

CITY OF ST. ANSGAR, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

- Prepared By -

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CITY OF ST. ANSGAR, IOWA

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CITY OF ST. ANSGAR, IOWA

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Marvin Kofoot	Mayor	Deceased
David Tollefson	Mayor (Appointed)	January 2012
Steven Beland Jr.	Mayor Pro Tem	January 2012
Gerald Beaver	Council Member	January 2012
Jason Squier	Council Member (Appointed)	January 2012
Joe Beyer	Council Member	January 2014
Paul Groth	Council Member	January 2014
Diane Collier	Clerk/Treasurer	Indefinite
Patrick Rourick	Attorney	Indefinite



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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

I 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 St. Ansgar, 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 St. Ansgar's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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. I believe my audit provides a reasonable basis for my opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution of the total fund balance at July 1, 2010.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been able to verify the distribution by fund of the total fund balance at July 1, 2010, as discussed in the preceding paragraph, 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 St. Ansgar 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.

In accordance with Government Auditing Standards, I have also issued my report dated November 29, 2011 on my consideration of the City of St. Ansgar's internal control over financial reporting and my 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 my 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 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 my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 8 and 26 through 28 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of St. Ansgar's basic financial statements. Other supplementary information included in Schedules 1 through 4, 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 my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



November 29, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of St. Ansgar 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. I encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

The cash basis net assets of the City's governmental activities increased approximately \$177,000 to \$879,451 at June 30, 2011. The cash basis net assets of the City's business type activities increased approximately \$20,000 to \$458,594 at June 30, 2011.

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. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

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, readers 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 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, 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 as well as the Acorn Park Golf Course. 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 Tax Increment Financing, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial 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 three Enterprise Funds to provide separate information for the Water, Sewer and Acorn Park Golf 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, increasing from \$702,360 to \$879,451. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended <u>June 30, 2011</u>
Receipts:	
Program receipts:	
Charges for service	\$ 120
Operating grants, contributions and restricted interest	157
Capital grants, contributions and restricted interest	690
General receipts:	
Property tax	572
Local option sales tax	84
Unrestricted interest on investments	2
Bond proceeds, net	589
Other general receipts	60
Total receipts	<u>\$2,274</u>
 Disbursements:	
Public safety	\$ 327
Public works	241
Culture and recreation	246
Community and economic development	720
General government	73
Debt service	122
Capital projects	432
Total disbursements	<u>\$2,161</u>
 Change in cash basis net assets before transfers	\$ 113
Transfers, net	<u>64</u>
 Change in cash basis net assets	\$ 177
Cash basis net assets beginning of year	<u>702</u>
 Cash basis net assets end of year	<u><u>\$ 879</u></u>

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	Year ended June 30, 2011
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 245
Sewer rental	277
Acorn park golf	155
Operating grants, contributions and restricted interest	12
General receipts:	
Unrestricted interest on investments	1
Other general receipts	33
Total receipts	<u>\$ 723</u>
Disbursements:	
Water	\$ 210
Sewer	223
Acorn park golf	206
Total disbursements	<u>\$ 639</u>
Change in cash basis net assets before transfers	\$ 84
Transfers, net	<u>(64)</u>
Change in cash basis net assets	\$ 20
Cash basis net assets beginning of year	<u>439</u>
Cash basis net assets end of year	<u>\$ 459</u>

The cash balance increased by approximately \$20,000 from the prior year, primarily due to grant proceeds.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of St. Ansgar completed the year, its governmental funds reported a combined fund balance of \$879,451, an increase of \$177,091 over last year's total of \$702,360. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

The General Fund cash balance decreased \$116,954 from the prior year to \$296,769.

The Special Revenue, CDBG Fund cash balance decreased by \$13,029 to \$(6,661) during the fiscal year due to project costs incurred prior to receiving funding.

The Capital Projects, Capital Project Fund cash balance increased by \$11,764 to zero due to completion of the drainage project.

The Capital Projects, General Obligation Fund cash balance increased by \$248,535 due to bond proceeds received in excess of current year disbursements.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance increased \$33,279 from the prior year to \$249,339, due primarily to receipts greater than disbursements.

The Enterprise, Sewer Fund cash balance increased by \$7,679 to \$172,419, due primarily to operating receipts greater than disbursements.

The Enterprise, Acorn Park Golf Fund cash balance decreased by \$21,082 to \$36,836, due to operating disbursements greater than receipts.

BUDGETARY HIGHLIGHTS

Over the course of the year the City amended its budget one time. The amendment was approved on May 9, 2011 and resulted in an increase in operating disbursements of \$885,370 due mainly to equipment purchases and capital project expenses. The City received federal and state grant monies to cover these expenses and also issued general obligation bonds.

The City exceeded the amounts budgeted in the public safety function prior to amendment.

DEBT ADMINISTRATION

At June 30, 2011, the City had \$1,468,070 in bonds and other long-term debt outstanding, compared to \$1,011,929 last year, as shown below:

Outstanding Debt at Year-End	
(Expressed in Thousands)	
	June 30,
	<u>2011</u>
General obligation bonds and notes	\$1,101
Urban renewal tax increment financing revenue bonds	130
Revenue bonds	123
Bank loans	14
Tax increment rebate	<u>100</u>
Total	<u>\$1,468</u>

The City incurred new debt during fiscal year 2011 of \$700,000. Principal and interest payments were made as scheduled. 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 \$1,114,625 and tax increment financing debt of \$230,445 is significantly below its constitutional debt limit of \$3,141,481.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of St. Ansgar's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees charged for various City activities. One of those factors is the economy.

