

**CITY OF LAKE VIEW**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2011**

*Feldmann & Company C.P.A.s, P.C.*  
523 North Main Street  
Carroll, Iowa 51401



**City of Lake View**  
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## City of Lake View

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Westergaard	Mayor	December 31, 2011
Toni Foval-North	Council Member	December 31, 2011
Jerry Huss	Council Member	December 31, 2011
Tim Laney	Council Member	December 31, 2013
Ben Schroeder	Council Member	December 31, 2013
Ken Steinkamp	Council Member	December 31, 2013
Scott Peterson	City Clerk/Administrator/Treasurer	December 31, 2011 (1)
Erin McCullough	City Attorney	December 31, 2011

(1) Not Elected - No specific term - Employment Agreement expires on the date shown.

**City of Lake View**

*Feldmann & Company CPAs, P.C.*

523 North Main Street  
Carroll, Iowa 51401  
(712) 792-2464

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 City of Lake View, 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 Lake View's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Lake View 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, we have also issued our report dated September 16, 2011, on our consideration of the City of Lake View's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or 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 9 through 16 and 36 through 37 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 City of Lake View's basic financial statements. Other supplementary information included in Schedules 1 through 5, 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.

*Feldmann & Company CPAs, P.C.*

Feldmann & Company CPAs, P.C.

September 16, 2011

## **Management's Discussion and Analysis**

## MANAGEMENTS DISCUSSION AND ANALYSIS

The City of Lake View 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 5.4%, or approximately \$33,365, from fiscal 2010 to fiscal 2011. Property tax increased approximately \$8,500.

Disbursements of the City's governmental activities decreased 1.3%, or approximately \$8,700, in fiscal 2011 from fiscal 2010. Public safety disbursements increased approximately \$21,400.

Debt service increased from \$111,000 to \$466,000 as short-term electric debt in the amount of \$302,000 incurred for damages from an Ice Storm was repaid.

Capital projects disbursements decreased from \$1.4 million to \$438,000 as a streetscape project was completed in FY 2010.

The City's total cash basis net assets decreased 9.8%, or approximately \$79,000, from June 30, 2010, to June 30, 2011. Of this amount, the assets of the governmental activities decreased approximately \$24,000 and the assets of the business type activities decreased approximately \$55,300. Ending balances are classified as follows:

		Special	TIF Spec	Debt	Capital		
	General	Revenues	Revenues	Service	Projects	Proprietary	
<b>Governmental:</b>							
<b>Non-spendable</b>							
<b>Restricted</b>		152,370	6,588	5,972	51,560	40,427	
<b>Committed</b>		471			83,136		
<b>Assigned</b>					372,757		
<b>Unassigned</b>	56,841					37,367	
<b>Total Governmental</b>	56,841	152,841	6,588	5,972	507,453	77,794	807,489

## **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.

## **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, 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, the sanitary sewer system, the electric system and garbage collection. These activities are financed primarily by user charges.

## **Fund Financial Statements**

The City has two kinds of funds:

Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund 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.

Proprietary funds account for the City's Enterprise Funds which are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the water, sewer, electric and garbage 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.

Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

## **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 \$1.007 million to \$1.422 million. 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 Ending June 30	
	2011	2010
<b>Receipts</b>		
Program Receipts		
Charges for service	\$ 243	\$ 246
Operating grants, contributions and restricted interest	53	21
Long-term Debt	0	780
Capital grants, contributions and restricted interest	848	23
General Receipts		
Property tax	463	457
Local option sales tax	90	88
Grants and contributions not restricted to specific purposes	0	0
Unrestricted interest on investments	7	3
Other general receipts	209	243
<b>Total receipts</b>	<b>1,913</b>	<b>1,861</b>
<b>Disbursements</b>		
Public safety	271	250
Public works	76	83
Health and social services	0	0
Culture and recreation	224	266
Community and economic development	37	22
General Government	90	83
Debt service	466	111
Capital projects	477	1,569
<b>Total Disbursements</b>	<b>1,641</b>	<b>2,384</b>
Change in cash basis net assets before transfers	272	(523)
Transfers, net	(287)	9
<b>Cash basis new assets beginning of year</b>	<b>(15)</b>	<b>(514)</b>
<b>Cash basis new assets beginning of year</b>	<b>714</b>	<b>1236</b>
<b>Cash Basis net assets end of year</b>	<b>\$ 699</b>	<b>\$722</b>

The City's total receipts for governmental activities increased approximately \$49,000. The total cost of all programs and services decreased approximately 42%, with no new programs added this year. This substantial decrease in expenses is because of a large disaster project, partially funded by FEMA, that was completed in 2010.

The City property tax rates for 2011 remained the same as 2010, with a total tax levy of \$9.54 per \$1,000 of taxable valuation. Based on increases in the total assessed valuation, property tax receipts increased by an additional \$8,500 from FY 10 to FY 11.

The cost of all governmental activities this year was \$1.653 million compared to \$2.384 million last year. Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2011 from approximately \$1.86 million to approximately \$1.91 million, principally due to receipt of FEMA funds and grants for the Black Hawk Lake trail.

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

		Year Ending June 30	
		2011	2010
Receipts			
Program Receipts			
	Water	\$ 235	\$ 223
	Sewer	224	192
	Electric	1,639	1606
	Garbage	111	106
	Long Term Debt		300
	Transfers In	754	196
Total Receipts		<u>2,963</u>	<u>2623</u>
Disbursements			
	Water	187	182
	Sewer	115	109
	Electric	2,034	2170
	Garbage	106	111
	Debt Service	115	119
	Transfers Out	467	205
Total Disbursements		<u>3,024</u>	<u>2896</u>
Change in Cash Basis Net Assets		(61)	(273)
Cash basis new assets beginning of year		<u>168</u>	<u>435</u>
Cash basis new assets end of year		<u>\$ 107</u>	<u>\$162</u>

Total business type activities receipts for the fiscal year were \$2.96 million compared to \$2.62 million last year. This increase was due primarily to reimbursement of FEMA funds for the electric disaster project. Total disbursements for the fiscal year increased by 4.3% to a total of \$3.02 million, due largely to an increase in wholesale power costs.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Lake View completed the year, its governmental funds reported a combined fund balance of \$698,000, an decrease of \$23,000 from last year's total of \$722,000. 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 around \$ 54,000 from the prior year to \$ 58,841. This decrease is due largely to increased transfers to capital funds for future purchases of a police car and lawn mower.

