b>2,930</b>	<b>1,960</b>	<b>36,038</b>	<b>(31,889)</b>	<b>11,097</b>	<b>8,810</b>	<b>60,043</b>	<b>140,171</b>

See accompanying independent auditor's report.

## City of Belmont

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

As of and for the year ended June 30, 2011

	Landfill	Customer Deposits	Storm Sewer	Water Sinking Fund	Total
Operating receipts:					
Charges for services	\$ 60,236		46,184		106,420
Miscellaneous		3,279			3,279
Total operating receipts	60,236	3,279	46,184		109,699
Operating disbursements:					
Business type activities	66,205	99	435		66,739
Total operating disbursements	66,205	99	435		66,739
Excess (deficiency) of receipts over (under) disbursements	(5,969)	3,180	45,749		42,960
Non-operating receipts (disbursements):					
Intergovernmental			207,257		207,257
Use of money and property	127		36	6,066	6,229
Capital projects			(213,037)		(213,037)
Total other financing sources (uses):	127		(5,744)	6,066	449
Net change in cash balances	(5,842)	3,180	40,005	6,066	43,409
Cash balances beginning of year	59,257	33,671	33,388	400	126,716
Cash balances end of year	\$ 53,415	36,851	73,393	6,466	170,125
<b>Cash basis fund balances</b>					
Restricted for debt services				6,466	6,466
Unrestricted	\$ 53,415	36,851	73,393		163,659
Total cash basis fund balances	\$ 53,415	36,851	73,393	6,466	170,125

See accompanying independent auditor's report.

## City of Belmont

## Schedule of Indebtedness

Year ended June 30, 2011

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation notes:								
Fire station	4-15-02	4.50%	400,000	\$ 60,000		60,000		2,700
Street improvement	3-20-03	3.35 - 4.55	1,800,000	1,195,000		120,000	1,075,000	46,193
Refunding Capital Loan Bonds	12-1-05	4.15 - 5.50	850,000	270,000		135,000	135,000	9,315
Street improvement	3-27-07	3.75 - 4.30	1,115,000	1,110,000		5,000	1,105,000	45,398
Pool improvement	8-1-07	3.75 - 3.80	130,000	52,000		26,000	26,000	1,475
Total				2,687,000		346,000	2,341,000	105,081
Urban Renewal Tax Increment								
Financing (TIF) Revenue Bonds:								
Dumond Estates	2-18-98	5.00%	400,000	174,431		31,693	142,738	8,307
Total				174,431		31,693	142,738	8,307
Revenue notes:								
Water	9-15-10	3.00%	7,496,000 (A)		3,457,162		3,457,162	45,698
Total				\$ 2,861,431	3,457,162	377,693	5,940,900	159,086

(A) On September 15, 2010, the City closed on Water Revenue Capital Loan Notes, Series 2010, in the sum of not to exceed \$7,496,000. During fiscal year 2011, the City drew down \$3,457,162 of the Water Revenue Capital Loan Notes with the remaining \$4,038,838 to be drawn over the course of the City's water treatment facility project.

See accompanying independent auditor's report.

Bond and Note Maturities  
June 30, 2011

General Obligation Bonds and Notes

Year Ending June 30,	Street Improvement Issued March 20, 2003		Refunding Capital Loan Issued December 1, 2005		Street Improvement Issued March 27, 2007		Pool Improvement Issued August 1, 2007		Total
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2012	3.55%	\$ 125,000	4.15%	135,000	3.80%	5,000	3.80%	26,000	291,000
2013	3.75	130,000			3.85	60,000			190,000
2014	3.95	130,000			3.88	70,000			200,000
2015	4.05	130,000			3.90	72,000			202,000
2016	4.15	130,000			3.95	75,000			205,000
2017	4.30	140,000			4.00	78,000			218,000
2018	4.45	140,000			4.05	80,000			220,000
2019	4.55	150,000			4.10	84,000			234,000
2020					4.15	87,000			87,000
2021					4.20	90,000			90,000
2022					4.20	95,000			95,000
2023					4.20	99,000			99,000
2024					4.25	103,000			103,000
2025					4.30	107,000			107,000
Total		<u>\$ 1,075,000</u>		<u>135,000</u>		<u>1,105,000</u>		<u>26,000</u>	<u>2,341,000</u>

