

CITY OF BELMOND

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

JUNE 30, 2012

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

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

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

A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. The financial statements referred to above include only the primary government of the City of Belmond, Iowa, which consists of all funds, organizations, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include the financial data of legally separate component units which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Belmond at June 30, 2012 and the respective changes in the cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated September 5, 2012 on our consideration of the City of Belmond's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Belmont's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the year ended June 30, 2011 (which are not presented herein) and expressed a qualified opinion on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. The financial statements for the eight years ended June 30, 2010, (none of which are presented herein) were audited by other auditors in accordance with standards referred to in the second paragraph of this report who expressed qualified opinions on 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 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 City of Belmont's basic financial statements. Management's Discussion and Analysis and budgetary comparison information on pages 6 through 12 and 28 through 29 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.

September 5, 2012


Renner & Birchem, P.C.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Belmont provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 5.1%, or \$84,659 from fiscal 2011 to fiscal 2012. Property tax receipts increased \$31,791 and local option tax increased \$58,016.
- Disbursements decreased 8.7% or \$154,724 in fiscal 2012 from fiscal 2011. Public safety, culture and recreation and general government disbursements increased \$78,970, \$24,905 and \$19,545, respectively. Debt service, public works and community and economic development disbursements decreased \$110,886, \$127,645 and \$34,734, respectively.
- The City's total cash basis net assets increased 26.2%, or \$408,105 from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased \$248,797 and the assets of the business type activities increased by \$159,308.

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.

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

Basis of Accounting

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

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

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

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

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

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

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Local Option Tax, 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.

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

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$975,432 to \$1,224,229. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Government Activities		
Receipts:	Year Ended June 30,	
	2012	2011
Program receipts:		
Charges for service	\$ 42,642	45,551
Operating grants, contributions and restricted interest	290,886	288,782
Capital grants, contributions and restricted interest	18,038	33,144
General receipts:		
Property tax	1,026,057	994,266
Local option tax	242,181	184,165
Unrestricted interest	10,335	4,143
Other general receipts	102,133	97,562
Total receipts	<u>1,732,272</u>	<u>1,647,613</u>

Disbursements:		
Public safety	464,164	385,194
Public works	232,960	360,605
Health and social services	1,639	1,639
Culture and recreation	270,819	245,914
Community and economic development	12,401	47,135
General government	210,228	190,683
Debt service	425,893	536,779
Capital projects	9,486	14,365
Total disbursements	<u>1,627,590</u>	<u>1,782,314</u>
Change in cash basis net assets before other financing sources	<u>104,682</u>	<u>(134,701)</u>
Other financing sources (uses)		
Sale of assets	2,314	8,526
Transfers, net	<u>141,801</u>	<u>194,013</u>
Total other financing sources (uses)	<u>144,115</u>	<u>202,539</u>
Change in cash basis net assets	248,797	67,838
Cash basis net assets beginning of year	<u>975,432</u>	<u>907,594</u>
Cash basis net assets end of year	<u><u>\$1,224,229</u></u>	<u><u>975,432</u></u>

The City's total receipts for governmental activities increased by 5.1%, or \$84,659. The total cost of all programs and services decreased by \$154,724, or 8.7%, with no new programs added this year.

The cost of all governmental activities this year was \$1,627,590 compared to \$1,782,314 last year. However, as shown in the Statement of Activities and Net Assets on page 14, the amount taxpayers ultimately financed for these activities was only \$1,276,024 because some of the cost was paid by those directly benefiting from the programs (\$42,642) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$308,924). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, decreased in fiscal year 2012 from \$367,477 to \$351,566.

Changes in Cash Basis Net Assets of Business Type Activities

Receipts:	Year Ended June 30,	
Program receipts:	2012	2011
Charges for service:		
Water	\$ 831,084	581,179
Sewer	430,216	437,102
Landfill	60,486	60,236
Storm sewer	60,289	46,184
Capital grants, contributions and restricted interest	53,251	1,994,284
General receipts:		
Unrestricted interest on investments	5,603	435
Bond proceeds	3,342,133	3,382,202
Other general receipts	10,561	10,432
Total receipts	<u>4,793,623</u>	<u>6,512,054</u>
 Disbursements:		
Water	289,370	243,917
Sewer	202,741	203,884
Landfill	61,546	66,205
Storm sewer	2,372	435
Debt service	460,412	
Capital projects	3,476,073	5,375,978
Total disbursements	<u>4,492,514</u>	<u>5,890,419</u>
Change in cash basis net assets before transfers	301,109	621,635
Transfers, net	<u>(141,801)</u>	<u>(194,013)</u>
Change in cash basis net assets	159,308	427,622
 Cash basis net assets beginning of year	<u>584,890</u>	<u>157,268</u>
Cash basis net assets end of year	<u>\$ 744,198</u>	<u>584,890</u>