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 Diane Collier, City Clerk, 111 South Mitchell Street, St. Ansgar, Iowa 50472.

CITY OF ST. ANSGAR, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>Disbursements</u>	<u>Program Receipts</u>		
		<u>Charges for Service</u>	<u>Operating Grants, Contributions and Restricted Interest</u>	<u>Capital Grants, Contributions and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety	\$ 327,339	\$ 367	\$ 20,120	\$ 100,000
Public works	240,454	52,827	101,329	6,621
Culture and recreation	246,389	63,896	35,460	1,500
Community and economic development	720,179	-	-	206,684
General government	72,566	3,227	-	-
Debt service	121,868	-	-	-
Capital projects	<u>431,557</u>	<u>-</u>	<u>-</u>	<u>375,000</u>
Total governmental activities	<u>\$2,160,352</u>	<u>\$ 120,317</u>	<u>\$ 156,909</u>	<u>\$ 689,805</u>
Business type activities:				
Water	\$ 209,593	\$ 244,888	\$ 11,925	\$ -
Sewer	223,478	277,466	-	-
Acorn park golf	<u>205,935</u>	<u>154,386</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 639,006</u>	<u>\$ 676,740</u>	<u>\$ 11,925</u>	<u>\$ -</u>
Total	<u>\$2,799,358</u>	<u>\$ 797,057</u>	<u>\$ 168,834</u>	<u>\$ 689,805</u>

(Continued)

Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (206,852)	\$ -	\$ (206,852)
(79,677)	-	(79,677)
(145,533)	-	(145,533)
(513,495)	-	(513,495)
(69,339)	-	(69,339)
(121,868)	-	(121,868)
<u>(56,557)</u>	<u>-</u>	<u>(56,557)</u>
<u>\$ (1,193,321)</u>	<u>\$ -</u>	<u>\$ (1,193,321)</u>
\$ -	\$ 47,220	\$ 47,220
-	53,988	53,988
<u>-</u>	<u>(51,549)</u>	<u>(51,549)</u>
<u>\$ -</u>	<u>\$ 49,659</u>	<u>\$ 49,659</u>
<u>\$ (1,193,321)</u>	<u>\$ 49,659</u>	<u>\$ (1,143,662)</u>

CITY OF ST. ANSGAR, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

General Receipts and Transfers:

- Property and other city tax levied for:
 - General purposes
 - Debt service
 - Tax increment financing
 - Local option sales tax
 - Unrestricted interest on investments
 - Bond proceeds, net
 - Miscellaneous
 - Sale of assets
 - Transfers

Total general receipts and transfers

Change in cash basis net assets

Cash basis net assets beginning of year

Cash basis net assets end of year

Cash Basis Net Assets

- Restricted:
 - Nonexpendable:
 - Cemetery perpetual care
 - Expendable:
 - Streets
 - Urban renewal purposes
 - Debt service
 - Other purposes
- Assigned for various
- Unrestricted

Total cash basis net assets

See Notes to Financial Statements.

**Net (Disbursements) Receipts and
Changes in Cash Basis Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 364,315	\$ -	\$ 364,315
41,953	-	41,953
165,390	-	165,390
84,114	-	84,114
1,812	888	2,700
588,996	-	588,996
43,634	33,527	77,161
16,000	-	16,000
<u>64,198</u>	<u>(64,198)</u>	<u>-</u>
<u>\$ 1,370,412</u>	<u>\$ (29,783)</u>	<u>\$ 1,340,629</u>
\$ 177,091	\$ 19,876	\$ 196,967
<u>702,360</u>	<u>438,718</u>	<u>1,141,078</u>
<u>\$ 879,451</u>	<u>\$ 458,594</u>	<u>\$ 1,338,045</u>
\$ 54,979	\$ -	\$ 54,979
59,160	-	59,160
61,299	-	61,299
67,967	-	67,967
97,403	-	97,403
353,239	-	353,239
<u>185,404</u>	<u>458,594</u>	<u>643,998</u>
<u>\$ 879,451</u>	<u>\$ 458,594</u>	<u>\$ 1,338,045</u>

CITY OF ST. ANSGAR, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Special Revenue CDBG</u>	<u>Capital Projects</u>	<u>General Obligation</u>
RECEIPTS:				
Property tax	\$ 305,656	\$ -	\$ -	\$ -
Tax increment financing	-	-	-	-
Other city tax	-	-	-	-
Licenses and permits	3,077	-	-	-
Use of money and property	929	4	128	264
Intergovernmental	152,047	206,684	375,000	-
Charges for service	54,245	-	-	-
Miscellaneous	32,440	2,753	-	-
Total receipts	<u>\$ 548,394</u>	<u>\$ 209,441</u>	<u>\$ 375,128</u>	<u>\$ 264</u>
DISBURSEMENTS:				
Operating:				
Public safety	\$ 307,811	\$ -	\$ -	\$ -
Public works	132,489	-	-	-
Culture and recreation	100,533	-	-	-
Community and economic development	343,718	235,860	-	-
General government	64,449	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	431,557	-
Total disbursements	<u>\$ 949,000</u>	<u>\$ 235,860</u>	<u>\$ 431,557</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$(400,606)</u>	<u>\$ (26,419)</u>	<u>\$ (56,429)</u>	<u>\$ 264</u>
Other financing sources (uses):				
Bond proceeds	\$ -	\$ -	\$ -	\$ 600,000
Bond discount	-	-	-	(11,004)
Sale of capital assets	16,000	-	-	-
Operating transfers in	275,709	13,390	68,193	-
Operating transfers out	(8,057)	-	-	(340,725)
Total other financing sources (uses)	<u>\$ 283,652</u>	<u>\$ 13,390</u>	<u>\$ 68,193</u>	<u>\$ 248,271</u>
Net change in cash balances	\$ (116,954)	\$ (13,029)	\$ 11,764	\$ 248,535
Cash balances beginning of year	<u>413,723</u>	<u>6,368</u>	<u>(11,764)</u>	<u>-</u>
Cash balances end of year	<u>\$ 296,769</u>	<u>\$ (6,661)</u>	<u>\$ -</u>	<u>\$ 248,535</u>
Cash Basis Fund Balances:				
Nonspendable-cemetery perpetual care	\$ -	\$ -	\$ -	\$ -
Restricted for:				
Urban renewal purposes	-	-	-	-
Debt service	-	-	-	-
Streets	-	-	-	-
Other purposes	-	-	-	-
Assigned for various	104,704	-	-	248,535
Unassigned	<u>192,065</u>	<u>(6,661)</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 296,769</u>	<u>\$ (6,661)</u>	<u>\$ -</u>	<u>\$ 248,535</u>