The Special Revenue cash balance increased \$42,000 to \$ 149,845 during the fiscal year. This increase is attributable to the continued receipt of Local Option Sales Tax funds and receiving a full year of Hotel/Motel taxes (\$22,355) for the first time. Hotel/motel taxes are used to pay debt service on the infrastructure to the hotel site, and for community betterment.

The Debt Service Fund cash balance remained roughly the same as last year. Property tax rates to service the debt from one street bond decreased by 9.8% from 2010 to 2011.

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

The Water Fund cash balance remained constant around \$ 4,000. The quantity of water sold remained constant from 2010 to 2011, but the rate increased 1.1% effective January 1, 2011. This 1.1% increase will increase annual revenues by an estimated \$2,200.

Historically, the Sewer Fund cash balance has been near zero. In FY 11, the balance increased over \$23,000 to \$23,608. This is due to receiving a one-time legal settlement. The quantity of water sold remained constant from 2010 to 2011, but the sewer rental rate increased 1.1% effective January 1, 2011. This 1.1% increase will increase annual revenues by an estimated \$2,100.

FY 2011 was a very eventful year in the electric utility. The City received reimbursement from FEMA for the January, 2010, Ice Storm and the utility was struck by another Ice Storm in November, 2010. This November Ice Storm was not declared a FEMA emergency, so all of the \$261,000 in recovery costs were paid by the Lake View Electric Utility, nearly depleting the Electric Fund balance.

The cost of wholesale electric power continues to rise. Lake View's cost for wholesale power has doubled in last five years from \$500,000 to \$1 million. This has necessitated a rate increase.

During FY 2011, the City worked with NMPP Energy to conduct an electric cost of service / rate study. This study found the need for several large annual rate increases. Effective March 1, 2011, retail electric rates were increased by 14.8%. Additional annual rate increases are proposed for the next several years.

The Garbage Fund cash balance increased approximately from \$1,777 to \$7,030. This was due to a price increase for garbage bags. The cost for one bag was increased from \$1.00 to \$1.50.

## **BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget once. The amendment was approved on May 16, 2011, and resulted in an increase in disbursements of \$1,202,862. This increase was primarily from emergency electric expenses for November Ice Storm, repayment of emergency Electric debt, increased wholesale power costs, costs for development of the Sac Beach Addition, construction of Phase 1 of the Black Hawk trail, and the Library renovation project.

The City's receipts budget was increased \$1,863,716 more than originally budgeted. This was primarily due to the receipt of FEMA funds, receipt of grant funds for Black Hawk Trail, MISO reimbursements, electric rate increase, and Library fundraising.

Total disbursements were \$12,698 less than the amended budget. The actual disbursements for the culture and recreation, community & economic development and capital projects functions were \$20,287, \$45,388, and \$28,124, respectively, less than the amended budget.

The City exceeded the amounts budgeted for the year ended June 30, 2011, in the following functions: Public safety exceeded the budgeted amount by \$ 1,172; Public Works exceeded the budgeted amount by \$3,195; Debt Service exceeded the budgeted amount by \$2,535, and

business enterprises exceeded the budgeted amount by \$56,661.

## DEBT ADMINISTRATION

At June 30, 2011, the City had \$1,690,000 in bonds and other long-term debt outstanding, compared to \$1,913,000 last year, as shown below.

### Outstanding Debt at Year-end

	Original Issue	Issue Date	Maturity Date	Amount Outstanding 6/30/2010	Amount Outstanding 6/30/2011
Fire Truck G.O.	130,000	April,2010	June, 2018	130,000	116,000
Boulders TIF G.O.	250,000	April,2010	June, 2020	250,000	229,000
Street G.O.	250,000	Jul, 2005	June, 2011	50,000	-
Streetscape G.O.	400,000	June,2009	June, 2016	400,000	375,000
Evapco T.I.F.	250,000	Dec,2000	June, 2012	60,000	30,000
Sewer SRF	1,138,000	2000	June, 2020	685,000	629,000
Water SRF	529,000	2001	June, 2021	338,000	311,000
<b>TOTAL</b>	<b>2,947,000</b>			<b>1,913,000</b>	<b>1,690,000</b>

## INTERNAL DEBTS

Lake View has two internal debt issues: (1) Streetscape; and (2) Boulders Economic Development Incentive.

- *Streetscape*: \$400,000 in Electric funds were used for construction of the Streetscape Project. These funds are repaid using Tax Increment Funds. As of 6-30-10, \$180,000 was outstanding. As of 6-30-11, \$ 156,369 remains outstanding.
- *Boulders Incentive*: \$50,000 was used for an economic development incentive payment to Boulders Inn & Suites, \$25,000 came from the General Fund and \$25,000 came from Local Option Sales Tax. Funds are repaid using Tax Increment Funds. As of 6-30-10, \$50,000 was outstanding. As of 6-30-11, \$40,000 remains outstanding.

There were no new debts issued during FY 2011. All debt issuances continue to be repaid as per their debt schedules.

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 \$750,000 is significantly below its constitutional debt limit of \$4.55 million.

## **NEXT YEAR'S BUDGET AND RATES**

Amounts available for appropriation in the FY 2012 operating budget are \$3.51 million, a decrease of 15% over the final 2011 budget. Property tax rates will be held at the same total levy as in the past several years. Utility rates will increase effective on the March, 2012 bills. Water & sewer rates will increase 3.9% and electric rates will increase 11.9%.

Budgeted disbursements are expected to decrease by around 20%, or approximately \$776,000 as the amount of capital projects will be less. If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$220,000 by the close of 2012.

## **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 Scott Peterson, City Clerk, 305 Main Street, Lake View, Iowa 51450.