Total business type activities receipts for the fiscal year were \$4,793,623 compared to \$6,512,054 last year. This decrease was due primarily to the reduction in capital grants for the new waste water treatment plant. Total disbursements, including debt service, for the fiscal year decreased by \$1,397,905 to a total of \$4,492,514. This decrease was due primarily to the cost of the waste water treatment project nearing completion. The cash balance increased by \$159,308 during the fiscal year compared to an increase of \$427,622 last year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Belmont completed the year, its governmental funds reported a combined fund balance of \$1,224,229, an increase of \$248,797 from last year's total of

\$975,432. 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 \$70,541 from the prior year to \$53,765. \$78,970 was due primarily to an increase in public safety disbursements.
- The Local Option Tax Fund cash balance increased by \$197,355 to \$693,140 during the fiscal year.
- There was an increase in the Debt Service Fund cash balance of \$12,969 for an ending balance of \$20,036.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$40,403 to \$241,826 during the fiscal year.
- The Sewer Fund cash balance increased by \$58,526 to \$191,062 during the fiscal year.
- The Water Sinking Fund cash balance increase by \$98,643 to \$105,109 during the fiscal year due primarily to transfers in for the note payments.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amended budget was approved on May 21, 2012 to provide for additional \$2,480,643 receipts and a \$1,522,852 reduction in disbursements for delays in capital projects expected in the enterprise funds.

DEBT ADMINISTRATION

At June 30, 2012, the City had \$8,682,109 in bonds and other long-term debt outstanding, compared to \$5,940,900 at the end of the prior year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2012	2011
General obligation bonds	\$ 2,050,000	2,341,000
Urban renewal tax increment financing revenue bonds	104,814	142,738
Revenue notes	6,527,295	3,457,162
Total	\$ 8,682,109	5,940,900

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

During the fiscal year 2012, the City refinanced its Street Improvement Capital Loan Notes, Series 2003, to reduce the interest rate to .50%-1.85% payable over the remainder of the original note.

During the fiscal year 2012, the City refinanced its Street Improvement Capital Loan Notes, Series 2007, to reduce the interest rate to .50%-2.85% payable over the remainder of the original note.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$2,154,814 is below its constitutional debt limit of approximately \$5,020,931. Additional information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Belmond's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities. Economic factors in the area remain steady as the county unemployment rate remains one of the lowest in the state.

These among other economic factors were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are \$5,944,407, a decrease of 46.3% from the final 2012 budget. Budgeted disbursements are expected to increase by \$2,182,693. The City has budgeted for required improvements for the storm sewer project.

If these estimates are realized, the City's budgeted cash balance is expected to decrease \$3,245,988 by the close of 2013. Actual amounts can and usually do differ from budgeted amounts.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2012

Functions / Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Public safety	\$ 464,164	125	31,467		(432,572)		(432,572)
Public works	232,960		225,366		(7,594)		(7,594)
Health and social services	1,639				(1,639)		(1,639)
Culture and recreation	270,819	42,517	34,053		(194,249)		(194,249)
Community and economic development	12,401				(12,401)		(12,401)
General government	210,228				(210,228)		(210,228)
Debt service	425,893				(425,893)		(425,893)
Capital projects	9,486			18,038	8,552		8,552
Total governmental activities	1,627,590	42,642	290,886	18,038	(1,276,024)		(1,276,024)
Business type activities:							
Water	4,125,024	831,084				(3,293,940)	(3,293,940)
Sewer	232,857	430,216				197,359	197,359
Landfill	61,546	60,486				(1,060)	(1,060)
Storm sewer	73,087	60,289		53,251		40,453	40,453
Total business type activities	4,492,514	1,382,075		53,251		(3,057,188)	(3,057,188)
Total	\$ 6,120,104	1,424,717	290,886	71,289	(1,276,024)	(3,057,188)	(4,333,212)
General Receipts and Transfers:							
Property tax levied for:							
General purposes					\$ 567,200		567,200
Tax increment financing					52,519		52,519
Employee benefits and insurance					127,024		127,024
Emergency					15,706		15,706
Debt service					210,587		210,587
Other city tax					53,021		53,021
Local option sales tax					242,181		242,181
Unrestricted interest on investments					10,335	5,603	15,938
Miscellaneous					102,133	10,561	112,694
Bond proceeds						3,342,133	3,342,133
Sale of capital assets					2,314		2,314
Transfers					141,801	(141,801)	
Total general receipts and transfers					1,524,821	3,216,496	4,741,317
Change in cash basis net assets					248,797	159,308	408,105
Cash basis net assets beginning of year					975,432	584,890	1,560,322
Cash basis net assets end of year					\$ 1,224,229	744,198	1,968,427
Cash Basis Net Assets							
Restricted:							
Non expendable:							
Cemetery perpetual care					\$ 60,680		60,680
Expendable:							
Streets					47,588		47,588
Debt service					20,036	105,109	125,145
Other purposes					676,852		676,852
Unrestricted					419,073	639,089	1,058,162
Total cash basis net assets					\$ 1,224,229	744,198	1,968,427

See notes to financial statements.