Year Ending June 30,	Urban Renewal Tax Increment (TIF) Revenue Bond Dumond Estates Issued February 18, 1998		Revenue Notes Water Issued September 15, 2010	
	Interest Rates	Amount	Interest Rates	Amount
2012	5.00%	\$ 27,951	3.00%	272,000
2013	5.00	29,366	3.00	281,000
2014	5.00	30,853	3.00	290,000
2015	5.00	32,414	3.00	299,000
2016	5.00	22,154	3.00	309,000
2017			3.00	319,000
2018			3.00	330,000
2019			3.00	340,000
2020			3.00	351,000
2021			3.00	363,000
2022			3.00	374,000
2023			3.00	387,000
2024			3.00	399,000
2025			3.00	412,000
2026			3.00	426,000
2027			3.00	439,000
2028			3.00	454,000
2029			3.00	468,000
2030			3.00	484,000
2031			3.00	499,000
Total		<u>\$ 142,738</u>		<u>7,496,000</u>

See accompanying independent auditor's report.

## City of Belmont

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

For the Last Ten Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Receipts:										
Property tax	\$ 912,289	869,542	846,658	816,941	807,969	799,193	803,228	803,321	796,224	855,132
Tax increment financing	47,089	40,618	39,152	31,553	32,141	28,059	27,919	22,691	15,546	15,016
Other city tax	219,053	250,904	251,879	252,173	250,913	207,637	255,355	219,182	205,314	151,030
Licenses and permits	6,482	6,172	6,758	7,074	5,199	6,178	5,070	4,898	4,528	5,997
Use of money and property	4,396	9,727	20,427	58,926	37,314	22,272	16,687	27,916	20,212	26,920
Intergovernmental	320,605	355,559	376,792	324,731	369,554	247,258	246,822	253,600	306,244	313,782
Charges for service	45,551	53,498	39,382	42,258	45,179	37,609	43,958	34,395	35,427	33,612
Special assessments		28		32	18		18	1,992	465	965
Miscellaneous	92,148	73,185	98,711	262,168	203,188	213,431	142,723	200,382	818,850	174,742
Total	\$ 1,647,613	1,659,233	1,679,759	1,795,856	1,751,475	1,561,637	1,541,780	1,568,377	2,202,810	1,577,196
Disbursements:										
Operating:										
Public safety	\$ 385,194	411,557	420,551	394,758	403,876	374,039	329,833	327,588	354,663	308,419
Public works	360,605	245,066	221,402	257,042	234,675	267,905	193,829	170,322	199,377	211,692
Health and social services	1,639	11,865	8,850	6,125	13,265	625	12,125	6,050	6,000	6,000
Culture and recreation	245,914	288,722	300,586	258,554	337,101	321,933	252,874	220,778	271,263	246,023
Community and economic development	47,135	65,618	109,905	98,908	137,154	30,618	41,922	25,854	12,124	35,124
General government	190,683	220,688	230,632	204,863	185,489	164,758	175,801	161,260	158,339	152,053
Debt service	536,779	485,697	494,270	484,029	393,643	1,294,286	476,996	488,721	469,445	544,036
Capital projects	14,365	460,836	80,617	1,147,992	125,164	33,284	1,024,701	1,086,378	161,687	205,027
Nonprogram								9,054	7,772	3,000
Total	\$ 1,782,314	2,190,049	1,866,813	2,852,271	1,830,367	2,487,448	2,508,081	2,496,005	1,640,670	1,711,374

See accompanying independent auditor's report.

## City of Belmont

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	05-HSG-043	\$ <u>31,823</u>
Environmental Protection Agency:			
State Revolving Fund:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99-10-DWSRF	<u>1,988,546</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management:			
(Presidentially Declared Disasters) Disaster Grants-Public Assistance	97.036	197-05680-00	<u>23,159</u>
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management:			
Division Hazard Mitigation Grant	97.039	HMGP-DR-1763-0103-01	<u>37,436</u>
Total			<u>\$2,080,964</u>

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

See accompanying independent auditor's report.