See Notes to Financial Statements.

<u>Nonmajor</u>	<u>Total</u>
\$ 100,612	\$ 406,268
165,390	165,390
84,114	84,114
-	3,077
1,137	2,462
112,982	846,713
59,495	113,740
11,292	46,485
<u>\$ 535,022</u>	<u>\$ 1,668,249</u>
\$ 19,528	\$ 327,339
107,965	240,454
145,856	246,389
140,601	720,179
8,117	72,566
121,868	121,868
-	431,557
<u>\$ 543,935</u>	<u>\$ 2,160,352</u>
<u>\$ (8,913)</u>	<u>\$ (492,103)</u>
\$ -	\$ 600,000
-	(11,004)
-	16,000
107,435	464,727
<u>(51,747)</u>	<u>(400,529)</u>
<u>\$ 55,688</u>	<u>\$ 669,194</u>
\$ 46,775	\$ 177,091
<u>294,033</u>	<u>702,360</u>
<u>\$ 340,808</u>	<u>\$ 879,451</u>
\$ 54,979	\$ 54,979
61,299	61,299
67,967	67,967
59,160	59,160
97,403	97,403
-	353,239
<u>-</u>	<u>185,404</u>
<u>\$ 340,808</u>	<u>\$ 879,451</u>

CITY OF ST. ANSGAR, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND
CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Enterprise	
	Water	Sewer
Operating receipts:		
Charges for service	\$ 244,888	\$ 277,466
Miscellaneous	-	711
Total operating receipts	\$ 244,888	\$ 278,177
Operating disbursements:		
Business type activities	181,990	135,840
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 62,898	\$ 142,337
Non-operating receipts (disbursements):		
Intergovernmental	\$ 11,925	\$ -
Interest on investments	538	298
Miscellaneous	2,190	211
Debt service	-	(64,656)
Capital projects	(27,603)	(22,982)
Net non-operating receipts (disbursements)	\$ (12,950)	\$ (87,129)
Excess (deficiency) of receipts over (under) disbursements	\$ 49,948	\$ 55,208
Transfers out	(16,669)	(47,529)
Net change in cash balances	\$ 33,279	\$ 7,679
Cash balances beginning of year	216,060	164,740
Cash balances end of year	<u>\$ 249,339</u>	<u>\$ 172,419</u>
Cash Basis Fund Balances		
Unrestricted	<u>\$ 249,339</u>	<u>\$ 172,419</u>

See Notes to Financial Statements.

<u>Acorn Park</u>	
<u>Golf</u>	<u>Total</u>
\$ 154,386	\$ 676,740
21,383	22,094
<u>\$ 175,769</u>	<u>\$ 698,834</u>
<u>199,846</u>	<u>517,676</u>
<u>\$ (24,077)</u>	<u>\$ 181,158</u>
\$ -	\$ 11,925
52	888
9,032	11,433
(6,089)	(70,745)
-	(50,585)
<u>\$ 2,995</u>	<u>\$ (97,084)</u>
\$ (21,082)	\$ 84,074
<u>-</u>	<u>(64,198)</u>
\$ (21,082)	\$ 19,876
<u>57,918</u>	<u>438,718</u>
<u><u>\$ 36,836</u></u>	<u><u>\$ 458,594</u></u>
<u><u>\$ 36,836</u></u>	<u><u>\$ 458,594</u></u>

CITY OF ST. ANSGAR, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies

The City of St. Ansgar is a political subdivision of the State of Iowa located in Mitchell County. It was first incorporated in 1876 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 water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of St. Ansgar 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: Mitchell County Assessor's Conference Board, North Iowa Area Council of Governments, Mitchell County E-911 Board and St. Ansgar Rescue.

B. Basis of Presentation

Government-wide Financial Statement - 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 service.

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.

CITY OF ST. ANSGAR, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies - continued

Unrestricted net assets consist of net assets not meeting 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.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies 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 CDBG Fund is used to account for community development block grant receipts and disbursements.

Capital Projects:

The Capital Projects Fund accounts for the drainage project.

The General Obligation Fund is used to account for general obligation bond proceeds received and disbursed.

The City reports the following major proprietary funds:

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

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

The Enterprise, Acorn Park Golf Fund accounts for the operation and maintenance of the City's municipal golf course.

CITY OF ST. ANSGAR, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(1) Summary of Significant Accounting Policies - continued

C. Measurement Focus and 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.

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.

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 safety function prior to amendment.

CITY OF ST. ANSGAR, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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.