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

As of and for the year ended June 30, 2012

	Special Revenue			Total	
	General	Local Option Tax	Debt Service		Nonmajor
Receipts:					
Property tax	\$ 567,200		210,587	142,730	920,517
Tax increment financing collections				52,519	52,519
Other city tax	39,803	242,181	7,810	5,408	295,202
Licenses and permits	5,644				5,644
Use of money and property	10,036	1,668	8	815	12,527
Intergovernmental	63,293			227,593	290,886
Charges for services	42,642				42,642
Miscellaneous	61,420			50,915	112,335
Total receipts	790,038	243,849	218,405	479,980	1,732,272
Disbursements:					
Operating:					
Public safety	460,708			3,456	464,164
Public works	82,340			150,620	232,960
Health and social services	1,639				1,639
Culture and recreation	266,460			4,359	270,819
Community and economic development	2,737			9,664	12,401
General government	210,228				210,228
Debt service			381,468	44,425	425,893
Capital projects				9,486	9,486
Total disbursements	1,024,112	381,468	222,010	1,627,590	
Excess (deficiency) of receipts over (under) disbursements	(234,074)	243,849	(163,063)	257,970	104,682
Other financing sources (uses):					
Operating transfers in	161,619		176,032	72,029	409,680
Operating transfers out	(400)	(46,494)		(220,985)	(267,879)
Sale of capital assets	2,314				2,314
Total other financing sources (uses)	163,533	(46,494)	176,032	(148,956)	144,115
Net change in cash balances	(70,541)	197,355	12,969	109,014	248,797
Cash balances beginning of year, as restated	124,306	495,785	7,067	348,274	975,432
Cash balances end of year	\$ 53,765	693,140	20,036	457,288	1,224,229
Cash Basis Fund Balances					
Nonspendable - Cemetary perpetual care				60,680	60,680
Restricted for:					
Debt service			20,036		20,036
Other purposes		693,140		63,189	756,329
Assigned				365,308	365,308
Unassigned	\$ 53,765			(31,889)	21,876
Total cash basis fund balances	\$ 53,765	693,140	20,036	457,288	1,224,229

See notes to financial statements.

City of Belmont

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

As of and for the year ended June 30, 2012

	Enterprise Funds				Total
	Water	Sewer	Water Sinking Fund	Nonmajor	
Operating receipts:					
Charges for services	\$ 831,084	430,216		120,775	1,382,075
Miscellaneous		700		3,260	3,960
Total operating receipts	831,084	430,916		124,035	1,386,035
Operating disbursements:					
Business type activities	288,880	202,741		64,408	556,029
Total operating disbursements	288,880	202,741		64,408	556,029
Excess of operating receipts over operating disbursements	542,204	228,175		59,627	830,006
Non-operating receipts (disbursements):					
Intergovernmental				53,251	53,251
Use of money and property	4,502	268	7,055	379	12,204
Bond proceeds	3,342,133				3,342,133
Debt service			(460,412)		(460,412)
Capital projects	(3,375,242)	(30,116)		(70,715)	(3,476,073)
Total non-operating receipts (disbursements)	(28,607)	(29,848)	(453,357)	(17,085)	(528,897)
Excess (deficiency) of receipts over (under) disbursements	513,597	198,327	(453,357)	42,542	301,109
Operating transfers in			552,000		552,000
Operating transfers out	(554,000)	(139,801)			(693,801)
Total operating transfers in (out)	(554,000)	(139,801)	552,000		(141,801)
Net change in cash balances	(40,403)	58,526	98,643	42,542	159,308
Cash balances beginning of year	282,229	132,536	6,466	163,659	584,890
Cash balances end of year	\$ 241,826	191,062	105,109	206,201	744,198
Cash Basis Fund Balances					
Restricted for debt service			105,109		105,109
Unrestricted	\$ 241,826	191,062		206,201	639,089
Total cash basis fund balances	\$ 241,826	191,062	105,109	206,201	744,198

See notes to financial statements.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2012

(1) Summary of Significant Accounting Policies

The City of Belmond is a political subdivision of the State of Iowa located in Wright County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City of Belmond also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

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

Excluded Component Units

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

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

The Foundation and Friends have a November fiscal year end. The Foundation and Friends do not prepare financial statements; therefore, audited financial statements are not available. Management has elected to exclude the cash transactions of the Foundation and Friends from City financial statements. Unaudited financial information from the Foundation and Friends' fiscal year end 2011 tax return includes total receipts of \$10,939, cash disbursements of \$20,117, a beginning balance of \$108,728 and an ending balance of \$99,550. Therefore, to avoid material misstatements of govern-

CITY OF BELMOND

Notes to Financial Statements

June 30, 2012

mental activities and aggregate nonmajor fund information of the City, the Foundation and Friends should be included as a discrete component unit in the City's financial statements.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Wright County Assessor's Conference Board, Wright County Communications Commission, Wright County Area Landfill Authority, MIDAS Council of Government and the Mid-Iowa Regional Housing Association.

