

CITY OF BELMOND

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

JUNE 30, 2013

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CITY OF BELMOND

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Alan Mattison	Mayor	Jan 2014
Ron Allen	Council Member	Jan 2016
Leon Robertson	Council Member	Jan 2016
Harlan Tulp	Council Member	Jan 2014
Sidney Swenson	Council Member	Jan 2014
Earl Kalkwarf	Council Member	Jan 2014
LeeAnn Waltzing	Manager/Clerk/Treasurer	Indefinite
Gary Berkland	Attorney	Indefinite



**Renner &  
Birchem, PC**

**Certified Public Accountants**

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council:

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Belmond, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Basis for Adverse Opinion

The financial statements referred to above include only the primary government of the City of Belmond, Iowa, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require financial data for the City's legally separate component units to be reported with the financial data of the City's primary government. The amount by which this departure would affect the cash basis net position, receipts, and disbursements of the government-wide financial statements has not been determined.

### Adverse Opinion

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion" paragraph, the financial statements referred to above do not present fairly the financial position of the reporting entity of the City of Belmond, Iowa, as of June 30, 2013, or the changes in cash basis financial position thereof for the year then ended.

In accordance with the basis of accounting described in Note 1, City of Belmond, Iowa, has issued separate reporting entity financial statements for which we have issued our report dated October 1, 2013.

### Basis for Adverse Opinion on Aggregate Discretely Presented Component Units and Qualified Opinion on Aggregate Remaining Fund Information

The financial statements referred to above do not include financial data for the City's legally separate component units. Accounting principles generally accepted in the United States of America require financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued all such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, cash basis net position, receipts, and disbursements of the aggregate discretely presented component units would have been reported as \$105,743, \$22,236 and \$16,043, respectively.

### Adverse Opinion on Aggregate Discretely Presented Component Units

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units and Qualified Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Belmond, Iowa, as of June 30, 2013, or the changes in cash basis financial position thereof for the year then ended.

### Qualified Opinion on Aggregate Remaining Fund Information

In our opinion, except for the matter described in the "Basis for Adverse Opinion on Aggregate Discretely Presented Component Units and Qualified Opinion on Aggregate Remaining Fund Information" paragraph, the financial statements referred to above present fairly, in all material respects, the cash basis financial position of the aggregate remaining fund information of the City of Belmond, Iowa, as of June 30, 2013, and the changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

### Unmodified Opinions

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 Belmond, Iowa, as of June 30, 2013, and the respective changes in cash basis financial position thereof for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Belmont's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the two years ended June 30, 2012 (which are not presented herein) and expressed qualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the seven years ended June 30, 2010, (none of which are presented here in) were audited by other auditors in accordance with standards referred to in the third paragraph of this report who expressed qualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or to the basic 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.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 7 through 13 and 29 through 30 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.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 1, 2013 on our consideration of City of Belmont's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering City of Belmont's internal control over financial reporting and compliance.

October 1, 2013



Renner & Birchem, P.C.  
Britt, Iowa

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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The City of Belmont provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2013. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### 2013 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 21.8%, or \$378,499 from fiscal 2012 to fiscal 2013. Bond proceeds increased \$400,000 and property tax receipts decreased \$26,676.
- Disbursements increased 22.1% or \$360,997 in fiscal 2013 from fiscal 2012. Public safety, public works, culture and recreation and community and economic development disbursements increased \$333,172, \$73,853, \$5,476 and \$81,108, respectively. Debt service and general government disbursements decreased \$142,200 and \$5,598, respectively.
- The City's total cash basis net position increased 21.3%, or \$419,377 from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities increased \$128,498 and the cash basis net position of the business type activities increased by \$290,879.

### 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 Cash Basis Statement of Activities and Net Position. 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 financial 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.

### **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 Position reports information that helps answer this question.

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

The Cash Basis Statement of Activities and Net Position 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 four Enterprise Funds to provide separate information for the water, sewer, water sinking and storm sewer funds, considered to be major funds of the City.