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) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds and Notes		Urban Renewal Tax Increment Financing Revenue Bonds		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 97,000	\$ 38,910	\$ 22,512	\$ 7,320	\$ 60,000	\$ 5,228	\$ 179,512	\$ 51,458
2013	97,000	36,300	23,902	5,930	63,000	2,678	183,902	44,908
2014	97,000	33,660	25,359	4,473	-	-	122,359	38,133
2015	70,000	30,695	26,902	2,930	-	-	96,902	33,625
2016	70,000	28,700	31,771	1,251	-	-	101,771	29,951
2017-2021	390,000	104,385	-	-	-	-	390,000	104,385
2022-2026	280,000	31,928	-	-	-	-	280,000	31,928
Total	<u>\$1,101,000</u>	<u>\$304,578</u>	<u>\$130,446</u>	<u>\$ 21,904</u>	<u>\$123,000</u>	<u>\$ 7,906</u>	<u>\$1,354,446</u>	<u>\$334,388</u>

The resolutions providing for the issuance of the general obligation bonds include the following provision:

At the option of the City, bonds due on the essential corporate purpose bond issues of April 15, 2008 and December 1, 2010, are subject to redemption and prepayment in any order of maturity beginning June 1, 2015 and June 1, 2019, respectively, and on any interest payment date thereafter, at a price of par plus accrued interest to call date, by giving proper notice.

CITY OF ST. ANSGAR, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(3) Bonds and Notes Payable - continued

Urban Renewal Tax Increment Financing Revenue Bonds

The urban renewal tax increment 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 TIF receipts generated by property values in the City's TIF district and credited to the Special Revenue, Tax Increment Financing Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing bonds shall be expended only for the 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 \$152,350, payable through June 2016. For the current year, principal and interest paid and total TIF receipts were \$28,453 and \$165,390, respectively.

Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$515,000 in sewer revenue bonds issued in April 2003. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2013. Annual principal and interest payments on the bonds are expected to require less than 40 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$130,906. For the current year, principal and interest paid and total customer net receipts were \$64,656 and \$142,337, respectively.

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

- a) The bonds will only be redeemed from the future earnings of the enterprise activities revenue and bond holders hold a lien on the future earnings of the funds.
- b) Sufficient monthly transfers shall be made to separate sewer revenue sinking account for the purpose of making the bond principal and interest payments when due.
- c) Additional monthly transfers shall be made to sewer revenue reserve accounts until the required balances are accumulated. The sewer revenue bond reserve account is restricted for the purpose of paying for unusual or extraordinary maintenance, repairs, renewals and replacements to the system and when necessary for the purpose of making payments of principal and interest.

CITY OF ST. ANSGAR, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(3) **Bonds and Notes Payable** - continued

Notes Payable

The City has also entered into the following loan agreement with the St. Ansgar State Bank, St. Ansgar, Iowa:

<u>Date of Loan</u>	<u>6-11-07</u>	<u>7-21-09</u>
Original amount	\$ 6,000	\$ 20,700
Interest rate	5%	5%
Payment dates	Semi-annually	Semi-annually
Payment amount	\$ 690	\$ 2,354
Maturity date	6-11-12	6-01-14
At June 30, 2011:		
Number of payments remaining	1	6
Outstanding balance	\$ 680	\$ 12,944

Tax Increment Financing Agreements

The City has entered into a development agreement with Grain Millers which includes the rebate of property taxes paid by Grain Millers into the agreement. Rebated property taxes will not exceed \$1,000,000 over 10 years. However, since amounts are unknown, they are not included in the schedule of maturities of debt. The City paid \$94,366 in rebates for the year ended 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 year ended June 30, 2011 was \$23,234, equal to the required contribution for the year.

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

The City does not participate in a single-employer health benefit plan.

CITY OF ST. ANSGAR, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(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 payable to employees at June 30, 2011, primarily relating to the General Fund, is \$12,222.

This liability has been computed based on rates of pay in effect at June 30, 2011.

(7) 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 during the past year.

(8) Economic Development

On March 7, 2007, the City loaned \$4,000 to Fourth Street Coffee Company. The loan proceeds were used to start up and operate a business in St. Ansgar. The loan bears interest at 3%. Fourth Street Coffee Company is obligated to repay the City in semi-annual installments of \$434 beginning September 7, 2007. The loan balance at June 30, 2011 was \$1,292.

On March 7, 2007, the City loaned \$4,000 to Sainly Stitches. The loan proceeds were used to start up and operate a business in St. Ansgar. The loan bears interest at 3%. Sainly Stitches is obligated to repay the City in semi-annual installments of \$434 beginning September 7, 2007. The loan balance at June 30, 2011 was \$848.

The City has entered into several development assistance agreements. The assistance is in the form of a rebate by the City of 100% of the Tax Increment received by the City. During the year ended June 30, 2011, \$31,297 was paid in rebates.

(9) 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	Capital Projects:	
	General Obligation	\$262,655
	Enterprise:	
	Water	6,275
	Sewer	6,779
		<u>\$275,709</u>
Special Revenue:	Special Revenue:	
Road Use Tax	Employee Benefits	<u>\$ 5,521</u>

CITY OF ST. ANSGAR, IOWA
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

(9) **Interfund Transfers** - continued

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:	Capital Projects:	
I-Jobs	General Obligation	\$ 9,877
CDBG	General	\$ 8,057
	Enterprise:	
	Water	2,666
	Sewer	2,667
		<u>\$ 13,390</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	\$ 46,226
	Enterprise:	
	Water	7,728
	Sewer	38,083
		<u>\$ 92,037</u>
Capital Projects:	Capital Projects:	
Capital Projects	General Obligation	\$ 68,193
Total		<u>\$464,727</u>

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

(10) **Related Party Transactions**

The City had business transactions between the City and City officials totaling \$10,098 during the year ended June 30, 2011.