B. Basis of Presentation

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

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

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

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

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

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

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

CITY OF BELMOND

Notes to Financial Statements

June 30, 2012

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The City reports the following major proprietary funds:

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

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

The Water Sinking Fund is utilized to account for transfers and other receipts to be used for the payments of interest and principal on the City's revenue notes.

C. Measurement Focus and Basis of Accounting

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

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

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

CITY OF BELMOND

Notes to Financial Statements

June 30, 2012

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 Other Information.

(2) Cash and 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 had no investments.

(3) Bonds and Notes Payable

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

CITY OF BELMOND

Notes to Financial Statements

June 30, 2012

Year Ending June 30,	General Obligation Notes		Urban Renewal Tax Increment Financing (TIF) Revenue Bond		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 190,000	33,263	29,366	5,634	281,000	216,720	500,366	255,617
2014	200,000	31,888	30,853	4,147	290,000	208,290	520,853	244,325
2015	202,000	29,827	32,414	2,586	299,000	199,590	533,414	232,003
2016	205,000	27,282	12,181	945	309,000	190,620	526,181	218,847
2017	218,000	24,317			319,000	181,350	537,000	205,667
2018-2022	726,000	73,338			1,758,000	756,750	2,484,000	830,088
2023-2027	309,000	13,185			2,063,000	475,350	2,372,000	488,535
2028-2031					1,905,000	145,140	1,905,000	145,140
	<u>\$ 2,050,000</u>	<u>233,100</u>	<u>104,814</u>	<u>13,312</u>	<u>7,224,000</u>	<u>2,373,810</u>	<u>9,378,814</u>	<u>2,620,222</u>

General Obligation Bonds

During the fiscal year 2012, the City refinanced its Street Improvement Capital Loan Notes, Series 2003, to reduce the interest rate to .50%-1.85% payable over the remainder of the original note.

During the fiscal year 2012, the City refinanced its Street Improvement Capital Loan Notes, Series 2007, to reduce the interest rate to .50%-2.85% payable over the remainder of the original note.

Urban Renewal Tax Increment Financing Revenue Bonds

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$118,126 payable through June, 2016. For the current year, interest paid and total T.I.F. receipts were \$6,501 and \$52,519, respectively.

Revenue Notes

The City has pledged future water customer receipts, net of specific operating disbursements to repay \$7,496,000 of water revenue notes issued in September 2010. During fiscal year 2012, the City drew down \$3,342,133 of the Water Revenue Capital Loan Notes with the remaining \$696,705 to be drawn over the course of the City's water treatment facility project. Proceeds from the notes provided financing for the construction of water main extensions. The notes are payable solely from water customer net receipts and are payable through 2031. For the current year, interest was \$188,412.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2012

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

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

(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 contribution to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$51,374, \$43,737, and \$44,779 respectively, equal to the required contribution for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 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 are \$439 for single coverage and \$1,098 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$108,476.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation hours payable to employees at June 30, 2012, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2012</u>
Vacation	\$ <u>23,497</u>

CITY OF BELMOND

Notes to Financial Statements

June 30, 2012

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:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$145,392
	Local Option	10,000
	Library Improvement	2,227
	Enterprise	
	Water	2,000
	Sewer	2,000
		<u>161,619</u>
Special Revenue: T.I.F. Sinking	Special Revenue: Tax Increment Financing	<u>44,450</u>
Equipment Replacement	Special Revenue: Emergency	<u>16,549</u>
Capital Project-Streets	Capital Project-Sidewalk	<u>630</u>
Capital Project-Sidewalk	General	400
	Special Revenue: Local Option	<u>10,000</u>
		<u>10,400</u>
Debt Service	Special Revenue: Local Option	26,494
	Capital Project-Streets	11,737
	Enterprise: Sewer	<u>137,801</u>
		<u>176,032</u>
Enterprise: Water Sinking	Enterprise: Water	<u>552,000</u>
Total		<u>\$961,680</u>

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

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$2,735 during the year ended June 30, 2012.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2012

(9) Local Government Risk Pool

The City of Belmond is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2012 were \$59,954.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total member's equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2012

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

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

(10) Wright County Area Landfill Authority

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

The City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2012, the City of Belmond paid the Authority \$59,400 for its share of the costs. Financial statements for the Authority can be obtained from the Wright County Area Landfill Authority.

(11) Health Care Facility Revenue Bond

During 1997, the City issued a \$287,722 health care facility bond under the provisions of Chapter 419 of the Code of Iowa, of which \$117,047 was outstanding at June 30, 2012. The bond and related interest are payable from the rents paid by tenants of the borrower's facilities. The bond principal and interest do not constitute liabilities of the City.

