

CITY OF BELLE PLAINE

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

JUNE 30, 2012

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City of Belle Plaine

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 1, 2012)		
Jim Daily	Mayor	Jan 2012
Harold Ealy	Council Member	Jan 2012
Garrison Reekers	Council Member	Jan 2014
Marv DeRycke	Council Member	Jan 2014
Jim Kurovski	Council Member	Jan 2014
Craig Van Scoyoc	Council Member	Jan 2012
(After January 1, 2012)		
Dave Fish	Mayor	Jan 2016
Garrison Reekers	Council Member	Jan 2014
Marv DeRycke	Council Member	Jan 2014
Jim Kurovski	Council Member	Jan 2014
Mary Pech	Council Member	Jan 2016
April Saunders	Council Member	Jan 2016
Kaye Buch	City Clerk	Indefinite
Jennifer Zahradnik	Attorney	Indefinite



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Belle Plaine, Iowa, as of and for the year ended June 30, 2012, 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 Belle Plaine's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Belle Plaine as of June 30, 2012, 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 November 6, 2012 on our consideration of the City of Belle Plaine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Belle Plaine's basic financial statements. We previously

audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Belle Plaine's basic financial statements. Management's Discussion and Analysis and the budgetary comparison information on pages 6 through 11 and 29 through 31 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C.

November 6, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Belle Plaine 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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

Because the City is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the City's financial position and results of operations.

2012 FINANCIAL HIGHLIGHTS

- Revenues of the City of Belle Plaine's governmental activities decreased \$1,825,453, from fiscal 2011 to fiscal 2012. Property tax increased \$20,501 and road use decreased \$13,369, and the local option sales tax decreased \$8,327.
- Disbursements decreased in the areas of Public Safety - \$41,348; Health and Social Services - \$588; Community & Economic Development - \$117,042; from July 1, 2011 to June 30, 2012. Increases were in: Public Works - \$17,929; Culture & Recreation - \$6,869; General Government - \$32,121; Debt Service - \$94,555; Capital Projects \$1,081,968 Business Type - \$293,454.
- As Belle Plaine completed this year, its governmental funds reported a combined a fund balance of \$2,382,180 a decrease of \$1,067,149 above last year's total of \$3,449,329. The following are the major reasons for the change in fund balances of the major funds from the prior year. Downtown Streetscape Project was the main reason for the decrease of funds.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

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

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the 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 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, sanitary sewer system and garbage. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund 4) the Capital Projects Funds and 5) the Permanent Funds. 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 include a statement of cash receipts, disbursements and changes in cash balances.

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

The required financial statements for proprietary funds include a statement of cash receipts, disbursement 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 decreased \$1,067,149 from a year ago, decreasing from \$3,449,329 to \$2,382,180. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	<u>Year ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Receipts and transfers:		
Program receipts:		
Charges for service	\$123,699	116,062
Operating grants, contributions and restricted interest		
Capital grants, contributions, and restricted interest		
General receipts		
Property Tax	972,432	962,217
Unrestricted investment earnings	44,348	62,557
Local Option Sales Tax	172,085	180,412
Intergovernmental	1,253,905	391,358
Other general receipts	1,819,111	496,222
Total receipts and transfers	<u>3,067,571</u>	<u>2,208,828</u>
Disbursements:		
Public safety	331,335	372,683
Public works	417,712	399,783
Health and social services	8,640	9,228
Culture and recreation	375,258	368,389
Community and economic development	118,421	236,419
General government	248,631	216,510
Debt service	482,522	387,011
Capital projects	<u>2,034,703</u>	<u>952,735</u>
Total disbursements	<u>4,017,222</u>	<u>2,942,758</u>
Increase (decrease) in cash basis net assets	1,067,149	1,660,886
Cash basis net assets beginning of year	<u>3,449,329</u>	<u>1,788,443</u>
Cash basis net assets end of year	<u>\$2,382,180</u>	<u>\$3,449,329</u>

The City's total receipts for governmental activities increased \$858,743. The total cost of all programs and services increased by \$1,074,464. The increase in property taxes was the result of increased taxable value in property. The tax rate remained the same at \$16.48 per thousand valuation.

There was an increase of taxes receipts in 2012 of \$10,215. Property taxes are expected to decrease by \$37,032 next year due to the TIF District.

The cost of all governmental activities this year was \$5,408,381 compared to \$4,505,799 last year. However, as shown in the Statement of Activities and Net Assets, the amount taxpayers ultimately financed for these activities was only because some of the cost was paid by other

governments and organizations that subsidized certain programs with grants, contributions and restricted interest \$1,298,253. Debt service totaled \$482,522 compared to \$387,967 in 2011.