**City of Lake View**  
**Financial Statements**

**City of Lake View**  
**Statement of Activities and**  
**Net Assets- Cash Basis**  
**Year ended June 30, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges for</u> <u>Services</u>	<u>Program Revenues</u> <u>Operating Grants</u> <u>Contributions</u> <u>and Restricted</u> <u>Interest</u>
<b>Governmental Activities</b>			
Public Safety Program	\$ 271,371.16	\$ 52,122.11	\$ 13,821.50
Public Works Program	76,469.50	-	-
Health and Social Services Program	-	-	-
Culture and Recreation Program	223,353.51	20,557.90	13,306.00
Community & Economic Development Program	5,101.71	-	-
General Government	122,291.38	178,191.03	-
Debt Service	466,375.56	-	-
Capital Projects	476,875.56	3,334.68	-
Total governmental activities	<u>\$ 1,641,838.38</u>	<u>\$ 254,205.72</u>	<u>\$ 27,127.50</u>
<b>Business Type Activities</b>			
Water	225,020.89	226,270.05	-
Sewer	191,385.25	195,591.58	-
Electric	2,023,787.67	1,557,470.98	-
Garbage	106,208.95	86,486.74	-
Customer Deposits	11,479.04	-	-
Total business type activities	<u>2,557,881.80</u>	<u>2,065,819.35</u>	<u>-</u>
Total	<u>\$ 4,199,720.18</u>	<u>\$ 2,320,025.07</u>	<u>\$ 27,127.50</u>
<b>General Receipts:</b>			
Property Taxes levied for:			
General purpose			
Debt Service			
Local Option Sales Tax			
Hotel-Motel Tax			
Franchise taxes and fees			
Grants and contributions not restricted to specific purpose			
Unrestricted investment earnings			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Changes in Cash Balance			
Cash Balance beginning of year			
<b>Cash Balance end of year</b>			
<b>Cash Basis Net Assets</b>			
Expendable			
Streets and capital projects			
Urban Renewal purposes			
Debt Service			
Unrestricted			
<b>Total Cash Basis Net Assets</b>			

18 See notes to financial statements.

Exhibit A

Capital Grants Contributions and Restricted Interest	Net (Disbursements) Receipts		
	Governmental Activities	Business Type Activities	Total
\$ -	\$ (205,427.55)	\$ -	\$ (205,427.55)
122,033.64	45,564.14	-	45,564.14
-	-	-	-
-	(189,489.61)	-	(189,489.61)
-	(5,101.71)	-	(5,101.71)
-	55,899.65	-	55,899.65
-	(466,375.56)	-	(466,375.56)
-	(473,540.88)	-	(473,540.88)
<u>\$ 122,033.64</u>	<u>\$ (1,238,471.52)</u>	<u>\$ -</u>	<u>\$ (1,238,471.52)</u>
-	-	1,249.16	1,249.16
-	-	4,206.33	4,206.33
-	-	(466,316.69)	(466,316.69)
-	-	(19,722.21)	(19,722.21)
-	-	(11,479.04)	(11,479.04)
-	-	(492,062.45)	(492,062.45)
<u>\$ 122,033.64</u>	<u>(1,238,471.52)</u>	<u>(492,062.45)</u>	<u>(1,730,533.97)</u>
	389,441.49	-	389,441.49
	74,141.27	-	74,141.27
	88,593.23	-	88,593.23
	22,355.54	-	22,355.54
	3,658.61	-	3,658.61
	848,744.86	-	848,744.86
	13,776.67	450.87	14,227.54
	68,665.26	143,735.17	212,400.43
	(286,857.47)	286,857.47	-
	<u>1,222,519.46</u>	<u>431,043.51</u>	<u>1,653,562.97</u>
	(15,952.06)	(61,018.94)	(76,971.00)
	713,959.85	168,196.66	882,156.51
	<u>\$ 698,007.79</u>	<u>\$ 107,177.72</u>	<u>\$ 805,185.51</u>
	\$ 120,459.33	\$ -	\$ 120,459.33
	6,589.21	-	6,589.21
	5,972.72	40,472.15	46,444.87
	564,986.53	66,705.57	631,692.10
	<u>\$ 698,007.79</u>	<u>\$ 107,177.72</u>	<u>\$ 805,185.51</u>

**City of Lake View**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Governmental Funds**  
**Year ended June 30, 2011**

	<u>General</u>	<u>Debt Service</u>
<b>Receipts:</b>		
Property tax	\$ 309,079.14	\$ 74,141.27
Other Taxes	3,658.61	-
Use of money and property	10,573.05	-
Licenses and permits	11,365.05	-
Intergovernmental	28,127.50	-
Charges for service	239,505.99	-
Miscellaneous	7,870.62	-
<b>Total receipts</b>	<u>610,179.96</u>	<u>74,141.27</u>
<b>Disbursements:</b>		
Public Safety	271,371.16	-
Public Works	-	-
Health and Social Services	-	-
Culture and Recreation	222,326.19	-
Community & Economic Development	1,890.00	-
General Government	122,291.38	-
Debt Service	-	466,375.56
Capital Projects	-	-
<b>Total disbursements</b>	<u>617,878.73</u>	<u>466,375.56</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(7,698.77)</u>	<u>(392,234.29)</u>
Other financing sources (uses):		
Operating transfers in	5,000.00	385,800.56
Operating transfers(out)	(51,250.11)	-
<b>Total other financing sources (uses)</b>	<u>(46,250.11)</u>	<u>385,800.56</u>
Excess (deficiency)of receipts and other financing sources over disbursements and other financing uses	(53,948.88)	(6,433.73)
<b>Cash balance beginning of year</b>	110,789.58	12,406.45
<b>Cash balance end of year</b>	<u>\$ 56,840.70</u>	<u>\$ 5,972.72</u>
<b>Cash Basis Net Assets</b>		
<b>Restricted for:</b>		
Debt Service	\$ -	\$ 5,972.72
Streets	-	-
Urban Renewal purposes	-	-
<b>Committed:</b>		
Trust and Agency		
Other purposes		
<b>Assigned:</b>		
Other purposes		
<b>Unassigned:</b>		
General Fund	56,840.70	
<b>Total Cash Basis Fund Balances</b>	<u>\$ 56,840.70</u>	<u>\$ 5,972.72</u>

Exhibit B

Capital Projects	Other Nonmajor Governmental Funds	Total
\$ -	\$ 80,362.35	\$ 463,582.76
-	110,948.77	114,607.38
3,163.62	40.00	13,776.67
-	-	11,365.05
847,744.86	122,033.64	997,906.00
3,334.68	-	242,840.67
59,545.01	1,249.63	68,665.26
<u>913,788.17</u>	<u>314,634.39</u>	<u>1,912,743.79</u>
-	-	271,371.16
-	76,469.50	76,469.50
-	-	-
-	1,027.32	223,353.51
-	3,211.71	5,101.71
-	-	122,291.38
-	-	466,375.56
447,043.53	29,832.03	476,875.56
<u>447,043.53</u>	<u>110,540.56</u>	<u>1,641,838.38</u>
466,744.64	204,093.83	270,905.41
156,233.02	5,000.00	552,033.58
<u>(623,893.35)</u>	<u>(163,747.59)</u>	<u>(838,891.05)</u>
<u>(467,660.33)</u>	<u>(158,747.59)</u>	<u>(286,857.47)</u>
(915.69)	45,346.24	(15,952.06)
486,265.20	104,498.62	713,959.85
<u>\$ 485,349.51</u>	<u>\$ 149,844.86</u>	<u>\$ 698,007.79</u>
\$ -	\$ -	\$ 5,972.72
93,128.74	20,741.38	113,870.12
	6,589.21	6,589.21
	471.17	471.17
28,832.60	122,043.10	150,875.70
363,388.17		363,388.17
-	-	56,840.70
<u>\$ 485,349.51</u>	<u>\$ 149,844.86</u>	<u>\$ 698,007.79</u>

See notes to financial statements.