(11) **Deficit Balance**

The Special Revenue, CDBG Fund had a deficit balance of \$6,661 at June 30, 2011. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state grants.

(12) **Commitments**

At June 30, 2011, the following construction commitments had been made:

<u>Project</u>	<u>Total Contract</u>	<u>Costs Incurred To Date</u>
Seasons Second Addition	\$161,895	\$138,746
Seasons Addition	42,000	-
Total	<u>\$203,895</u>	<u>\$138,746</u>

CITY OF ST. ANSGAR, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

(13) Subsequent Events

On July 18, 2011 the City awarded bids for the Street and Sanitary Sewer Improvement Project, as follows:

<u>Description</u>	<u>Contractor</u>	<u>Amount</u>
Sanitary Sewer Materials	Midwest Pipe Supply	\$ 42,842
Aggregate, Topsoil & Fabric Materials	Croell Redi-Mix	32,203
Construction	Popp Excavating	<u>366,645</u>
Total		<u>\$441,690</u>

The City approved a contract with North Iowa Sand and Gravel in the amount of \$24,549 on August 8, 2011, for the 2011 Street Repair Project.

On September 12, 2011, the City approved a State Revolving Loan Fund Agreement in the amount of \$450,000. Also, the City accepted bids from Mayer's Digging and Arthur, Inc. in the amounts of \$119,318 and \$112,900, respectively, to construct Divisions A and B in the 201 Industrial Park Expansion Project.

Required Supplementary Information

CITY OF ST. ANSGAR, IOWA
 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 <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds Not Required to be Budgeted
RECEIPTS:			
Property tax	\$ 406,268	\$ -	\$ -
Tax increment financing	165,390	-	-
Other city tax	84,114	-	-
Licenses and permits	3,077	-	-
Use of money and property	2,462	19,127	-
Intergovernmental	846,713	11,925	-
Charges for service	113,740	676,740	-
Miscellaneous	46,485	15,288	-
Total receipts	<u>\$ 1,668,249</u>	<u>\$ 723,080</u>	<u>\$ -</u>
DISBURSEMENTS:			
Public safety	\$ 327,339	\$ -	\$ -
Public works	240,454	-	-
Culture and recreation	246,389	-	-
Community and economic development	720,179	-	-
General government	72,566	-	-
Debt service	121,868	-	-
Capital projects	431,557	-	-
Business type activities	-	639,006	-
Total disbursements	<u>\$ 2,160,352</u>	<u>\$ 639,006</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under)disbursements	\$ (492,103)	\$ 84,074	\$ -
Other financing sources, net	<u>669,194</u>	<u>(64,198)</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	\$ 177,091	\$ 19,876	\$ -
Balances beginning of year	<u>702,360</u>	<u>438,718</u>	<u>-</u>
Balances end of year	<u><u>\$ 879,451</u></u>	<u><u>\$ 458,594</u></u>	<u><u>\$ -</u></u>

See Accompanying Independent Auditor's Report.

<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 406,268	\$ 399,086	\$ 399,086	\$ 7,182
165,390	167,884	167,884	(2,494)
84,114	97,029	97,029	(12,915)
3,077	3,525	3,525	(448)
21,589	36,597	36,597	(15,008)
858,638	504,487	742,125	116,513
790,480	743,720	743,720	46,760
61,773	334,670	334,670	(272,897)
<u>\$2,391,329</u>	<u>\$2,286,998</u>	<u>\$ 2,524,636</u>	<u>\$ (133,307)</u>
\$ 327,339	\$ 115,712	\$ 343,032	\$ 15,693
240,454	209,405	253,305	12,851
246,389	276,923	276,923	30,534
720,179	353,182	869,882	149,703
72,566	78,937	83,887	11,321
121,868	143,875	143,875	22,007
431,557	375,000	452,000	20,443
639,006	1,069,402	1,084,902	445,896
<u>\$2,799,358</u>	<u>\$2,622,436</u>	<u>\$ 3,507,806</u>	<u>\$ 708,448</u>
\$ (408,029)	\$ (335,438)	\$ (983,170)	\$ 575,141
<u>604,996</u>	<u>390,365</u>	<u>1,022,597</u>	<u>(417,601)</u>
\$ 196,967	\$ 54,927	\$ 39,427	\$ 157,540
<u>1,141,078</u>	<u>1,856,773</u>	<u>1,856,773</u>	<u>(715,695)</u>
<u>\$1,338,045</u>	<u>\$1,911,700</u>	<u>\$ 1,896,200</u>	<u>\$ (558,155)</u>

CITY OF ST. ANSGAR, IOWA
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. 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent Fund and the 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 \$885,370. 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 safety function prior to amendment.

Other Supplementary Information

CITY OF ST. ANSGAR, IOWA
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Special		
	Road Use Tax	I-Jobs	Employee Benefits
RECEIPTS:			
Property tax	\$ -	\$ -	\$ 58,659
Tax increment financing	-	-	-
Other city tax	-	-	-
Use of money and property	-	2	112
Intergovernmental	95,850	12,100	-
Charges for service	-	-	-
Miscellaneous	-	-	2,407
Total receipts	\$ 95,850	\$ 12,102	\$ 61,178
DISBURSEMENTS:			
Operating:			
Public safety	\$ -	\$ -	\$ 19,528
Public works	74,054	19,743	14,168
Culture and recreation	-	-	16,065
Community and economic development	-	6,750	1,103
General government	-	-	8,117
Debt service	-	-	-
Total disbursements	\$ 74,054	\$ 26,493	\$ 58,981
Excess (deficiency) of receipts over (under) disbursements	\$ 21,796	\$ (14,391)	\$ 2,197
Other financing sources (uses):			
Operating transfers in	\$ 5,521	\$ 9,877	\$ -
Operating transfers out	-	-	(5,521)
Total other financing sources (uses)	\$ 5,521	\$ 9,877	\$ (5,521)
Net change in cash balances	\$ 27,317	\$ (4,514)	\$ (3,324)
Cash balances beginning of year	31,843	4,514	48,434
Cash balances end of year	\$ 59,160	\$ -	\$ 45,110
Cash Basis Fund Balances:			
Nonspendable - cemetery perpetual care	\$ -	\$ -	\$ -
Restricted for other purposes	59,160	-	45,110
Total cash basis fund balances	\$ 59,160	\$ -	\$ 45,110

See Accompanying Independent Auditor's Report.