Changes in Cash Basis Net Assets of Business Type Activities

	Year ended June 30,	
	<u>2012</u>	<u>2011</u>
Receipts:		
Program receipts:		
Water	\$279,455	\$273,900
Sewer	481,845	251,935
Garbage	242,989	231,535
YardWaste	28,118	7,056
Storm Water	59,529	59,956
Meter Deposits	4,300	2,700
Sewer Replacement	617	904
Total Receipts	<u>1,096,853</u>	<u>827,986</u>
Disbursements and transfers:		
Water	321,810	297,613
Sewer	560,482	237,298
Garbage	223,090	220,130
Meter Deposits	2,961	2,928
Storm Water	55,850	41,908
Yardwaste	<u>16,439</u>	<u>3,205</u>
Total disbursement & transfers	1,180,632	803,082
Change in cash basis net assets	(83,779)	24,904
Cash basis net assets beginning of year	<u>413,624</u>	<u>388,720</u>
Cash basis net assets end of year	<u>\$329,845</u>	<u>\$413,624</u>

Total business type activities receipts for the fiscal year were \$854,853 compared to \$827,986 last year. The cash balance decreased by \$83,779. Total disbursements for the fiscal year increased to a total of \$1,056,130 compared to \$766,832 last year, an increase of \$289,298.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As Belle Plaine completed this year, its governmental funds reported a combined fund balance of \$2,382,180 a decrease of \$1,067,149 above last year's total of \$3,449,329. The following are the major reasons for the change in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$43,468 from the prior year. There was an increase of \$9,761 in property taxes and a decrease of \$8,327 in local option sales tax.
- The Road Use Tax Fund cash balance increase of \$11,525
- The Urban Renewal Tax Increment Fund received \$120,257 for the fiscal year 2012. This was an increase of \$109,971 from last year.
- The Debt Service Fund cash balance increased from \$988,409 to \$37,961.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance had a decrease of (\$13,437) with a balance at the end of the year of \$31,126 due primarily to more projects/disbursements in the water department.
- The Sewer Fund cash balance decreased \$21,084 with the balance of at the end of the year of \$174,930 due to work on the sewer plant/sewer lines.
- The Garbage Fund cash balance had an increase of \$19,899 with a balance at the end of the year of \$86,495.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. One amendment was approved on February 21, 2012 in the amount of \$739,105. The other amendment was dated May 21, 2012 in the amount of \$913,840.

DEBT ADMINISTRATION

On June 30, 2012, the City has \$4,220,000 outstanding in bonds and other long-term debt, compared to \$4,450,000 last year as shown below.

Outstanding Debt at Year End

	<u>Year ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 390,000	\$435,000
Urban renewal tax increment financing	1,900,000	2,000,000
General Obligation bonds	<u>1,930,000</u>	<u>2,015,000</u>
Total	<u>\$4,220,000</u>	<u>\$4,450,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$4,220,000 is significantly below its constitutional debt limit of \$4,968,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Belle Plaine's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates, and fees that will be charged for various Belle Plaine activities. One of those factors is the economy. Unemployment in Belle Plaine (Benton County) now stands at 5.3 percent versus 5.2 percent a year ago. This compares with the National unemployment rate of 7.8 percent.

Inflation in the State continues to be somewhat lower than the national Consumer Price Index increase. The State's CPI increase was 3.2% percent for the fiscal year 2012. Inflation has been modest here due in part to the slowing of the residential housing market and increases in energy prices in 2011-2012.

These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are \$2,712,025, a decrease of \$1,150,928 over the final 2012 budget. Property tax (benefiting from the 2012 rate increases and increases in assessed valuations) and proceeds from a newly formed local option sales tax within the county/city are expected to help with maintaining the budget. The City will use these

increases in receipts to finance programs we currently offer. Budgeted disbursements are expected to increase because of capital projects.

If these estimates are realized, the City's budgeted cash balance is expected to decrease by approximately \$1,061,568 by the close of 2013.

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 Kaye Buch, City Clerk, 1207 8th Avenue, Belle Plaine, Iowa 52208.

City of Belle Plaine

Basic Financial Statements

City of Belle Plaine
 Statement of Activities and Net Assets - Cash Basis
 As of and for the year ended June 30, 2012

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 331,335	29,534		
Public works	417,712	-	240,353	
Health and social services	8,640	-	10,696	
Culture and recreation	375,258	74,081	14,324	82,249
Community and economic development	118,421	-	65,163	956,865
General government	248,631	36,145	100	13,172
Debt service	482,522	-	-	-
Capital projects	2,034,703	-	142	206,459
Total governmental activities	4,017,222	139,760	330,778	1,258,745
Business type activities:				
Water	292,892	270,485	-	-
Sewer	502,929	238,651	-	-
Storm sewer user fees	17,819	59,529	-	-
Garbage	223,090	242,959	-	-
Yard waste	16,439	28,118	-	-
Meter deposits	2,961	4,300	-	-
Total business type activities	1,056,130	844,042	-	-
Total	\$ 5,073,352	983,802	330,778	1,258,745

General Receipts:
 Property tax levied for:
 General purposes
 Tax increment financing
 Debt service
 Special assessments
 Local option sales tax
 Unrestricted interest on investments
 Miscellaneous
 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:
 Nonspendable
 Expendable:
 Streets
 Other purposes
 Unrestricted