**City of Lake View**  
**Statement of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Proprietary Funds**  
**Year ended June 30, 2011**

	<u>Water</u>	<u>Sewer</u>
<b>Receipts:</b>		
Charges for service	\$ 226,270.05	\$ 195,591.58
Use of money and property	-	-
Miscellaneous	8,188.18	28,841.01
<b>Total Receipts</b>	<u>234,458.23</u>	<u>224,432.59</u>
<b>Disbursements:</b>		
Business-type activities:		
Operations	186,950.49	114,492.75
Debt Service	-	-
Capital Outlay	-	-
<b>Total Disbursements</b>	<u>186,950.49</u>	<u>114,492.75</u>
Excess (deficiency) of receipts over (under) disbursements	<u>47,507.74</u>	<u>109,939.84</u>
Other financing sources (uses):		
Operating transfers in	-	-
Operating transfers (out)	(48,400.00)	(86,800.00)
Total other financing sources (uses)	<u>(48,400.00)</u>	<u>(86,800.00)</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(892.26)	23,139.84
<b>Cash balance beginning of year</b>	<u>4,967.41</u>	<u>468.56</u>
<b>Cash balance end of year</b>	<u>\$ 4,075.15</u>	<u>\$ 23,608.40</u>
<b>Cash Basis Fund Balance</b>		
Reserved for debt service	\$ -	\$ -
Unreserved	4,075.15	23,608.40
<b>Total Cash Basis Fund Balances</b>	<u>\$ 4,075.15</u>	<u>\$ 23,608.40</u>

Exhibit C

<b>Enterprise Funds</b>		
<b>Electric</b>	<b>Other Non- major Proprietary</b>	<b>Total</b>
\$ 1,557,470.98	\$ 86,486.74	\$ 2,065,819.35
-	450.87	450.87
<u>71,351.94</u>	<u>35,354.04</u>	<u>143,735.17</u>
<u>1,628,822.92</u>	<u>122,291.65</u>	<u>2,210,005.39</u>
1,682,369.29	117,687.99	2,101,500.52
-	114,962.90	114,962.90
<u>341,418.38</u>	<u>-</u>	<u>341,418.38</u>
<u>2,023,787.67</u>	<u>232,650.89</u>	<u>2,557,881.80</u>
<u>(394,964.75)</u>	<u>(110,359.24)</u>	<u>(347,876.41)</u>
638,893.35	115,200.00	754,093.35
<u>(332,035.88)</u>	<u>-</u>	<u>(467,235.88)</u>
<u>306,857.47</u>	<u>115,200.00</u>	<u>286,857.47</u>
(88,107.28)	4,840.76	(61,018.94)
<u>97,634.53</u>	<u>65,126.16</u>	<u>168,196.66</u>
<u>\$ 9,527.25</u>	<u>\$ 69,966.92</u>	<u>\$ 107,177.72</u>
\$ -	\$ 40,472.15	\$ 40,472.15
<u>9,527.25</u>	<u>29,494.77</u>	<u>66,705.57</u>
<u>\$ 9,527.25</u>	<u>\$ 69,966.92</u>	<u>\$ 107,177.72</u>

**City of Lake View**

## City of Lake View

### Notes to Financial Statements

June 30, 2011

#### Note 1 - Summary of Significant Accounting Policies

The City of Lake View is a political subdivision of the State of Iowa located in Sac County. It was first incorporated in 1880 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, culture, recreation, public improvements and general administrative services.

##### A. Reporting Entity

For financial reporting purposes, the City of Lake View 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 that meet the Governmental Accounting Standards Board criteria.

##### 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: Sac County Assessor's Conference Board, Sac County Solid Waste Agency, and Sac County E911 Board.

##### B. Basis of Presentation

Government-Wide and Fund 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 normally 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 support.

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

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

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

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those that are 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 and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

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

The City reports the following major governmental funds:

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

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation, special assessment and tax increment financing long-term debt.

The Capital Projects Funds are utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

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

The Electric fund accounts for the operation and maintenance of City's electric

transmission distribution system.

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

C. Measurement Focus and Basis of Accounting

The City of Lake View 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.

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 balance 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 general government and business type activities functions.

**Note 2 - Cash and Pooled Investments**

The City's deposits 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; and certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2011.

**Note 3 - Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds/Notes		Revenue Bond/Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	135,000	26,850	85,000	31,126	220,000	57,976
2013	105,000	21,525	88,000	28,329	193,000	49,854
2014	110,000	13,850	92,000	25,431	202,000	39,281
2015	120,000	14,000	96,000	22,404	216,000	36,404
2016	120,000	9,800	99,000	19,247	219,000	29,047
2017	40,000	5,600	104,000	15,990	144,000	21,590
2018	40,000	4,200	109,000	12,565	149,000	16,765
2019	40,000	2,800	113,000	8,980	153,000	11,780
2020	40,000	1,400	117,000	5,265	157,000	6,665
2021	-	-	37,000	1,420	37,000	1,420
	<u>\$ 750,000</u>	<u>\$ 100,025</u>	<u>\$ 940,000</u>	<u>\$ 170,757</u>	<u>\$ 1,690,000</u>	<u>\$ 270,782</u>

General Obligation Bonds

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

A resolution providing for the issuance of the general obligation bonds includes the following provision.

The funds to pay principal and interest will be provided from the levied direct annual tax. If tax proceeds are insufficient to pay, the same shall be promptly paid from current funds of the City.

The City issued \$250,000.00, General Obligation Bonds, Series 2000, on January 10, 2000, to defray the costs of urban renewal projects consisting of construction of water and sanitary sewer improvements and making an economic development grant to Evapco, Inc. Interest rates range from 4.80 to 5.50%. Principal will be paid annually starting June 1, 2003. Interest is paid semiannually and began December 1, 2000.

On July 25, 2005, the City issued \$250,000 in General Obligation Bonds for the purpose of construction, reconstruction and repair of streets. Semi-annual interest payments of 4.0% began on December 1, 2006. Annual principal payments of \$50,000 commenced on June 1, 2007.