Independent Auditor's 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 Belmond, 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 November 3, 2011. Our report expressed a qualified opinion 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 Belmond's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Belmond's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Belmond's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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 City of Belmond's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Belmont'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 or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 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.

The City of Belmont's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Belmont's responses and, accordingly, we express no opinion of 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 Belmont and other parties to whom the City of Belmont may report, including federal awarding agencies and pass-through entities, and 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 Belmont 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.

November 3, 2011

Renner & Birchem, P.C.

Independent Auditor's Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each  
Major Program and on Internal Control over Compliance  
in Accordance with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

Compliance

We have audited City of Belmond, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on City of Belmond's major federal program for the year ended June 30, 2011. City of Belmond's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of City of Belmond's management. Our responsibility is to express an opinion on City of Belmond's compliance based on our audit.

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

In our opinion City of Belmond complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011.

Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

The City of Belmont's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Belmont'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 Belmont and other parties to whom the City of Belmont may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

November 3, 2011

Renner & Birchem, P.C.

City of Belmont

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Qualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 66.468 – Capitalization Grants for Drinking Water State Revolving Funds.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Belmont did not qualify as a low-risk auditee.

City of Belmont

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part II: Findings Related to the Financial Statements:

**Internal Control Deficiencies:**

II-A-11 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The areas of cash receipts and the disbursements, investments, and payroll under ideal conditions would be segregated.

Recommendation - We realize that with a limited number of 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 investigate this and continue to implement procedures where possible.

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

II-B-11 Preparation of Financial Statements – The City does not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for the governmental entity similar in population to the City of Belmont. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, can be considered costly and ineffective. However, the City’s management and those charged with governance should decide whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – The City will continue to review and monitor procedures currently in place and evaluate the risks to be accepted in preparation of the financial statements.

Conclusion - Response accepted.

II-C-11 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits.

Response – We will contact our technical support and implement the procedures as recommended.

Conclusion – Response accepted.

**Instances of Non-Compliance:**

No matters were noted.

City of Belmont

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part III: Findings For Federal Awards:

**Instances of Non-Compliance**

No matters were noted.

**Internal Control Deficiencies:**

CFDA Number 66.468: Capitalization Grants for Drinking Water  
Federal Award Year: 2011  
Environmental Protection Agency

III-A-11 Segregation of Duties See Item II-A-11

City of Belmont

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting:

IV-A-11 Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the public works 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.

IV-B-11 Questionable Disbursements – 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 were noted. The disbursement is detailed as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Visa Credit Card	Motel movie rental	\$ 16

According to the opinion, it is possible for such a disbursement 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 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.

IV-C-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Belmond

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting: (con't)

IV-D-11 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Harlan Tulp, Council Member Owner H & K Plumbing	Repairs	\$ 1,162
Sidney Swenson, Council Member Owner Sid Swenson Signs	Sign	415

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the council members do not appear to represent conflicts of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

IV-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 ensure the coverage is adequate for current operations.

IV-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-11 Deposits and Investments - 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 were noted.

IV-H-11 Revenue Notes – The revenue note provisions require transfers to be made to the sinking fund. Required transfers have not been made.

Recommendation – The City should make the required transfers.

Response – We will make required transfers when possible.

Conclusion – Response accepted.

IV-I-11 Electronic Checks – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City did not obtain an image of the back of each cancelled check as required.

Recommendation – The City should obtain and retain check images as required.

Response – The bank will be notified that both sides of the checks will also be required on the bank statement for the City's accounts.

Conclusion – Response accepted.

City of Belmont

Schedule of Findings and Questioned Costs

Year Ended June 30, 2011

Part IV: Other Findings Related to Statutory Reporting: (con't)

IV-J-11 Financial Condition – The Capital Projects – Pool Fund and Road Use Tax Fund had deficit balances at June 30, 2011 of \$31,889 and \$27,158, respectively.

Recommendation – The City should investigate alternatives to eliminate the deficit in order to return this fund to a sound financial position.

Response – The deficit was due to costs incurred prior to receipt of funds.

Conclusion – Response accepted.

IV-K-11 T.I.F. Urban Renewal Notes – The note provisions require transfers to be made to the sinking fund. Required transfers have not been made.

Recommendation – The City should make the required transfers.

Response – We will make required transfers when possible.

Conclusion – Response accepted.