(12) Commitments

The City has entered into construction contracts totaling \$7,893,827 for the water treatment facility. As of June 30, 2012 \$7,460,831 had been paid on the contract leaving a balance of \$432,995.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2012

(13) Belmond Medical Center

On August 18, 2010, the Medical Center closed on Series 2010A Taxable Revenue Bonds, in the sum of not to exceed \$21,600,000. During fiscal year 2012, the Medical Center drew down \$8,354,816 of the Taxable Revenue Bonds, with the remaining \$3,564,184 to be drawn over the course of the Medical Center's addition/renovation project, up through August 18, 2012. Interest only payments at 4.00% are payable annually on August 18, starting on August 18, 2011. Principal payments are payable annually on August 18, starting on August 18, 2013, through August 18, 2050. The bonds are collateralized by a pledge of the Medical Center's net revenues. During fiscal year 2012, the Medical Center made interest payments of \$219,780.

On August 18, 2010, the Medical Center closed on Series 2010B/C Revenue Bonds, in the sum of not to exceed \$2,400,000, comprised of Series 2010B (not to exceed \$2,160,000) and 2010C (not to exceed \$240,000). During fiscal year 2012, the Medical center drew down \$1,750,912 of the Revenue Bonds, with the remaining \$599,088 to be drawn down over the course of the Medical Center's addition/renovation project, up through August 1, 2012. Interest only payments at 4.75% are payable monthly on the unpaid outstanding principal balance. Principal payments are payable monthly starting on August 1, 2012. The bonds are collateralized by a pledge of the Medical Center's net revenues. During fiscal year 2012, the Medical Center made interest payments of \$27,268.

(14) Deficit Fund Balance

The Capital Projects-Pool Fund had a deficit balance of \$31,889 at June 30, 2012. The deficit balance was a result of costs incurred prior to availability of funds.

(15) Subsequent Events

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

(16) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2012. The effect of fund type reclassifications is as follows:

	General	Special Revenue, Community Room
Balance June 30, 2011, as previously reported	\$ 119,556	4,750
Change in fund type classification per implementation of GASB Statement No.54	4,750	(4,750)
Balance July 1, 2011, as restated	<u>\$ 124,306</u>	<u> </u>

OTHER INFORMATION

City of Belmont

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

Other Information

Year ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 920,517		920,517	917,106	917,106	3,411
Tax increment financing collections	52,519		52,519	49,503	49,503	3,016
Other city tax	295,202		295,202	221,489	268,544	26,658
Licenses and permits	5,644		5,644	6,075	6,135	(491)
Use of money and property	12,527	12,204	24,731	15,950	21,700	3,031
Intergovernmental	290,886	53,251	344,137	1,765,912	384,074	(39,937)
Charges for services	42,642	1,382,075	1,424,717	1,236,980	1,283,375	141,342
Miscellaneous	112,335	3,960	116,295	369,985	126,509	(10,214)
Total receipts	1,732,272	1,451,490	3,183,762	4,583,000	3,056,946	126,816
Disbursements:						
Public safety	464,164		464,164	452,896	466,918	2,754
Public works	232,960		232,960	316,234	251,106	18,146
Health and social services	1,639		1,639	5,909	5,909	4,270
Culture and recreation	270,819		270,819	242,100	270,965	146
Community and economic development	12,401		12,401	96,500	96,220	83,819
General government	210,228		210,228	213,069	220,611	10,383
Debt service	425,893		425,893	941,630	446,563	20,670
Capital projects	9,486		9,486	323,812	10,000	514
Business type activities		4,492,514	4,492,514	5,942,787	5,239,410	746,896
Total disbursements	1,627,590	4,492,514	6,120,104	8,534,937	7,007,702	887,598
Excess (deficiency) of receipts over (under) disbursements	104,682	(3,041,024)	(2,936,342)	(3,951,937)	(3,950,756)	1,014,414
Other financing sources, net	144,115	3,200,332	3,344,447	4,020,000	8,022,314	(4,677,867)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	248,797	159,308	408,105	68,063	4,071,558	(3,663,453)
Balances beginning of year	975,432	584,890	1,560,322	1,187,349	1,001,666	558,656
Cash balances end of year	\$ 1,224,229	744,198	1,968,427	1,255,412	5,073,224	(3,104,797)

See accompanying independent auditor's report.