The City issued \$400,000.00 in general obligation bonds, Series 2009, in June 2009 to defray the costs of streetscape improvements including water, storm sewers, streets, sidewalks, and street lighting. The interest rate for this issuance is 3.90%. Principal will be paid annually through June 1, 2016. Interest is paid semiannually and began December 1, 2009.

The City issued \$250,000 in General Obligation Bonds, Series 2010, in April, 2010 to defray the costs of installing water, sanitary sewer, storms sewers, and streets to Sac Beach Addition and the site of the Boulders Hotel. The interest rate for this issuance is 3.5%, paid semiannually and began December 1, 2010. Principal will be paid annually through June 1, 2020.

The City issued \$130,000 in General Obligation Bonds, Series 2010, in April, 2010, to defray the costs of purchasing a new fire truck. The interest rate for this issuance is 3.5%, semiannually payments began on December 1, 2010. Principal will be paid annually through June 1, 2018.

### Revenue Notes

On September 30, 1999, the City issued \$1,138,000.00 of Sewer Revenue Bond, Series 1999. The Bonds were authorized to finance all or part of the construction of certain wastewater treatment facilities serving the City and its residents. The financing was issued by the Iowa Finance Authority via the Iowa Sewage Treatment Works Financing Program established in Iowa Code section 455B.291-299. The interest rate is 4.23%. Interest payments are made semiannually and began December 1, 1999. Annual principal payments began June 1, 2001. Effective with the December 1, 2009, interest payment, the interest rate on this Sewer Revenue Bond, Series 1999, was reduced from 4.23% to 3%. The City Council approved the interest rate reduction on October 5, 2009.

On August 7, 2001, the City issued \$590,000.00 of Water Revenue Bonds. The Bonds

were authorized to finance all or part of the improvements for the water treatment facility serving the City and its residents. The financing was issued by the Iowa Finance Authority via the Iowa Drinking Water Revolving Loan Fund established in Iowa Code section 455B.291-299. As of June 30, 2003, the construction was complete, \$529,000.00 of the loan funds had been disbursed, and the total amount of the bonds issued was \$529,000.00. The interest rate is 3.84%. Interest payments are made semiannually and began December 1, 2001. Annual principal payments began June 1, 2002 and the bonds mature on June 1, 2021.

On February 15, 2010, the City issued \$300,000.00 of Electric Revenue Bonds. The Bonds were authorized to finance all or part of the repairs for the electric lines serving the City and its residents. The financing was issued by the Farmers State Bank, Lake View, Iowa. As of June 30, 2011, \$300,000.00 of the loan funds had been disbursed, and the total amount of repayment was \$300,000.00. The interest rate was 1.00%.

**Note 4 - Pension and Retirement Benefits**

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

Plan members are required to contribute 4.50% of their annual salary and the City is required to contribute 6.95% of annual covered payroll except for police employees, in which case the percentages are 6.64% and 9.95%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the year ended June 30, 2011, was \$32,195.61 and was equal to the required contributions for that year.

**Note 5 - Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time 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 and compensatory time termination benefits payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefits</u>	<u>Liability June 30, 2011</u>
Vacation	\$ 36,319.27
Compensatory time	<u>4,536.27</u>
	<u>\$ 40,855.54</u>

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

#### **Note 6 – Other Post Employment 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 13 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 pay \$0 for single coverage and \$150 for family coverage.

#### **Note 7 – Intergovernmental Agreement**

The City participates in an agreement with the Sac County Solid Waste Agency, a political subdivision created under Chapter 28E of the Code of Iowa. The purpose of the Agency includes providing economic disposal of solid waste produced or generated within the member county and municipalities. Payments to the Agency totaled \$28,116.00 during the year ended June 30, 2011.

State and federal laws and regulations require the Agency to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The members of the Agency have entered into an agreement to provide financial assurance in the proportion relative to each member's share of the Agency's budget in the event of closure, post closure, and corrective action. The costs to the Agency for compliance with these requirements has not been determined, nor has the effect on future assessments to the City

#### **Note 8 – Interfund Transfers**

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

## Transfers Interfund

Transfer to	Transfer from	Amount
General		
	TIF to General Fund	5,000.00
Local Option Sales Tax		
	TIF	5,000.00
Debt Service:		
	TIF	33,285.00
	TIF	21,202.59
	Electric	302,035.88
	Hotel/Motel tax	10,000.00
- Fire Truck	General Fund - Fire Dept	19,277.09
		<u>385,800.56</u>
Capital Projects		
- Planning Funds		
	General Fund - Police Dept	12,500.00
	General Fund - Fire Dept	748.53
	General Fund - Park Dept	4,600.00
	General - Historical Preservation	2,328.33
	General - Library	5,196.48
	General - fin admin	6,600.00
	LOST	24,260.00
	Electric	30,000.00
	Sewer	10,000.00
	Water	10,000.00
	Local Option Sales Tax	10,000.00
- Street Construction	RUT to Streets	40,000.00
		<u>156,233.34</u>
Sinking Fund		
	Water	38,400.00
	TIF Electric	15,000.00
	Sewer	76,800.00
		<u>130,200.00</u>
Electric Reserve	Cap Project	608,893.35
Total		<u>\$ 1,291,127.25</u>

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

### Note 9 – Service Agreement

In April, 2009, the City entered into an agreement with Rudd Sanitation Service to provide for the collection and removal of garbage, rubbish, yard wastes, and recyclable materials from within the corporate limits of the City of Lake View. For the year ended June 30, 2011, the City paid Rudd Sanitation Service \$76,800.00 for services under this agreement.

## Note 10— Risk Management

### Iowa Communities Assurance Pool

The City of Lake View 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 with over 645 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2011, were \$52,719.43.

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 members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual

member. As of June 30, 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 claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions, however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

**Note 11 – Construction Contracts and Commitments**

The City has entered into the following commitment as of June 30, 2011.

<u>Project</u>	<u>Estimated Total Contract Costs</u>	<u>Paid to June 30, 2011</u>	<u>Remaining Commitment</u>
Police			
New Squad Car:	\$ 25,850.00	\$ .00	\$ 25,850.00

**Note 12– Budget Over-expenditure**

Per the Code of Iowa, disbursements may not legally exceed budgeted appropriations at the function level. During the year ended June 30, 2011, disbursements in the General-Public Safety, Public Works, and Debt Service activities functions and Business type activities - exceeded the amount budgeted.