Total cash basis net assets

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(301,801)	-	(301,801)
(177,359)	-	(177,359)
2,056	-	2,056
(204,604)	-	(204,604)
903,607	-	903,607
(199,214)	-	(199,214)
(482,522)	-	(482,522)
(1,828,102)	-	(1,828,102)
(2,287,939)	-	(2,287,939)
-	(22,407)	(22,407)
-	(264,278)	(264,278)
-	41,710	41,710
-	19,869	19,869
-	11,679	11,679
-	1,339	1,339
-	(212,088)	(212,088)
(2,287,939)	(212,088)	(2,500,027)
764,935	-	764,935
120,257	-	120,257
207,497	-	207,497
21,380	-	21,380
172,085	-	172,085
26,333	637	26,970
25,801	10,174	35,975
(117,498)	117,498	-
1,220,790	128,309	1,349,099
(1,067,149)	(83,779)	(1,150,928)
3,449,329	413,624	3,862,953
<u>\$ 2,382,180</u>	<u>329,845</u>	<u>2,712,025</u>
424,025	-	424,025
13,557	-	13,557
603,959	-	603,959
1,340,639	329,845	1,670,484
<u>\$ 2,382,180</u>	<u>329,845</u>	<u>2,712,025</u>

City of Belle Plaine

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

As of and for the year ended June 30, 2012

	General	Special Revenue	Debt Service	Capital Projects
		Local Option Sales Tax		Downtown Streetscape
Receipts:				
Property tax	\$ 581,659	-	207,497	-
Tax increment financing collections	-	-	-	-
Other city tax	-	172,085	-	-
Licenses and permits	16,061	-	-	-
Use of money and property	26,333	-	-	-
Intergovernmental	11,171	100	-	941,142
Charges for service	123,699	-	-	-
Special assessments	21,380	-	-	-
Miscellaneous	15,538	-	-	10,263
Total receipts	795,841	172,185	207,497	951,405
Disbursements:				
Operating:				
Public safety	263,777	7,260	-	-
Public works	114,818	-	-	-
Health and social services	-	-	-	-
Culture and recreation	244,913	13,410	-	-
Community and economic development	984	23,473	-	-
General government	190,625	-	-	-
Debt service	-	-	482,522	-
Capital projects	-	-	-	1,829,012
Total disbursements	815,117	44,143	482,522	1,829,012
Excess (deficiency) of receipts over (under) disbursements	(19,276)	128,042	(275,025)	(877,607)
Other financing sources (uses):				
Operating transfers in	68,844	-	217,577	600,000
Operating transfers out	(6,100)	(160,598)	(893,000)	-
Total other financing sources (uses)	62,744	(160,598)	(675,423)	600,000
Net change in cash balances	43,468	(32,556)	(950,448)	(277,607)
Cash balances beginning of year	312,680	303,116	988,409	438,901
Cash balances end of year	\$ 356,148	270,560	37,961	161,294
Cash Basis Fund Balances				
Nonspendable	\$ -	-	-	-
Restricted for:				
Streets	-	-	-	-
Other purposes	-	270,560	-	161,294
Committed for:				
Culture and recreation	-	-	-	-
Streets	-	-	-	-
Debt service	-	-	37,961	-
Assigned	-	-	-	-
Unassigned	356,148	-	-	-
Total cash basis fund balances	\$ 356,148	270,560	37,961	161,294

See notes to financial statements

Trust & Agency		Other	
Equipment	Library	Nonmajor	
Accruals	Improvements	Governmental	Total
		Funds	
-	-	183,276	972,432
-	-	120,257	120,257
-	-	-	172,085
-	-	-	16,061
-	3,153	14,862	44,348
-	-	301,492	1,253,905
-	-	-	123,699
-	-	-	21,380
13,172	27,249	277,182	343,404
13,172	30,402	897,069	3,067,571
5,840	-	54,458	331,335
14,216	-	288,678	417,712
-	-	8,640	8,640
38,414	22,963	55,558	375,258
32,813	-	61,151	118,421
23,863	-	34,143	248,631
-	-	-	482,522
-	-	205,691	2,034,703
115,146	22,963	708,319	4,017,222
(101,974)	7,439	188,750	(949,651)
183,325	-	203,915	1,273,661
(5,000)	-	(326,461)	(1,391,159)
178,325	-	(122,546)	(117,498)
76,351	7,439	66,204	(1,067,149)
656,456	268,153	481,614	3,449,329
732,807	275,592	547,818	2,382,180
424,025	-	-	424,025
-	-	13,557	13,557
-	-	172,105	603,959
-	-	126,160	126,160
-	-	15,865	15,865
-	-	-	37,961
308,782	275,592	216,630	801,004
-	-	3,501	359,649
732,807	275,592	547,818	2,382,180

City of Belle Plaine

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Governmental Funds

As of and for the year ended June 30, 2012

Total governmental funds cash balances (page 17)	\$ 2,382,180
The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
Cash basis net assets of governmental activities (page 15)	<u><u>\$ 2,382,180</u></u>
Net change in cash balances (page 17)	\$(1,067,149)
The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
Change in cash balance of governmental activities (page 15)	<u><u>\$(1,067,149)</u></u>