City of Belmond

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, the Capital Projects Funds, the Permanent Fund and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment decreased budgeted disbursements by \$1,527,235. The budget amendment is reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

City of Belmont

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

As of and for the year ended June 30, 2012

	Special Revenue									
	Road Use Tax	Equipment Replacement	Employee Benefits	Emergency	Urban Renewal Tax Increment	Economic Development	Housing Assistance	Library Improvement	T.I.F Sinking Fund	Memorial Park Fund
Receipts:										
Property tax			127,024	15,706						
Tax increment financing collections					52,519					
Other city tax			4,810	598						
Use of money and property		95			4	328			24	18
Intergovernmental	\$ 225,366							2,227		
Miscellaneous			7,156			9,350				4,248
Total receipts	225,366	95	138,990	16,304	52,523	9,678		2,227	24	4,266
Disbursements:										
Operating:										
Public safety										
Public works	150,620									
Culture and recreation										
Community and economic development					5,969	3,695				
Debt service									44,425	
Capital projects										
Total disbursements	150,620				5,969	3,695			44,425	
Excess (deficiency) of receipts over (under) disbursements	74,746	95	138,990	16,304	46,554	5,983		2,227	(44,401)	4,266
Other financing sources (uses):										
Operating transfers in		16,549							44,450	
Operating transfers out			(145,392)	(16,549)	(44,450)			(2,227)		
Total other financing sources (uses):		16,549	(145,392)	(16,549)	(44,450)			(2,227)	44,450	
Net change in cash balances	74,746	16,644	(6,402)	(245)	2,104	5,983		49		4,266
Cash balances beginning of year, as restated	(27,158)	46,569	10,161	245	4,828	107,627	6,038	107		5,642
Cash balances end of year	\$ 47,588	63,213	3,759		6,932	113,610	6,038	156		9,908
Cash Basis Fund Balances										
Nonspendable - cemetery perpetual care										
Restricted for other purposes	\$ 47,588		1,606		6,932			156		
Assigned		63,213	2,153			113,610	6,038			9,908
Unassigned										
Total cash basis fund balances	\$ 47,588	63,213	3,759		6,932	113,610	6,038	156		9,908

City of Belmont

Schedule I
(continued)

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			Capital Projects					Permanent	Total
	Veterans Memorial Fund	Restitution Fund	Christmas Decoration Fund	Pool	Industrial Park	Streets	Sidewalk Project	Traffic Lights	Cemetery Perpetual Care	
Receipts:										
Property tax										142,730
Tax increment financing collections										52,519
Other city tax										5,408
Use of money and property	12	8	94		196	10		26		815
Intergovernmental										227,593
Miscellaneous	3,323	8,395					17,806		637	50,915
Total receipts	3,335	8,403	94		196	10	17,806	26	637	479,980
Disbursements:										
Operating:										
Public safety		3,456								3,456
Public works										150,620
Culture and recreation			4,359							4,359
Community and economic development										9,664
Debt service										44,425
Capital projects							9,486			9,486
Total disbursements		3,456	4,359				9,486			222,010
Excess (deficiency) of receipts over (under) disbursements	3,335	4,947	(4,265)		196	10	8,320	26	637	257,970
Other financing sources (uses):										
Operating transfers in						630	10,400			72,029
Operating transfers out						(11,737)	(630)			(220,985)
Total other financing sources (uses):						(11,107)	9,770			(148,956)
Net change in cash balances	3,335	4,947	(4,265)		196	(11,097)	18,090	26	637	109,014
Cash balances beginning of year, as restated	2,930	1,960	36,038	(31,889)	105,226	11,097		8,810	60,043	348,274
Cash balances end of year	6,265	6,907	31,773	(31,889)	105,422		18,090	8,836	60,680	457,288
Cash Basis Fund Balances										
Nonspendable - cemetery perpetual care									60,680	60,680
Restricted for other purposes		6,907								63,189
Assigned	6,265		31,773		105,422		18,090	8,836		365,308
Unassigned				(31,889)						(31,889)
Total cash basis fund balances	6,265	6,907	31,773	(31,889)	105,422		18,090	8,836	60,680	457,288

See accompanying independent auditor's report.

City of Belmont

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

As of and for the year ended June 30, 2012

	Landfill	Customer Deposits	Storm Sewer	Total
Operating receipts:				
Charges for services	\$ 60,486		60,289	120,775
Miscellaneous		3,260		3,260
Total operating receipts	60,486	3,260	60,289	124,035
Operating disbursements:				
Business type activities	61,546	490	2,372	64,408
Total operating disbursements	61,546	490	2,372	64,408
Excess (deficiency) of receipts over (under) disbursements	(1,060)	2,770	57,917	59,627
Non-operating receipts (disbursements):				
Intergovernmental			53,251	53,251
Use of money and property	134		245	379
Capital projects			(70,715)	(70,715)
Total other financing sources (uses):	134		(17,219)	(17,085)
Net change in cash balances	(926)	2,770	40,698	42,542
Cash balances beginning of year	53,415	36,851	73,393	163,659
Cash balances end of year	\$ 52,489	39,621	114,091	206,201
Cash basis fund balances				
Unrestricted	\$ 52,489	39,621	114,091	206,201
Total cash basis fund balances	\$ 52,489	39,621	114,091	206,201

See accompanying independent auditor's report.