**Required Supplemental Information**

**City of Lake View**  
**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances -**  
**Actual and Budget (Cash Basis) - All Governmental Funds and Proprietary Funds**  
**Year ended June 30, 2011**

	Governmental Fund Type Actual	Proprietary Fund Actual	Less Funds not Required to be Budgeted and Adjustments
<b>Receipts:</b>			
Property tax	\$ 463,582.76	\$ -	\$ -
Other taxes	114,607.38	-	-
Licenses and permits	11,365.05	-	-
Use of money and property	13,776.67	450.87	-
Intergovernmental	997,906.00	-	-
Charges for service	242,840.67	2,065,819.35	-
Special assessments	-	-	-
Fines & fees	-	-	-
Miscellaneous	68,665.26	143,735.17	10,117.92
<b>Total receipts</b>	<u>1,912,743.79</u>	<u>2,210,005.39</u>	<u>10,117.92</u>
<b>Disbursements:</b>			
Public Safety	271,371.16	-	-
Public Works	76,469.50	-	-
Health and Social Services	-	-	-
Culture and Recreation	223,353.51	-	-
Community & Economic Development	5,101.71	-	-
General Government	122,291.38	-	10,088.71
Debt Service	466,375.56	-	-
Capital Projects	476,875.56	-	-
<b>Total Government Activities</b>	<u>1,641,838.38</u>	<u>-</u>	<u>10,088.71</u>
Business Type Activities	<u>-</u>	<u>2,557,881.80</u>	<u>-</u>
<b>Total disbursements</b>	<u>1,641,838.38</u>	<u>2,557,881.80</u>	<u>10,088.71</u>
Excess (deficiency) of receipts over disbursements	270,905.41	(347,876.41)	29.21
Other financing sources (uses), net	<u>(286,857.47)</u>	<u>286,857.47</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(15,952.06)	(61,018.94)	-
<b>Balance beginning of year</b>	<u>713,959.85</u>	<u>168,196.66</u>	<u>-</u>
<b>Balance end of year</b>	<u>\$ 698,007.79</u>	<u>\$ 107,177.72</u>	<u>\$ -</u>

Net	Budgeted Amounts		Final to Actual	Net as % of Budget
	Original	Final	Variance Favorable (Unfavorable)	
\$ 463,582.76	\$ 470,120.00	\$ 470,120.00	\$ (6,537.24)	99%
114,607.38	118,738.00	123,738.00	(9,130.62)	93%
11,365.05	13,000.00	13,450.00	(2,084.95)	84%
14,227.54	17,150.00	20,550.00	(6,322.46)	69%
997,906.00	201,040.00	1,029,940.00	(32,034.00)	97%
2,308,660.02	2,259,250.00	2,382,450.00	(73,789.98)	97%
-	-	-	-	0%
-	-	-	-	402%
202,282.51	13,000.00	60,000.00	142,282.51	337%
<u>4,112,631.26</u>	<u>3,092,298.00</u>	<u>4,100,248.00</u>	<u>12,383.26</u>	100%
271,371.16	263,200.00	270,200.00	(1,171.16)	100%
76,469.50	73,275.00	73,275.00	(3,194.50)	104%
-	-	-	-	0%
223,353.51	241,641.00	243,641.00	20,287.49	92%
5,101.71	51,865.00	50,490.00	45,388.29	10%
112,202.67	78,750.00	104,750.00	(7,452.67)	107%
466,375.56	161,805.00	463,841.00	(2,534.56)	101%
476,875.56	218,000.00	505,000.00	28,124.44	94%
1,631,749.67	1,088,536.00	1,711,197.00	79,447.33	95%
2,557,881.80	1,921,020.00	2,501,221.00	(56,660.80)	102%
<u>4,189,631.47</u>	<u>3,009,556.00</u>	<u>4,212,418.00</u>	<u>22,786.53</u>	99%
(77,000.21)	82,742.00	(112,170.00)	35,169.79	
0.00	-	-	(0.00)	
(77,000.21)			35,169.79	
882,156.51	1,372,899.00	884,460.00		
<u>\$ 805,156.30</u>	<u>\$ 1,455,641.00</u>	<u>\$ 772,290.00</u>		

## City of Lake View

### Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business-type and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,058,628 and budgeted revenues and other financing by \$1,863,716. These budget amendments are reflected in the final budgeted amounts.

## **Supplemental Information**

**City of Lake View**  
**Schedule of Cash Receipts, Disbursements**  
**and Changes in Cash Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2011**

	Special		
	LOST	TIF	Road Use Tax
<b>Receipts:</b>			
Property tax	\$ -	\$ 80,362.35	\$ -
Other taxes	88,593.23	-	-
Use of money and property:			
Interest on deposits	-	-	-
Intergovernmental:			
State funding	-	-	122,033.64
Miscellaneous	-	-	-
<b>Total receipts</b>	<b>88,593.23</b>	<b>80,362.35</b>	<b>122,033.64</b>
<b>Disbursements:</b>			
Public Safety	-	-	-
Public Works	-	-	76,469.50
Culture and Recreation	-	-	-
Community & Economic Development:	-	-	-
General Government	-	-	-
Capital Projects	29,832.03	-	-
<b>Total disbursements</b>	<b>29,832.03</b>	<b>-</b>	<b>76,469.50</b>
Excess (deficiency ) of receipts over (under) disbursements	58,761.20	80,362.35	45,564.14
Other financing sources (uses):			
Operating transfers in	5,000.00	-	-
Operating transfers(out)	(34,260.00)	(79,487.59)	(40,000.00)
	(29,260.00)	(79,487.59)	(40,000.00)
Excess (deficiency) of receipts and other financing sources (uses) over (under) disbursements	29,501.20	874.76	5,564.14
<b>Cash balance beginning of year</b>	<b>83,042.33</b>	<b>5,714.45</b>	<b>15,177.24</b>
<b>Cash balance end of year</b>	<b>\$ 112,543.53</b>	<b>\$ 6,589.21</b>	<b>\$ 20,741.38</b>

40 See accompanying independent auditor's report.

Schedule 1

Revenue		
Hotel-Motel Tax	Trust & Agency	Total
\$ -	\$ -	\$ 80,362.35
22,355.54	-	110,948.77
-	40.00	40.00
-	-	122,033.64
-	1,249.63	1,249.63
<u>22,355.54</u>	<u>1,289.63</u>	<u>314,634.39</u>
-	-	-
-	-	76,469.50
-	1,027.32	1,027.32
3,211.71	-	3,211.71
-	-	-
-	-	29,832.03
<u>3,211.71</u>	<u>1,027.32</u>	<u>110,540.56</u>
19,143.83	262.31	204,093.83
-	-	5,000.00
(10,000.00)	-	(163,747.59)
<u>(10,000.00)</u>	<u>-</u>	<u>(158,747.59)</u>
9,143.83	262.31	45,346.24
355.74	208.86	104,498.62
<u>\$ 9,499.57</u>	<u>\$ 471.17</u>	<u>\$ 149,844.86</u>

See accompanying independent auditor's report.