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

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position 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 \$1,224,229 to \$1,352,727. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

<b>Changes in Cash Basis Net Position of Government Activities</b>		
	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Receipts:		
Program receipts:		
Charges for service	\$ 38,771	42,642
Operating grants, contributions and restricted interest	307,499	290,886
Capital grants, contributions and restricted interest	24,458	18,038
General receipts:		
Property tax	999,381	1,026,057
Local option tax	214,197	242,181
Unrestricted interest	3,888	10,335
Bond proceeds	400,000	
Other general receipts	124,891	104,447
Total receipts	<u>2,113,085</u>	<u>1,734,586</u>

Disbursements:		
Public safety	797,336	464,164
Public works	306,813	232,960
Health and social services	1,819	1,639
Culture and recreation	276,295	270,819
Community and economic development	93,509	12,401
General government	204,630	210,228
Debt service	283,693	425,893
Capital projects	24,492	9,486
Total disbursements	<u>1,988,587</u>	<u>1,627,590</u>
Change in cash basis net position before transfers	<u>124,498</u>	<u>106,996</u>
Transfers, net	<u>4,000</u>	<u>141,801</u>
Change in cash basis net position	<u>128,498</u>	<u>248,797</u>
Cash basis net position beginning of year	<u>1,224,229</u>	<u>975,432</u>
Cash basis net position end of year	<u>\$ 1,352,727</u>	<u>1,224,229</u>

The City's total receipts for governmental activities increased by 21.8%, or \$378,499. The total cost of all programs and services increased by \$360,997, or 22.1%, with no new programs added this year.

The cost of all governmental activities this year was \$1,988,587 compared to \$1,627,590 last year. However, as shown in the Statement of Activities and Net Position on page 15, the amount taxpayers ultimately financed for these activities was \$1,617,859 because some of the cost was paid by those directly benefiting from the programs (\$38,771) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$331,957). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2013 from \$351,566 to \$370,728.

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

	Year Ended June 30,	
	2013	2012
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 836,761	831,084
Sewer	422,474	430,216
Landfill	60,793	60,486
Storm sewer	60,472	60,289
Capital grants, contributions and restricted interest	162,032	53,251
General receipts:		
Unrestricted interest on investments	1,501	5,603
Bond proceeds	453,198	3,342,133
Other general receipts	169,379	10,561
Total receipts	<u>2,166,610</u>	<u>4,793,623</u>
Disbursements:		
Water	319,880	289,370
Sewer	246,227	202,741
Landfill	61,285	61,546
Storm sewer	764	2,372
Debt service	502,412	460,412
Capital projects	741,163	3,476,073
Total disbursements	<u>1,871,731</u>	<u>4,492,514</u>
Change in cash basis net position before transfers	294,879	301,109
Transfers, net	<u>(4,000)</u>	<u>(141,801)</u>
Change in cash basis net position	290,879	159,308
Cash basis net position beginning of year	744,198	584,890
Cash basis net position end of year	<u>\$ 1,035,077</u>	<u>744,198</u>

Total business type activities receipts for the fiscal year were \$2,166,610 compared to \$4,793,623 last year. This decrease was due primarily to the reduction in bond proceeds for the new water treatment plant. Total disbursements, including debt service, for the fiscal year decreased by \$2,620,783 to a total of \$1,871,731. This decrease was due primarily to the cost of the water treatment project being completed. The cash balance increased by \$290,879 during the fiscal year compared to an increase of \$159,308 last year.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Belmont completed the year, its governmental funds reported a combined fund balance of \$1,352,727, an increase of \$128,498 from last year's total of

\$1,224,229. 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 \$21,956 from the prior year to \$31,809.
- The Local Option Tax Fund cash balance increased by \$80,526 to \$773,666 during the fiscal year.
- There was an increase in the Debt Service Fund cash balance of \$32,454 for an ending balance of \$52,490.

### INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by \$117,764 to \$359,590 during the fiscal year.
- The Enterprise, Sewer Fund cash balance increased by \$203,384 to \$394,466 during the fiscal year.
- The Enterprise, Water Sinking Fund cash balance decreased by \$103,655 to \$1,454 during the fiscal year due primarily to the note payments.
- The Enterprise, Storm Sewer Fund cash balance increased by \$71,911 to \$186,002 during the fiscal year.

### BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amended budget was approved on May 20, 2013 to provide for additional \$4,242,798 receipts and a \$3,951,481 reduction in disbursements for delays in capital projects expected in the enterprise funds.

### DEBT ADMINISTRATION

At June 30, 2013, the City had \$8,850,958 in bonds and other long-term debt outstanding, compared to \$8,682,109 at the end of the prior year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2013	2012
General obligation bonds	\$ 2,248,263	2,050,000
Urban renewal tax increment financing revenue bonds	62,695	104,814
Revenue notes	6,540,000	6,527,295
Total	<u>\$ 8,850,958</u>	<u>8,682,109</u>

Debt increased as a result of issuing revenue bonds for a water treatment project and issuing general obligation bonds for a fire truck.