See notes to financial statements

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

As of and for the year ended June 30, 2012

	Enterprise Funds				Total
	Water	Sewer	Garbage	Other Nonmajor Proprietary Funds	
Operating receipts:					
Use of money and property	\$ -	-	20	617	637
Charges for service	270,485	238,651	242,959	91,947	844,042
Miscellaneous	8,970	1,194	10	-	10,174
Total operating receipts	<u>279,455</u>	<u>239,845</u>	<u>242,989</u>	<u>92,564</u>	<u>854,853</u>
Operating disbursements:					
Business type activities	292,892	502,929	223,090	37,219	1,056,130
Total operating disbursements	<u>292,892</u>	<u>502,929</u>	<u>223,090</u>	<u>37,219</u>	<u>1,056,130</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(13,437)</u>	<u>(263,084)</u>	<u>19,899</u>	<u>55,345</u>	<u>(201,277)</u>
Operating transfers in/(out)	-	242,000	-	(124,502)	117,498
Net change in cash balances	(13,437)	(21,084)	19,899	(69,157)	(83,779)
Cash balances beginning of year	31,126	196,014	66,596	119,888	413,624
Cash balances end of year	<u>\$ 17,689</u>	<u>174,930</u>	<u>86,495</u>	<u>50,731</u>	<u>329,845</u>
Cash Basis Fund Balances					
Unrestricted	<u>\$ 17,689</u>	<u>174,930</u>	<u>86,495</u>	<u>50,731</u>	<u>329,845</u>
	<u>\$ 17,689</u>	<u>174,930</u>	<u>86,495</u>	<u>50,731</u>	<u>329,845</u>

See notes to financial statements

City of Belle Plaine

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets -
Proprietary Funds

As of and for the year ended June 30, 2012

Total enterprise funds cash balances (page 19)	\$ 329,845
The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
Cash basis net assets of business type activities (page 15)	<u><u>\$ 329,845</u></u>
Net change in cash balances (page 19)	\$ (83,779)
The city does not have an internal service fund. Therefore there are no reconciling items.	<u>-</u>
Change in cash balance of business type activities (page 15)	<u><u>\$ (83,779)</u></u>

See notes to financial statements

City of Belle Plaine

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Belle Plaine is a political subdivision of the State of Iowa located in Benton County. It was first incorporated in 1868 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, sewer, and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Belle Plaine 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: Benton County Joint E911 Service Board, Benton County Emergency Operations Commissions, Kirkwood Community College Community Education Agreement, and Williamsburg-Marengo-Belle Plaine Drug Task Force Agreement

B. Basis of Presentation

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

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

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City.

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

Unrestricted net assets consist of net assets 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 and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Special Revenue – Local Option Sales Tax is used to account for the proceeds of Local Option Sales Tax collections and expenditures related to the approved public referendum for this tax.

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

The Capital Projects – Downtown Streetscape Fund is utilized to account for the downtown street and sidewalk revitalization project going on during the year.

Trust Funds:

The Equipment Accruals Fund is a savings account for City departments. If departments have funds leftover in their budget for expenditure at the end of the fiscal year, they can transfer the balance

to this fund to save up for larger equipment purchases. Also, any capital donations from the public are accrued here.

The Library Improvement Fund is used to account for donations to the Library and interest earned on the Library's investments. Disbursements from this fund are used to supplement the Library's ongoing operations.

The City reports the following major proprietary funds:

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

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

The Garbage Fund accounts for the City's garbage collection contract and collections of garbage revenue.

C. Measurement Focus and Basis of Accounting

The City of Belle Plaine 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 City Council intends to use for specific purposes.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2012 disbursements did not exceed the amounts budgeted in any functions.

(2) Cash and Pooled Investments

The City’s deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2012, the City held none of these investments.

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Corporate Purpose Bonds		General Obligation Aquatic Center Bonds		General Obligation Corporate Purpose Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	50,000	16,395	90,000	79,625	100,000	65,698
2014	50,000	14,495	90,000	77,375	100,000	62,698
2015	55,000	12,495	90,000	75,125	100,000	59,698
2016	55,000	10,240	95,000	72,425	105,000	56,698
2017	55,000	7,930	95,000	69,575	105,000	53,548
2018– 2029	125,000	8,490	1,470,000	471,650	1,390,000	331,801
Total	\$390,000	70,045	1,930,000	845,775	1,900,000	630,141

Year Ending June 30,	Aquatic Center Pledge <u>Revenue Bonds</u>		<u>Total</u>	
	Principal	Interest	Principal	Interest
2013	50,000	10,115	290,000	171,802
2014	30,000	7,990	270,000	162,527
2015	30,000	6,715	275,000	154,002
2016	32,000	4,080	287,000	143,262
2017	32,000	2,720	287,000	133,773
2018– 2029	64,000	1,275	3,049,000	813,216
Total	\$ 238,000	32,895	4,458,000	1,578,582

Revenue Bonds

The City received donations for the aquatic center built in 2010 to be collected over nine years. Proceeds from the Aquatic Center Pledge Revenue Bonds were used to pay for the construction cost of the aquatic center when built and as pledged donations are received, the bonds will be paid off. During the current year, \$54,000 of principal and \$11,256 of interest was paid on the bonds.