**City of Lake View  
Statement of Indebtedness  
Year ended June 30, 2011**

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
<b>General Obligation Bonds:</b>			
Urban Renewal Project 3 (Evapco)	1/10/2000	4.80-5.50%	\$ 250,000.00
Street Improvement	7/25/2005	4%	250,000.00
Streetscape	7/8/2009	3.90%	400,000.00
Fire Truck	4/1/2010	3.50%	130,000.00
Boulder Motel Infrastructure (TIF)	4/1/2010	3.50%	250,000.00
<b>Revenue Notes/Bonds:</b>			
Electric Loan	2/15/2010	1.00%	300,000.00
Sewer Revenue Bond	9/30/1999	4.23% adj'd to 3%	1,138,000.00
Water Revenue Bond	8/7/2001	3.84%	529,000.00
Grand Total			<u>\$ 3,247,000.00</u>
<b>Interfund Loans:</b>			
Streetscape Loan (due Electric Fd)	3/31/2009	0.00%	\$ 400,000.00
Boulder Economic Development Loan			
due Local Option Sales Tax Fund	7/1/2010	0.00%	25,000.00
due General Fund	7/1/2010	0.00%	25,000.00
			<u>\$ 450,000.00</u>

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 60,000.00	\$ -	\$ 30,000.00	\$ 30,000.00	\$ 8,842.50	\$ -
50,000.00	-	50,000.00	-	1,925.00	-
390,000.00	-	15,000.00	375,000.00	13,650.00	-
130,000.00	-	14,000.00	116,000.00	5,277.09	-
250,000.00	-	21,000.00	229,000.00	10,202.59	-
300,000.00	-	300,000.00	-	2,035.88	-
685,000.00	-	56,000.00	629,000.00	20,892.50	-
336,000.00	-	25,000.00	311,000.00	13,070.40	-
<u>\$2,201,000.00</u>	<u>\$ -</u>	<u>\$511,000.00</u>	<u>\$1,690,000.00</u>	<u>\$75,895.96</u>	<u>\$ -</u>
\$ 225,000.00	\$ -	\$ 68,630.10	\$ 156,369.90	\$ -	\$ -
25,000.00	-	5,000.00	20,000.00	-	-
25,000.00	-	5,000.00	20,000.00	-	-
<u>\$ 275,000.00</u>	<u>\$ -</u>	<u>\$ 78,630.10</u>	<u>\$ 196,369.90</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying independent auditor's report.

City of Lake View  
 Bond and Note Maturities  
 June 30, 2011  
 General Obligation Bonds/Notes

<b>Series 2000</b>			<b>Streetscape</b>	
<b>Tax Incremental</b>				
<b>Financing - Evapco, Inc.</b>				
<b>Issued January 10, 2000</b>			<b>Issued 07/08/2009</b>	
<b>Year</b>				
<b>Ending</b>	<b>Interest</b>		<b>Interest</b>	
<b>June 30,</b>	<b>Rate</b>	<b>Amount</b>	<b>Rate</b>	<b>Amount</b>
2012	5.50	\$ 30,000.00	3.50	\$ 70,000.00
2013	-	-	3.50	70,000.00
2014	-	-	3.50	75,000.00
2015	-	-	3.50	80,000.00
2016	-	-	3.50	80,000.00
2017	-	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
		<u>\$ 30,000</u>		<u>\$ 375,000</u>

**Revenue Notes**

<b>Series 1996</b>			<b>Series 2000</b>	
<b>Sewer Improvement</b>			<b>Water Improvement</b>	
<b>Revenue Bond</b>			<b>Revenue Bond</b>	
<b>Issued Sept. 30, 1999</b>			<b>Issued August 2, 2001</b>	
<b>Year</b>				
<b>Ended</b>	<b>Interest</b>		<b>Interest</b>	
<b>June 30,</b>	<b>Rate</b>	<b>Amount</b>	<b>Rate</b>	<b>Amount</b>
2012	4.23	\$ 59,000.00	3.84	\$ 26,000.00
2013	4.23	61,000	3.84	27,000
2014	4.23	64,000	3.84	28,000
2015	4.23	67,000	3.84	29,000
2016	4.23	69,000	3.84	30,000
2017	4.23	72,000	3.84	32,000
2018	4.23	76,000	3.84	33,000
2019	4.23	79,000	3.84	34,000
2020	4.23	82,000	3.84	35,000
2021	-	-	3.84	37,000
		<u>\$ 629,000</u>		<u>\$ 311,000</u>

Tax Incremental Financing - Boulders Issued April 1, 2010		Fire Truck Note Issued April 1, 2010		Total General Obligation Bonds/Notes
Interest Rate	Amount	Interest Rate	Amount	
3.50	\$ 20,000.00	3.50	\$ 15,000.00	\$ 135,000.00
3.50	20,000.00	3.50	15,000.00	105,000.00
3.50	19,000.00	3.50	16,000.00	110,000.00
3.50	23,000.00	3.50	17,000.00	120,000.00
3.50	23,000.00	3.50	17,000.00	120,000.00
3.50	22,000.00	3.50	18,000.00	40,000.00
3.50	22,000.00	3.50	18,000.00	40,000.00
3.50	40,000.00	-	-	40,000.00
3.50	40,000.00	-	-	40,000.00
				-
	<u>\$ 229,000</u>		<u>\$ 116,000</u>	<u>\$ 750,000</u>

Total Revenue Notes
\$ 85,000.00
88,000
92,000
96,000
99,000
104,000
109,000
113,000
117,000
37,000
<u>\$ 940,000</u>

**City of Lake View**  
**Schedule of Cash Receipts, Disbursements**  
**and Change in Cash Balances**  
**Capital Projects Funds**  
**Year Ended June 30, 2011**

	<b>Street Construction</b>
<b>Receipts:</b>	
Use of money and property:	
Interest on investments	\$ -
Intergovernmental:	
Miscellaneous grants	-
	-
Charges for services:	-
Miscellaneous:	
Donations	40,488.70
Donations-Mini Golf	-
	47,487.71
<b>Total receipts</b>	<b>47,487.71</b>
<b>Disbursements:</b>	
Capital Projects Program:	
Capital outlay	72,735.96
<b>Total disbursements</b>	<b>72,735.96</b>
Deficiency of receipts under disbursements	(25,248.25)
Other financing sources (uses):	
Transfers In (Out):	
Planning Funds	-
General Fund	-
Electric Fund	-
	-
Excess (deficiency) of receipts and other financing sources (uses) over disbursements	(25,248.25)
<b>Balance beginning of year</b>	<b>118,376.99</b>
<b>Balance end of year</b>	<b>\$ 93,128.74</b>