<u>Revenue</u>		<u>Permanent</u>			
<u>Local</u>	<u>Tax</u>	<u>Debt</u>	<u>Cemetery</u>		
<u>Option</u>	<u>Increment</u>	<u>Service</u>	<u>Perpetual</u>		
<u>Sales</u>	<u>Financing</u>		<u>Care</u>		<u>Total</u>
<u>Tax</u>					
\$ -	\$ -	\$ 41,953	\$ -	\$ -	\$ 100,612
-	165,390	-	-	-	165,390
84,114	-	-	-	-	84,114
643	229	151	-	-	1,137
5,032	-	-	-	-	112,982
59,495	-	-	-	-	59,495
6,485	-	-	2,400	-	11,292
<u>\$155,769</u>	<u>\$ 165,619</u>	<u>\$ 42,104</u>	<u>\$ 2,400</u>		<u>\$ 535,022</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 19,528
-	-	-	-	-	107,965
129,791	-	-	-	-	145,856
-	132,748	-	-	-	140,601
-	-	-	-	-	8,117
-	-	121,868	-	-	121,868
<u>\$129,791</u>	<u>\$ 132,748</u>	<u>\$ 121,868</u>	<u>\$ -</u>		<u>\$ 543,935</u>
<u>\$ 25,978</u>	<u>\$ 32,871</u>	<u>\$ (79,764)</u>	<u>\$ 2,400</u>		<u>\$ (8,913)</u>
\$ -	\$ -	\$ 92,037	\$ -	\$ -	\$ 107,435
-	(46,226)	-	-	-	(51,747)
<u>\$ -</u>	<u>\$ (46,226)</u>	<u>\$ 92,037</u>	<u>\$ -</u>		<u>\$ 55,688</u>
\$ 25,978	\$ (13,355)	\$ 12,273	\$ 2,400	\$ -	\$ 46,775
26,315	74,654	55,694	52,579	-	294,033
<u>\$ 52,293</u>	<u>\$ 61,299</u>	<u>\$ 67,967</u>	<u>\$ 54,979</u>		<u>\$ 340,808</u>
\$ -	\$ -	\$ -	\$ 54,979	\$ -	\$ 54,979
52,293	61,299	67,967	-	-	285,829
<u>\$ 52,293</u>	<u>\$ 61,299</u>	<u>\$ 67,967</u>	<u>\$ 54,979</u>		<u>\$ 340,808</u>

CITY OF ST. ANSGAR, IOWA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Bonds and Notes:			
Essential Corporate Purpose	12-14-10	1.20 - 4.20%	\$ 600,000
Essential Corporate Purpose	10-09-09	3.75%	160,000
Waste Water Project	04-15-08	2.70 - 3.70%	620,000
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds:			
R.A. Wold & Sons, Inc.	06-01-04	6.00%	\$ 119,000
Storgaard	11-05-04	6.00	31,000
Buntrock	02-11-05	6.00	21,400
Buringrud	02-11-05	6.00	49,800
Revenue Bonds:			
Sewer Lagoon	04-11-03	4.25%	\$ 515,000
Bank Loans:			
Acorn Water System	06-11-07	5.00%	\$ 6,000
Acorn Water System	07-21-09	5.00	20,700
Tax Increment Rebate:			
Urban Renewal TIF Bond	10-13-08	0.00%	\$1,000,000
 Total indebtedness			

See Accompanying Independent Auditor's 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>
\$ -	\$ 600,000	\$ -	\$ 600,000	\$ 9,640	\$ -
128,000	-	32,000	96,000	4,800	-
435,000	-	30,000	405,000	16,975	-
<u>\$ 563,000</u>	<u>\$ 600,000</u>	<u>\$ 62,000</u>	<u>\$1,101,000</u>	<u>\$ 31,415</u>	<u>\$ -</u>
\$ 79,629	\$ -	\$ 11,389	\$ 68,240	\$ 4,611	\$ -
20,906	-	2,482	18,424	1,218	-
14,373	-	2,001	12,372	876	-
35,228	-	3,818	31,410	2,058	-
<u>\$ 150,136</u>	<u>\$ -</u>	<u>\$ 19,690</u>	<u>\$ 130,446</u>	<u>\$ 8,763</u>	<u>\$ -</u>
\$ 180,000	\$ -	\$ 57,000	\$ 123,000	\$ 7,656	\$ -
\$ 1,946	\$ -	\$ 1,266	\$ 680	\$ 114	\$ -
16,847	-	3,903	12,944	806	-
<u>\$ 18,793</u>	<u>\$ -</u>	<u>\$ 5,169</u>	<u>\$ 13,624</u>	<u>\$ 920</u>	<u>\$ -</u>
\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ -	\$ -
<u>\$1,011,929</u>	<u>\$ 700,000</u>	<u>\$ 243,859</u>	<u>\$1,468,070</u>	<u>\$ 48,754</u>	<u>\$ -</u>