(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 5.38% of their annual covered salary and the City is required to contribute 8.07% 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 contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$52,230, \$54,760, and \$45,323, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer benefit plan which provides medical/prescription drug benefits for current employees and their spouses and families. IPERS eligible retirees and their spouses are able to participate in the plan at their own expense. There are 14 active and no retired members in the plan. 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 the City pays on behalf of employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. For the year ended June 30, 2012, the City contributes 95% of the premium and the employee is responsible for 5%. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City are \$311 for single coverage, \$638 for employee and spouse coverage, and \$956 for employee, spouse, and children coverage. The same monthly

premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$108,668 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours. Vacation leave is for subsequent use or for payment upon termination, retirement or death. Unused sick leave is forfeited upon termination, retirement, or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	<u>\$ 16,981</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

Transfer to	Transfer from	Amount
General	Trust & Agency	
	Library Improvement	\$ 553
	Special Revenue	
	LOST	17,292
	Debt Service	51,000
Debt Service	Special Revenue	
	LOST	52,000
	TIF	122,546
	Enterprise	
	Storm Sewer User Fees	38,031
	Trust & Agency	
	Equipment Accruals	5,000
Capital Projects		
Downtown Streetscape	Debt Service	600,000
Capital Projects	Capital Projects	
Snow Equipment Bldg	Four Corners	203,915
Enterprise		
Sewer	Debt Service	242,000
Trust & Agency	Special Revenue	
Equipment Accruals	LOST	90,754
	General	6,100
	Enterprise	
	Water	28,918
	Sewer	57,553

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

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$3,800 during the year ended June 30, 2012.

(9) Risk Management

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

(10) Deficit Fund Balance

The Capital Projects Funds – 2009 Sanitary and Storm Sewer Project, Snow Removal Equipment, and Snow Removal Building all had a deficit balances at June 30, 2012. The Council is aware of the deficit balance and is working to cure it.

(11) Litigation

The City was not subject to any litigation at June 30, 2012.

(12) Subsequent Events

We noted no subsequent events from the fiscal year ended June 30, 2012 through the date of the audit report, November 6, 2012.

Other Information

City of Belle Plaine

Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances -
Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 972,432	-	-
Tax increment financing collections	120,257	-	-
Other city tax	172,085	-	-
Licenses and permits	16,061	-	-
Use of money and property	44,348	637	-
Intergovernmental	1,253,905	-	-
Charges for service	123,699	844,042	-
Special assessments	21,380	-	-
Miscellaneous	343,404	10,174	-
Total receipts	<u>3,067,571</u>	<u>854,853</u>	-
Disbursements:			
Public safety	331,335	-	-
Public works	417,712	-	-
Health and social services	8,640	-	-
Culture and recreation	375,258	-	-
Community and economic development	118,421	-	-
General government	248,631	-	-
Debt service	482,522	-	-
Capital projects	2,034,703	-	-
Business type activities	-	1,056,130	-
Total disbursements	<u>4,017,222</u>	<u>1,056,130</u>	-
Excess (deficiency) of receipts over (under) disbursements	(949,651)	(201,277)	-
Transfers in/out, (net)	<u>(117,498)</u>	<u>117,498</u>	-
Excess of receipts and other financing sources over disbursements and other financing uses	(1,067,149)	(83,779)	-
Balances beginning of year	<u>3,449,329</u>	<u>413,624</u>	-
Balances end of year	<u>\$ 2,382,180</u>	<u>329,845</u>	-

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
972,432	915,130	915,130	57,302
120,257	127,038	127,038	(6,781)
172,085	190,576	190,576	(18,491)
16,061	12,623	12,623	3,438
44,985	40,000	40,000	4,985
1,253,905	1,664,266	1,693,691	(439,786)
967,741	1,052,126	1,067,126	(99,385)
21,380	20,000	20,000	1,380
353,578	112,196	669,716	(316,138)
3,922,424	4,133,955	4,735,900	(813,476)
331,335	368,544	368,544	37,209
417,712	411,268	476,568	58,856
8,640	17,500	17,500	8,860
375,258	327,948	402,293	27,035
118,421	65,230	132,530	14,109
248,631	205,368	291,368	42,737
482,522	382,398	532,398	49,876
2,034,703	1,400,000	2,368,000	333,297
1,056,130	911,856	1,153,856	97,726
5,073,352	4,090,112	5,743,057	669,705
(1,150,928)	43,843	(1,007,157)	(143,771)
-	-	-	-
(1,150,928)	43,843	(1,007,157)	(143,771)
3,862,953	3,172,267	-	3,862,953
2,712,025	3,216,110	(1,007,157)	3,719,182

City of Belle Plaine

Notes to Other Information – Budgetary Reporting

June 30, 2012

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

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

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. 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, business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$1,652,945. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted in the any function.