Schedule 4

Planning Funds	Electric Improvement	Total
\$ 3,052.83	\$ 110.79	\$ 3,163.62
847,744.86	-	847,744.86
847,744.86	-	847,744.86
3,334.68	-	3,334.68
12,007.30	-	52,496.00
50.00	-	50.00
12,057.30	-	59,545.01
866,189.67	110.79	913,788.17
374,307.57	-	447,043.53
374,307.57	-	447,043.53
491,882.10	110.79	466,744.64
(608,893.35)	30,000.00	(578,893.35)
126,233.02	-	126,233.02
-	(15,000.00)	(15,000.00)
(482,660.33)	15,000.00	(467,660.33)
9,221.77	15,110.79	(915.69)
354,166.40	13,721.81	486,265.20
\$ 363,388.17	\$ 28,832.60	\$ 485,349.51

**City of Lake View**  
**Schedule of Cash Receipts, Disbursements and**  
**Changes in Cash Balances - Nonmajor Proprietary Funds**  
**Year Ended June 30, 2011**

	Garbage
<b>Receipts</b>	
Use of money and property:	
Interest on investments	\$ -
	-
Charges for service:	
Garbage fees	86,486.74
	86,486.74
Miscellaneous:	
Customer deposits	-
Merchandise sales	24,975.00
	24,975.00
<b>Total receipts</b>	<b>111,461.74</b>
<b>Disbursements:</b>	
Operations	106,208.95
Business Type Activities:	
Debt Service:	
Debt Service Payments	-
	-
<b>Total disbursements</b>	<b>106,208.95</b>
Excess of receipts over disbursements	5,252.79
<b>Other financing sources (uses):</b>	
Operating transfers in (out):	
Sewer	-
Water	-
Electric	-
	-
<b>Total other financing sources (uses)</b>	<b>-</b>
Excess of receipts (deficiency) and other financing sources (uses) over disbursements	5,252.79
<b>Balance beginning of year</b>	<b>1,778.06</b>
<b>Balance end of year</b>	<b>\$ 7,030.85</b>

Schedule 5

Water Sinking	Sewer Sinking	Customer Meter Deposits	Total
\$ 110.75	\$ 340.12	\$ -	\$ 450.87
110.75	340.12		450.87
-	-	-	86,486.74
-	-	-	86,486.74
-	-	10,379.04	10,379.04
-	-	-	24,975.00
-	-	10,379.04	35,354.04
110.75	340.12	10,379.04	122,291.65
-	-	11,479.04	117,687.99
38,070.40	76,892.50	-	114,962.90
38,070.40	76,892.50	11,479.04	232,650.89
(37,959.65)	(76,552.38)	(1,100.00)	(110,359.24)
-	76,800.00	-	76,800.00
38,400.00	-	-	38,400.00
-	-	-	-
38,400.00	76,800.00	-	115,200.00
440.35	247.62	(1,100.00)	4,840.76
6,583.09	33,201.09	23,563.92	65,126.16
\$ 7,023.44	\$ 33,448.71	\$ 22,463.92	\$ 69,966.92

**City of Lake View**

*Feldmann & Company C.P.A.s, P.C.*

523 North Main Street  
Carroll, Iowa 51401  
(712) 792-2464

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 financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Lake View, 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 September 16, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lake View'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 Lake View's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the City of Lake View's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily disclose all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

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

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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lake View's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that 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 of 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 Lake View'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 Lake View'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 management, City Council, and 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 Lake View 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.

*Feldmann, & Company CPAs, P.C.*

Feldmann & Company CPAs, P.C.  
September 16, 2011

**City of Lake View**  
**Schedule of Findings and Questioned Costs**  
**Year ended June 30, 2011**

**Part I. Summary of the Independent Auditor's Results**

- (a) An unqualified opinion was issued on the financial statements which were prepared in conformity with a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II. Findings Related to the General Purpose Financial Statements:**

**Instances of Non-Compliance:**

No matters were noted.

**Reportable Conditions:**

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 cash receipts listing, bank deposits and the posting of cash receipts to the cash receipts journal are all done by the same person.

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

Response – We will consider this.

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

**Part III. Findings and Questioned Costs for Federal Awards:**

**Instances of Non-Compliance:**

No matters were noted.

**Reportable Conditions:**

- III-A-11 Segregation of Duties over Federal Receipts – The City did not properly segregate collection, deposit and record keeping for receipts, including those related to federal programs. See item II-A-11.

**Part IV. Other Findings Related to Statutory Reporting:**

- IV-A-11 Official Depositories - A resolution naming official depositories has been approved by the Board. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2011.

- IV-B-11 Certified Budget - Disbursements for the year ended June 30, 2011, exceeded the amounts budgeted for several functions in the General Government Program, and exceeded budget for Business Activities expenditures. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The City should amend the budget before disbursements exceed budgeted amounts.

Response – We will closely monitor disbursements against budgeted amounts and properly amended the budget before disbursements exceed the budget,

Conclusion – Response accepted.

- IV-C-11 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979. However, certain disbursements did not have supporting documentation.

Recommendation The City should assure that supporting documentation used to prepare disbursements is cancelled and retained.

Response – We will review procedures to assure retention of all supporting documentation.

Conclusion - Response accepted.

- IV-D-11 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- IV-E-11 Business Transactions - No business transactions between the City and City officials or employees were noted that would appear to represent a conflict of interest in accordance with Chapter 362.5(10) of the Code of Iowa.
- IV-F-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-G-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-H-11 Deposits and Investments - We noted no instances of noncompliance with the investment provisions of Chapter 12B & 12C of the Code of Iowa and the City's investment policy.
- IV-I-11 Revenue Bonds and Notes – We noted no instances of non-compliance with the terms of the City's revenue bond/note provisions.
- IV-J-11 Excess Balance – The balance in the Electric Improvement Fund at June 30, 2011, was in excess of the disbursements for that fund for the year.

Recommendation – The City should consider the necessity of maintaining this substantial balance and, where financially feasible, consider reducing the balance in an orderly manner through revenue reductions.

Response – The Electric Improvement Fund is carrying a balance in anticipation of future improvement projects.

Conclusion – Response accepted.