CITY OF ST. ANSGAR, IOWA
BOND AND NOTE MATURITIES
JUNE 30, 2011

GENERAL OBLIGATION BONDS AND NOTES

Year Ending June 30,	<u>Waste Water Project</u>		<u>Essential Corporate Purpose</u>		<u>Essential Corporate Purpose</u>	
	<u>Issued April 15, 2008</u>		<u>Issued October 9, 2009</u>		<u>Issued December 14, 2010</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2012	4.00%	\$ 30,000	3.75%	\$ 32,000	1.20%	\$ 35,000
2013	4.00	30,000	3.75	32,000	1.20	35,000
2014	4.00	30,000	3.75	32,000	2.00	35,000
2015	4.00	35,000	-	-	2.00	35,000
2016	4.00	35,000	-	-	3.00	35,000
2017	4.00	35,000	-	-	3.00	35,000
2018	4.00	40,000	-	-	3.00	35,000
2019	4.00	40,000	-	-	3.50	40,000
2020	4.00	40,000	-	-	3.50	40,000
2021	4.00	45,000	-	-	3.50	40,000
2022	4.00	45,000	-	-	4.00	45,000
2023	-	-	-	-	4.00	45,000
2024	-	-	-	-	4.20	45,000
2025	-	-	-	-	4.20	50,000
2026	-	-	-	-	4.20	50,000
Total		<u>\$405,000</u>		<u>\$ 96,000</u>		<u>\$600,000</u>

URBAN RENEWAL TAX INCREMENT FINANCING

Year Ending June 30,	<u>R.A. Wold & Sons, Inc.</u>		<u>Storgaard</u>		<u>Buntrock</u>	
	<u>Issued June 1, 2004</u>		<u>Issued November 5, 2004</u>		<u>Issued February 11, 2005</u>	
	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Interest Rates</u>	<u>Amount</u>
2012	6.00%	\$ 12,073	6.00%	\$ 3,145	6.00%	\$ 2,171
2013	6.00	12,819	6.00	3,339	6.00	2,305
2014	6.00	13,599	6.00	3,543	6.00	2,446
2015	6.00	14,428	6.00	3,758	6.00	2,594
2016	6.00	15,321	6.00	4,639	6.00	2,856
Total		<u>\$ 68,240</u>		<u>\$ 18,424</u>		<u>\$ 12,372</u>

See Accompanying Independent Auditor's Report.

<u>Total</u>	
\$	97,000
	97,000
	97,000
	70,000
	70,000
	70,000
	75,000
	80,000
	80,000
	85,000
	90,000
	45,000
	45,000
	50,000
	50,000
	<u>\$1,101,000</u>

<u>(TIF) REVENUE BONDS</u>		
<u>Buringrud</u>		
<u>Issued February 11, 2005</u>		
<u>Interest</u>		
<u>Rates</u>	<u>Amount</u>	<u>Total</u>
6.00%	\$ 5,123	\$ 22,512
6.00	5,439	23,902
6.00	5,771	25,359
6.00	6,122	26,902
6.00	8,955	31,771
	<u>\$ 31,410</u>	<u>\$130,446</u>

<u>REVENUE BONDS</u>	
<u>Sewer Lagoon</u>	
<u>Issued April 11, 2003</u>	
<u>Interest</u>	
<u>Rates</u>	<u>Amount</u>
4.25%	\$ 60,000
4.25	63,000
	-
	-
	-
	<u>\$ 123,000</u>

CITY OF ST. ANSGAR, IOWA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2011

<u>GRANTOR/PROGRAM</u>	<u>CFDA NUMBER</u>	<u>AGENCY PASS-THROUGH NUMBER</u>	<u>PROGRAM EXPENDITURES</u>
Direct:			
U.S. Department of Agriculture:			
Community Facilities Loans and Grants	10.766	2010	\$ <u>100,000</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant Program	14.228	09-CF-013 08-DRI-243 10-WS-067	\$ 36,500 363,349 11,925 <u>411,774</u>
	14.239	09-HM-106-65	\$ <u>184,057</u>
U.S. Department of Homeland Security:			
Iowa Homeland Security and Emergency Management Division:			
Hazard Mitigation Grant	97.039	HMGP	\$ <u>6,621</u>
Total Indirect			\$ <u>602,452</u>
Total			<u>\$ 702,452</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of St. Ansgar and is presented in conformity with an other comprehensive basis of accounting. The information in 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.



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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:

I 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 St. Ansgar, 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 my report thereon dated November 29, 2011. My report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2010. I conducted my 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 my audit, I considered the City of St. Ansgar's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of St. Ansgar's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City of St. Ansgar's internal control over financial reporting.

My 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, I identified certain deficiencies in internal control over financial reporting I consider to be material weaknesses and other deficiencies I consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of St. Ansgar's financial statements will not be prevented or detected and corrected on a timely basis. I consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-A-11, II-B-11, II-C-11, II-D-11 and II-F-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in Part II of the accompanying Schedule of Findings as items II-E-11 and II-G-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of St. Ansgar's financial statements are free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters which are described in Part IV 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 my audit of the financial statements of the City. Since my 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 St. Ansgar's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of St. Ansgar's responses and, accordingly, I 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 St. Ansgar and other parties to whom the City of St. Ansgar 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.

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



November 29, 2011



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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

I have audited the City of St. Ansgar, 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 the City of St. Ansgar's major federal program for the year ended June 30, 2011. The City of St. Ansgar's major federal program is identified in Part I of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of St. Ansgar's management. My responsibility is to express an opinion on the City of St. Ansgar's compliance based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of St. Ansgar's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the City of St. Ansgar's compliance with those requirements.