City of Belmont

Schedule of Indebtedness

Year ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation notes:								
Street improvement	3-20-03	.50 - 1.85	1,800,000	\$ 1,075,000		125,000	950,000	41,964
Refunding Capital Loan Bonds	12-1-05	4.15 - 5.50	850,000	135,000		135,000		2,801
Street improvement	3-27-07	.50 - 2.85	1,115,000	1,105,000		5,000	1,100,000	45,209
Pool improvement	8-1-07	3.75 - 3.80	130,000	26,000		26,000		494
Total				2,341,000		291,000	2,050,000	90,468
Urban Renewal Tax Increment								
Financing (TIF) Revenue Bonds:								
Dumond Estates	2-18-98	5.00%	400,000	142,738		37,924	104,814	6,501
Total				142,738		37,924	104,814	6,501
Revenue notes:								
Water	9-15-10	3.00%	7,496,000 (A)	3,457,162	3,342,133	272,000	6,527,295	188,412
Total				\$ 5,940,900	3,342,133	600,924	8,682,109	285,381

(A) On September 15, 2010, the City closed on Water Revenue Capital Loan Notes, Series 2010, in the sum of not to exceed \$7,496,000. During fiscal year 2012, the City drew down \$3,342,133 of the Water Revenue Capital Loan Notes with the remaining \$696,705 to be drawn over the course of the City's water treatment facility project.

See accompanying independent auditor's report.

Bond and Note Maturities
June 30, 2012

General Obligation Bonds and Notes					
Year Ending June 30,	Street Improvement		Street Improvement		Total
	Issued March 20, 2003		Issued March 27, 2007		
	Interest Rates	Amount	Interest Rates	Amount	
2013	.50%	\$ 130,000	.50%	60,000	190,000
2014	.90	130,000	.90	70,000	200,000
2015	1.15	130,000	1.15	72,000	202,000
2016	1.35	130,000	1.35	75,000	205,000
2017	1.45	140,000	1.45	78,000	218,000
2018	1.65	140,000	1.65	80,000	220,000
2019	1.85	150,000	1.85	84,000	234,000
2020			2.10	87,000	87,000
2021			2.30	90,000	90,000
2022			2.50	95,000	95,000
2023			2.65	99,000	99,000
2024			2.75	103,000	103,000
2025			2.85	107,000	107,000
Total		<u>\$ 950,000</u>		<u>1,100,000</u>	<u>2,050,000</u>

Year Ending June 30,	Urban Renewal Tax Increment (TIF) Revenue Bond		Revenue Notes		
	Dumond Estates		Water		
	Issued February 18, 1998		Issued September 15, 2010		
Interest Rates	Amount	Interest Rates	Amount		
2013	5.00%	\$ 29,366	3.00%	281,000	
2014	5.00	30,853	3.00	290,000	
2015	5.00	32,414	3.00	299,000	
2016	5.00	12,181	3.00	309,000	
2017			3.00	319,000	
2018			3.00	330,000	
2019			3.00	340,000	
2020			3.00	351,000	
2021			3.00	363,000	
2022			3.00	374,000	
2023			3.00	387,000	
2024			3.00	399,000	
2025			3.00	412,000	
2026			3.00	426,000	
2027			3.00	439,000	
2028			3.00	454,000	
2029			3.00	468,000	
2030			3.00	484,000	
2031			3.00	499,000	
Total		<u>\$ 104,814</u>		<u>7,224,000</u>	

See accompanying independent auditor's report.

City of Belmont

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

For the Last Ten Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Receipts:										
Property tax	\$ 920,517	912,289	869,542	846,658	816,941	807,969	799,193	803,228	803,321	796,224
Tax increment financing	52,519	47,089	40,618	39,152	31,553	32,141	28,059	27,919	22,691	15,546
Other city tax	295,202	219,053	250,904	251,879	252,173	250,913	207,637	255,355	219,182	205,314
Licenses and permits	5,644	6,482	6,172	6,758	7,074	5,199	6,178	5,070	4,898	4,528
Use of money and property	12,527	4,396	9,727	20,427	58,926	37,314	22,272	16,687	27,916	20,212
Intergovernmental	290,886	320,605	355,559	376,792	324,731	369,554	247,258	246,822	253,600	306,244
Charges for service	42,642	45,551	53,498	39,382	42,258	45,179	37,609	43,958	34,395	35,427
Special assessments			28		32	18		18	1,992	465
Miscellaneous	112,335	92,148	73,185	98,711	262,168	203,188	213,431	142,723	200,382	818,850
Total	\$ 1,732,272	1,647,613	1,659,233	1,679,759	1,795,856	1,751,475	1,561,637	1,541,780	1,568,377	2,202,810
Disbursements:										
Operating:										
Public safety	\$ 464,164	385,194	411,557	420,551	394,758	403,876	374,039	329,833	327,588	354,663
Public works	232,960	360,605	245,066	221,402	257,042	234,675	267,905	193,829	170,322	199,377
Health and social services	1,639	1,639	11,865	8,850	6,125	13,265	625	12,125	6,050	6,000
Culture and recreation	270,819	245,914	288,722	300,586	258,554	337,101	321,933	252,874	220,778	271,263
Community and economic development	12,401	47,135	65,618	109,905	98,908	137,154	30,618	41,922	25,854	12,124
General government	210,228	190,683	220,688	230,632	204,863	185,489	164,758	175,801	161,260	158,339
Debt service	425,893	536,779	485,697	494,270	484,029	393,643	1,294,286	476,996	488,721	469,445
Capital projects	9,486	14,365	460,836	80,617	1,147,992	125,164	33,284	1,024,701	1,086,378	161,687
Nonprogram									9,054	7,772
Total	\$ 1,627,590	1,782,314	2,190,049	1,866,813	2,852,271	1,830,367	2,487,448	2,508,081	2,496,005	1,640,670