Supplementary Information

City of Belle Plaine

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

As of and for the year ended June 30, 2012

	Special Revenue					
	Road Use Tax	Employee Benefits	Urban Renewal Tax Increment	I-JOBS	Aquatic Center Pledge Obligation	REAP Grant
Receipts:						
Property tax	\$ -	183,276	-	-	-	-
Tax increment financing	-	-	120,257	-	-	-
Other city tax	-	-	-	-	-	-
Use of money and property	-	-	-	-	-	-
Intergovernmental	240,353	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Miscellaneous	-	-	-	-	55,000	-
Total receipts	240,353	183,276	120,257	-	55,000	-
Disbursements:						
Operating:						
Public safety	-	54,458	-	-	-	-
Public works	228,828	59,850	-	-	-	-
Health and social services	-	-	-	-	-	-
Culture and recreation	-	34,893	-	-	-	3,283
Community and economic develop	-	-	-	-	-	-
General government	-	34,143	-	-	-	-
Debt service	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Total disbursements	228,828	183,344	-	-	-	3,283
Excess (deficiency) of receipts over (under) disbursements	11,525	(68)	120,257	-	55,000	(3,283)
Other financing sources:						
Operating transfers in/(out)	-	-	(122,546)	-	-	-
Total other financing sources	-	-	(122,546)	-	-	-
Net change in cash balances	11,525	(68)	(2,289)	-	55,000	(3,283)
Cash balances beginning of year	2,032	149,987	2,289	15,865	71,160	25,469
Cash balances end of year	\$ 13,557	149,919	-	15,865	126,160	22,186
Cash Basis Fund Balances						
Restricted for:						
Streets	13,557	-	-	-	-	-
Other purposes	-	149,919	-	-	-	22,186
Committed for:						
Culture and recreation	-	-	-	-	126,160	-
Streets	-	-	-	15,865	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
	\$ 13,557	149,919	-	15,865	126,160	22,186

See accompanying independent auditor's report

Capital Projects					Trust and Agency			Total
4-Corners Industrial	Aquatic Center	2009 Sanitary & Storm Sewer Project	Snow Removal Equipment	Snow Equipment Building	Medical	Community Center	Economic Development	
-	-	-	-	-	-	-	-	183,276
-	-	-	-	-	-	-	-	120,257
142	-	-	-	-	10,696	4,024	-	14,862
-	-	-	-	-	-	-	61,139	301,492
-	-	-	-	-	-	-	-	-
197,057	-	-	9,402	-	-	15,723	-	277,182
197,199	-	-	9,402	-	10,696	19,747	61,139	897,069
-	-	-	-	-	-	-	-	54,458
-	-	-	-	-	-	-	-	288,678
-	-	-	-	-	8,640	-	-	8,640
-	-	-	-	-	-	17,382	-	55,558
-	-	-	-	-	-	-	61,151	61,151
-	-	-	-	-	-	-	-	34,143
-	-	-	-	-	-	-	-	-
2,285	3,875	2,271	-	197,260	-	-	-	205,691
2,285	3,875	2,271	-	197,260	8,640	17,382	61,151	708,319
194,914	(3,875)	(2,271)	9,402	(197,260)	2,056	2,365	(12)	188,750
(203,915)	-	-	-	203,915	-	-	-	(122,546)
(203,915)	-	-	-	203,915	-	-	-	(122,546)
(9,001)	(3,875)	(2,271)	9,402	6,655	2,056	2,365	(12)	66,204
41,004	66,154	(195)	(24,498)	(17,595)	8,213	77,961	63,768	481,614
32,003	62,279	(2,466)	(15,096)	(10,940)	10,269	80,326	63,756	547,818
-	-	-	-	-	-	-	-	13,557
-	-	-	-	-	-	-	-	172,105
-	-	-	-	-	-	-	-	126,160
-	-	-	-	-	-	-	-	15,865
-	62,279	-	-	-	10,269	80,326	63,756	216,630
32,003	-	(2,466)	(15,096)	(10,940)	-	-	-	3,501
32,003	62,279	(2,466)	(15,096)	(10,940)	10,269	80,326	63,756	547,818

City of Belle Plaine

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

As of and for the year ended June 30, 2012

	Enterprise Funds					Total
	Storm Sewer User Fees	Yard Waste	Water Revenue Bond Sinking	Sewer Replacement	Meter Deposits	
Operating receipts:						
Use of money and property	\$ -	-	-	617	-	617
Charges for service	59,529	28,118	-	-	4,300	91,947
Miscellaneous	-	-	-	-	-	-
Total operating receipts	59,529	28,118	-	617	4,300	92,564
Operating disbursements:						
Business type activities	17,819	16,439	-	-	2,961	37,219
Total operating disbursements	17,819	16,439	-	-	2,961	37,219
Excess (deficiency) of operating receipts over (under) operating disbursements	41,710	11,679	-	617	1,339	55,345
Operating transfers in/(out)	(38,031)	-	(28,918)	(57,553)	-	(124,502)
Net change in cash balances	3,679	11,679	(28,918)	(56,936)	1,339	(69,157)
Cash balances beginning of year	25,058	3,851	28,918	56,936	5,125	119,888
Cash balances end of year	\$ 28,737	15,530	-	-	6,464	50,731
Cash Basis Fund Balances						
Unrestricted	\$ 28,737	15,530	-	-	6,464	50,731
	\$ 28,737	15,530	-	-	6,464	50,731

See accompanying independent auditor's report

City of Belle Plaine

Schedule of Indebtedness

Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Corporate Purpose Bonds, Series 2008	Jul 21, 2008	3.0 - 4.5	535,000
Aquatic Center Bonds, Series 2009A	Sept 15, 2009	2.5 - 4.75	2,100,000
Corporate Purpose Bonds, Series 2011A	May 15, 2011	3.0 - 4.0	2,000,000
Revenue bond:			
Aquatic Center Pledge Revenue Bond	July 1, 2010	4.25	350,000