In my opinion, the City of St. Ansgar 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. However, the results of my auditing procedures disclosed an instance of non-compliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-11 in the accompanying Schedule of Findings.

Internal Control Over Compliance

The management of the City of St. Ansgar is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing my audit, I considered the City of St. Ansgar's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my 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, I do not express an opinion on the effectiveness of the City of St. Ansgar's internal control over compliance.

My consideration of 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, I identified a deficiency in internal control over compliance I 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. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings as item III-A-11 to be a material weakness.

The City of St. Ansgar's responses to findings identified in my audit are described in the accompanying Schedule of Findings. While I have expressed my conclusions on the City's responses, I did not audit the City of St. Ansgar's responses and, accordingly, I 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 St. Ansgar and other parties to whom the City of St. Ansgar 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 29, 2011

CITY OF ST. ANSGAR, IOWA
Schedule of Findings
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, since I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2010.
- (b) Significant deficiencies and 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 did not disclose any audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.228 - Community Development Block Grant Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of St. Ansgar did not qualify as a low-risk auditee.

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. I noted that certain accounting functions are not properly segregated.

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

Response - We will review procedures and make changes to improve internal control 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.

CITY OF ST. ANSGAR, IOWA
Schedule of Findings
Year Ended June 30, 2011

Part II: Findings Related to the Financial Statements: - continued

- II-B-11 Countersignature of Checks - The City requires checks to be signed by two authorized individuals. I noted a check with only one authorized signature.
- Recommendation - Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.
- Response - We will follow procedures for two signatures on all checks.
- Conclusion - Response accepted.
- II-C-11 Countersignature of Checks - Acorn Golf Park - Checks are prepared and signed by one individual.
- Recommendation - Checks should be prepared and signed by one individual and then the supporting documentation should be made available along with the check to a second independent individual for review and countersignature.
- Response - We will investigate the alternatives.
- Conclusion - Response accepted.
- II-D-11 Post-dated Checks - I noted one check that was recorded in the system prior to the date on the check.
- Recommendation - The City should avoid the use of post-dating checks.
- Response - We will discontinue the use of post-dating checks in the future.
- Conclusion - Response accepted.
- II-E-11 Imprest Cash - The City does not include all cash funds in the City's fund balance.
- Recommendation - Chapter 384.20 of the Code of Iowa states, in part, "A City shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any City purpose." All funds of the City should be included in the Clerk's report to comply with Chapter 384.20 of the Code of Iowa.
- Response - We will include all imprest cash funds in the City's fund balance.
- Conclusion - Response accepted.

CITY OF ST. ANSGAR, IOWA
Schedule of Findings
Year Ended June 30, 2011

Part II: Findings Related to the Financial Statements: - continued

II-F-11 Preparation of Financial Statements - The City does not have an internal control system designed to provide for the preparation of the financial statements in accordance with an other comprehensive basis of accounting, nor has management identified risks related to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements. Therefore, as an auditor, I was requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for a governmental entity similar in population to the City. 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 - I recognize that with a limited number of office employees, preparation of the financial statements is difficult. However, I recommend that City officials continue reviewing operating procedures in order to obtain the maximum internal control possible under the circumstances.

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-G-11 Storage of Petty Cash - The petty cash is being stored off site while the Acorn Park Golf Course is closed for the season.

Recommendation - The funds should be kept at the Acorn Park Golf Course at all times or redeposited with the City until the funds are needed.

Response - We will redeposit the funds until the Acorn Park Golf Course reopens.

Conclusion - Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

CFDA Number 14.228: Community Development Block Grant Program
Federal Award Year: 2011
U.S. Department of Housing and Urban Development
Passed through the Iowa Department of Economic Development

**CITY OF ST. ANSGAR, IOWA
Schedule of Findings
Year Ended June 30, 2011**

Part III: Findings and Questioned Costs for Federal Awards: - continued

III-A-11 Segregation of Duties - The City did not properly segregate custody, recordkeeping and reconciling functions for receipts and disbursements, including those related to Federal Programs. See audit finding II-A-11.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-11 Certified Budget - Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the public safety function prior to amendment. 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 - We will do this in the future.

Conclusion - Response accepted.

IV-B-11 Questionable Disbursements - No disbursements were noted that I believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

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>
Mike Juhl, employee, Owner of St. Ansgar Landscaping	Supplies/Rental	\$ 598
Bob McNutt, employee, Owner of North Iowa T & C Care	Mowing	9,500

In accordance with Chapter 362.5(3)(k) of the Code of Iowa, the transactions with Mike Juhl do not appear to represent a conflict of interest since total transactions were less than \$2,500 during the fiscal year. The transaction with Bob McNutt does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(3)(e) of the Code of Iowa.

CITY OF ST. ANSGAR, IOWA
Schedule of Findings
Year Ended June 30, 2011

Part IV: Other Findings Related to Required Statutory Reporting: - continued

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 I believe should have been approved in the Council minutes but were not.

Although minutes of Council proceedings were published, they were not published within fifteen days as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation - The City should comply with Chapter 21 of the Code of Iowa and should publish minutes as required.

Response - We will publish minutes as required.

Conclusion - Response accepted.

IV-G-11 Deposits and Investments - No instances of non-compliance 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 Financial Condition - The Special Revenue, CDBG Fund had a deficit balance of \$6,661 at June 30, 2011.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

Response - This deficit was due to construction costs incurred prior to receipt of a state grant. This deficit will be eliminated upon receipt of the grant.

Conclusion - Response accepted.