See accompanying independent auditor's report.

City of Belmont

Schedule of Expenditures of Federal Awards

Year ended June 30, 2012

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency Pass-through Number</u>	<u>Program Expenditures</u>
Indirect:			
Environmental Protection Agency:			
State Revolving Fund:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	FS-99-10-DWSRF	\$1,748,204
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management:			
Division Hazard Mitigation Grant	97.039	HMGP-DR-1763-0103-01	<u>53,002</u>
Total			<u>\$1,801,206</u>

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

See accompanying independent auditor's report.



Renner & Birchem, PC

Certified Public Accountants

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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 Belmond, 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 September 5, 2012. Our report expressed a qualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Belmond's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-12 through II-C-12 to be material weaknesses.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 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 Belmont's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Belmont's responses and, accordingly, we express no opinion of them.

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

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

September 5, 2012


Renner & Birchem, P.C.



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MICHAEL J. BIRCHEM, CPA, CFP®

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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 Belmond, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on City of Belmond's major federal program for the year ended June 30, 2012. City of Belmond's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of City of Belmond's management. Our responsibility is to express an opinion on City of Belmond's compliance based on our audit.

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

In our opinion, City of Belmond complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-12 to be a material weakness.

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

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

September 5, 2012


Renner & Birchem, P.C.

City of Belmont

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

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

- (a) Qualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which were required to be reported in accordance with Office of Management Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 66.468 – Capitalization Grants for Drinking Water State Revolving Funds.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Belmont did not qualify as a low-risk auditee.

City of Belmont

Schedule of Findings and Questioned Costs

Year Ended June 30, 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. The areas of cash receipts and the disbursements, investments, and payroll under ideal conditions would be segregated.

Recommendation - We realize that with a limited number of employees segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response - We will investigate this and continue to implement procedures where possible.

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

II-B-12 Preparation of Financial Statements – The City does not have an internal control system designed to provide for the preparation of the financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Therefore, as auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This circumstance is not unusual for the governmental entity similar in population to the City of Belmont. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

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

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

Conclusion - Response accepted.

II-C-12 Reconciliation of Utility Billings, Collections and Delinquent Accounts – Utility billings, collections and delinquent accounts were not reconciled throughout the year.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The City Council or a council-designated independent person should review the reconciliations.

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

Conclusion – Response accepted.

Instances of Non-Compliance:

No matters were noted.

City of Belmont

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

Part III: Findings For Federal Awards:

Instances of Non-Compliance

No matters were noted.

Internal Control Deficiencies:

III-A-12 Segregation of Duties See Item II-A-12

Summary Schedule of Prior Federal Audit Findings

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>Planned Corrective Action</u>
III-A-11	Segregation of Duties	Not Corrected	Limited staff, will implement procedures where possible.

City of Belmond

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.
- IV-B-12 Questionable Disbursements – We noted no disbursements that do not meet the requirements of public purpose as defined in 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:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Harlan Tulp, Council Member Owner H & K Plumbing	Repairs	\$ 1,785
Sidney Swenson, Council Member Owner Sid Swenson Signs	Signs	950

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

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the council member, Halan Tulp, may represent a conflict of interest since competitive bidding was not utilized for all transactions and total of the transactions was in excess \$1,500.

Recommendation - The City should use a competitive bidding process when practicable.

Response – The transactions were normal expenses. A competitive bidding process is not always practical, however, we will endeavor to competitively bid the work when practicable in the future.

Conclusion – Response accepted.

- 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 ensure the coverage is adequate for current operations.
- IV-F-12 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- IV-G-12 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- IV-H-12 Revenue Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.

City of Belmont

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

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

IV-I-12 Electronic Checks – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City did not obtain an image of the back of each cancelled check until December 2011.

IV-J-12 Financial Condition – The Capital Projects – Pool Fund had a deficit balance at June 30, 2012 of \$31,889.

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

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

Conclusion – Response accepted.

IV-K-12 T.I.F. Urban Renewal Notes – The note provisions require transfers to be made to the sinking fund. Required transfers have not been made.

Recommendation – The City should make the required transfers.

Response – We will make required transfers when possible.

Conclusion – Response accepted.