See accompanying independent auditor's report

Schedule 3

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 435,000	-	45,000	390,000	18,515	-
2,015,000	-	85,000	1,930,000	82,250	-
2,000,000	-	100,000	1,900,000	72,501	-
4,450,000	-	230,000	4,220,000	173,266	-
292,000	-	54,000	238,000	11,256	-
\$ 292,000	-	54,000	238,000	11,256	-

City of Belle Plaine
 Bond and Note Maturities

June 30, 2012

Year Ending June 30,	General Obligation Bonds						Total
	Corporate Purpose		Aquatic Center		Corporate Purpose		
	Issued Jul 21, 2008		Issued Sept 15, 2009		Issued May 15, 2011		
2013	3.80	50,000	2.50	90,000	3.00	100,000	240,000
2014	4.00	50,000	2.50	90,000	3.00	100,000	240,000
2015	4.10	55,000	3.00	90,000	3.00	100,000	245,000
2016	4.20	55,000	3.00	95,000	3.00	105,000	255,000
2017	4.30	55,000	4.00	95,000	3.25	105,000	255,000
2018	4.40	60,000	4.00	100,000	3.25	105,000	265,000
2019	4.50	65,000	4.00	100,000	3.25	110,000	275,000
2020	-	-	4.00	105,000	3.25	115,000	220,000
2021	-	-	4.25	110,000	3.20	115,000	225,000
2022	-	-	-	-	3.40	120,000	120,000
2023	-	-	4.50	235,000	3.50	125,000	360,000
2024	-	-	-	-	3.65	130,000	130,000
2025	-	-	4.50	250,000	3.80	135,000	385,000
2026	-	-	-	-	-	-	-
2027	-	-	4.75	275,000	-	-	275,000
2028	-	-	-	-	4.00	435,000	435,000
2029	-	-	4.75	295,000	-	-	295,000
Total		<u>390,000</u>		<u>1,930,000</u>		<u>1,900,000</u>	<u>4,220,000</u>

Year Ending June 30,	Revenue Bond	
	Issued July 1, 2010	
2013	4.25	50,000
2014	4.25	30,000
2015	4.25	30,000
2016	4.25	32,000
2017	4.25	32,000
2018	4.25	34,000
2019	4.25	30,000
		<u>238,000</u>

See accompanying independent auditor's report

City of Belle Plaine

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Receipts:									
Property tax	\$ 972,432	951,931	803,381	774,383	712,991	747,305	745,619	790,604	775,342
Tax increment financing	120,257	10,286	71,945	135,197	129,116	119,692	113,268	108,739	102,655
Other city tax	172,085	180,412	192,256	185,828	264,321	228,810	299,037	148,016	867
Licenses and permits	16,061	17,094	25,378	15,034	15,950	15,012	10,585	10,056	6,490
Use of money and property	44,348	62,557	79,819	69,630	66,877	42,497	36,205	28,542	29,740
Intergovernmental	1,253,905	391,358	379,400	784,825	273,785	254,209	244,444	351,415	261,038
Charges for service	123,699	116,062	90,153	149,978	71,225	73,210	105,063	68,172	69,554
Special assessments	21,380	31,318	14,088	14,673	21,352	13,934	6,829	1,490	3,411
Miscellaneous	343,404	447,810	970,672	353,016	136,703	343,880	194,892	239,675	221,998
Total	\$ 3,067,571	2,208,828	2,627,092	2,482,564	1,692,320	1,838,549	1,755,942	1,746,709	1,471,095
Disbursements:									
Operating:									
Public safety	\$ 331,335	372,683	528,112	528,112	383,878	344,252	335,867	290,660	321,695
Public works	417,712	399,783	410,862	410,862	452,971	338,178	367,577	489,343	274,544
Health and social services	8,640	9,228	8,855	8,855	14,280	15,246	5,940	6,532	9,424
Culture and recreation	375,258	368,389	340,257	340,257	291,192	300,628	288,343	345,254	262,247
Community and economic development	118,421	236,419	77,607	77,607	39,134	33,713	6,614	-	17,569
General government	248,631	216,510	217,578	217,578	172,242	152,491	161,333	164,953	170,272
Debt service	482,522	387,011	222,552	222,552	287,010	198,285	328,431	253,919	862,480
Capital projects	2,034,703	952,735	515,438	515,438	64,558	207,504	47,566	146,354	160,931
Total	\$ 4,017,222	2,942,758	2,321,261	2,321,261	1,705,265	1,590,297	1,541,671	1,697,015	2,079,162

See accompanying independent auditor's report

City of Belle Plaine

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
U.S. Department of Housing and Urban Development: Iowa Department of Economic Development Community Development Block Grant			
Project Number:	14.228	08-HSG-081	\$ 58,366
Project Number:	14.228	09-DTR-004-04-05	353,519
Project Number:	14.228	10-OT-002	253,346
U.S. Department of Transportation - Federal Aviation Administration Airport Improvement Program			
Project Number:	20.106	3-19-0131-05-2010	10,594
Project Number:	20.106	3-19-0131-06-2010	2,860
Project Number:	20.106	3-19-0131-07-2011	171,000
		Total	\$ 849,685

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Belle Plaine and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Belle Plaine, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 6, 2012. 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

The management of the City of Belle Plaine is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Belle Plaine'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 Belle Plaine's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Belle Plaine's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

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

Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-12 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-12 to be a significant deficiency.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Belle Plaine'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 Belle Plaine's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Belle Plaine and other parties to whom the City of Belle Plaine may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Belle Plaine 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.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

November 6, 2012

**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**



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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

We have audited City of Belle Plaine, 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 Belle Plaine's major federal program for the year ended June 30, 2012. City of Belle Plaine's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of City of Belle Plaine's management. Our responsibility is to express an opinion on City of Belle Plaine's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether 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 City of Belle Plaine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Belle Plaine's compliance with those requirements.

In our opinion, City of Belle Plaine 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, 2012.

Internal Control Over Compliance

The management of City of Belle Plaine 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 our audit, we considered City of Belle Plaine's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we

do not express an opinion on the effectiveness of City of Belle Plaine's internal control over compliance.

Our 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.

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.

City of Belle Plaine'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 City of Belle Plaine's responses and, accordingly, we express no opinion on them.

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

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., CPA'S

November 6, 2012

City of Belle Plaine

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

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

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) 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) No material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which would be 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 Grants/State's Program.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) City of Belle Plaine did not qualify as a low-risk auditee.

City of Belle Plaine

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-12 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.

Recommendation – We 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 consider this.

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

II-B-12 Preparation of Financial Statements - The City of Belle Plain, Iowa does not employ an accounting staff with the technical expertise to prepare its financial statements (including footnotes disclosures) in conformity with accounting principles general accepted in the United States of America; therefore, it relies on its auditors to prepare such statements.

Response – Management feels that having the auditors draft the financial statements and notes is a tolerable situation. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements. Management approves the draft financial statements prior to their issuance.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were reported

City of Belle Plaine

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 14.228: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
Pass-through Agency Number: 08-HSG-081, 09-DTR-004-04-05, and 10-OT-02
Federal Award Year: 2011
U.S. Department of Housing and Urban Development
Passed through the Iowa Department of Economic Development

CFDA Number 20.106: Airport Improvement Program
Project Number: 3-19-0131-05-2010, 3-19-0131-06-2010, and 3-19-0131-07-2011
Federal Award Year: 2011
U.S. Department of Transportation, Federal Aviation Administration, Airports Division

No matters were noted.

City of Belle Plaine

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Part IV: Other Findings Related to Statutory Reporting:

- IV-A-12 Certified Budget – Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted in any function.
- IV-B-12 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.
- IV-C-12 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- IV-D-12 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Al Dvorak, City Employee	Contract for meter reading	\$ 3,800

In accordance with Chapter 362.5(1) of the Code of Iowa, the amount paid to the employee for services of \$3,800 does not appear to represent a conflict of interest because the “payment of lawful compensation of a city employee holding more than one city office or position, the holding of which is not incompatible with another public office and is not prohibited by law.”

- IV-E-12 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-F-12 Council Minutes – Transactions were found that we believe should have been approved in the Council minutes but were not. There were five instances where transfers between funds were not approved by the council or not handled properly.

Recommendation – The Council should approve and review all transfers in the minutes of their meetings. Also, the City Administrator and City Clerk should review all transfers for propriety each month.

Response – We will improve this function.

Conclusion – Response accepted.

- IV-G-12 Deposits and Investments – No instances of non-compliance with deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment provisions were noted.
- IV-H-12 Payment of General Obligation Bonds – The City properly paid for its general obligation bonds out of the Debt Service fund.

City of Belle Plaine

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

IV-I-12 Tax Increment Financing Collections – During the year, the City collected tax increment financing property taxes levied for an interfund loan from the General Fund to the TIF Fund. When collected, the taxes were incorrectly transferred to the Debt Service Fund.

Recommendation – The City should have paid back the interfund loan from the General Fund with the TIF tax proceeds.

Response – We will do this.

Conclusion – Response accepted.

IV-J-12 Financial Condition – As of June 30, 2012, the Capital Projects – 2009 Sanitary and Storm Sewer Project had a deficit balance of \$2,466; Capital Projects – Snow Removal Equipment had a deficit balance of \$15,096; Capital Projects – Snow Equipment Building had a deficit balance of \$10,940.

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

Response – We will do this.

Conclusion – Response accepted.

IV-J-12 Fund Balances – As of June 30, 2012, the Capital Projects – Aquatic Center Fund had a balance remaining of over \$62,000, much of which is attributable to leftover bond proceeds from the aquatic center project. Iowa Code section 12C.9(2) states, in part, “earnings and interest from proceeds of indebtedness shall be used to pay the principal or interest as the principal or interest comes due on the indebtedness or to fund the construction of the project for which the indebtedness was issued, or shall be credited to the capital project fund for which the indebtedness was issued.”

Recommendation – The City should obtain formal written guidance from bonding or other counsel regarding how to dispose of this fund balance.

Response – We will do this.

Conclusion – Response accepted.

City of Belle Plaine

Staff

This audit was performed by:

Gina Trimble, CPA, Manager
Dana Elliott, CPA, Staff