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 \$2,310,958 is below its constitutional debt limit of \$4,815,708. 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 2014 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 2014. Amounts available for appropriation in the operating budget are \$5,708,589, a decrease of 44.4% from the final 2013 budget. Budgeted disbursements are expected to increase by \$4,327,857. The City has budgeted for required improvements for the storm sewer and sewer improvement projects.

If these estimates are realized, the City's budgeted cash balance is expected to decrease \$3,947,412 by the close of 2014. Actual amounts can and usually do differ from budgeted amounts.

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

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

## BASIC FINANCIAL STATEMENTS

## Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2013

Functions / Programs:	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
			Interest	Interest			
<b>Governmental activities:</b>							
Public safety	\$ 797,336	625	7,387		(789,324)		(789,324)
Public works	306,813		227,540		(79,273)		(79,273)
Health and social services	1,819				(1,819)		(1,819)
Culture and recreation	276,295	38,146	33,823		(204,326)		(204,326)
Community and economic development	93,509		38,749		(54,760)		(54,760)
General government	204,630				(204,630)		(204,630)
Debt service	283,693				(283,693)		(283,693)
Capital projects	24,492			24,458	(34)		(34)
Total governmental activities	1,988,587	38,771	307,499	24,458	(1,617,859)		(1,617,859)
<b>Business type activities:</b>							
Water	1,122,645	836,761				(285,884)	(285,884)
Sewer	537,240	422,474		270		(114,496)	(114,496)
Landfill	61,285	60,793				(492)	(492)
Storm sewer	150,561	60,472		161,762		71,673	71,673
Total business type activities	1,871,731	1,380,500		162,032		(329,199)	(329,199)
Total	\$ 3,860,318	1,419,271	307,499	186,490	(1,617,859)	(329,199)	(1,947,058)
<b>General Receipts and Transfers:</b>							
Property tax levied for:							
General purposes					\$ 535,316		535,316
Tax increment financing					50,093		50,093
Employee benefits and insurance					87,771		87,771
Emergency					15,243		15,243
Debt service					257,261		257,261
Other city tax					53,697		53,697
Local option sales tax					214,197		214,197
Unrestricted interest on investments					3,888	1,501	5,389
Miscellaneous					124,741	167,829	292,570
Bond proceeds					400,000	453,198	853,198
Sale of capital assets					150	1,550	1,700
Transfers					4,000	(4,000)	
Total general receipts and transfers					1,746,357	620,078	2,366,435
Change in cash basis net assets					128,498	290,879	419,377
Cash basis net position beginning of year					1,224,229	744,198	1,968,427
Cash basis net position end of year					\$ 1,352,727	1,035,077	2,387,804
<b>Cash Basis Net Position</b>							
Restricted:							
Non expendable:							
Cemetery perpetual care					\$ 61,543		61,543
Expendable:							
Streets					67,334		67,334
Debt service					52,490	1,454	53,944
Other purposes					783,160		783,160
Unrestricted					388,200	1,033,623	1,421,823
Total cash basis net position					\$ 1,352,727	1,035,077	2,387,804

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, 2013

	<u>Special Revenue</u>				Total
	General	Local Option Tax	Debt Service	Nonmajor	
<b>Receipts:</b>					
Property tax	\$ 535,316		257,261	103,014	895,591
Tax increment financing collections				50,093	50,093
Other city tax	39,464	214,197	10,112	4,121	267,894
Licenses and permits	4,850				4,850
Use of money and property	2,961	1,651	51	712	5,375
Intergovernmental	41,210			266,289	307,499
Charges for services	38,771				38,771
Miscellaneous	82,309			60,553	142,862
<b>Total receipts</b>	<b>744,881</b>	<b>215,848</b>	<b>267,424</b>	<b>484,782</b>	<b>1,712,935</b>
<b>Disbursements:</b>					
Operating:					
Public safety	797,336				797,336
Public works	101,019			205,794	306,813
Health and social services	1,819				1,819
Culture and recreation	267,643			8,652	276,295
Community and economic development	10,615			82,894	93,509
General government	204,630				204,630
Debt service			236,893	46,800	283,693
Capital projects				24,492	24,492
<b>Total disbursements</b>	<b>1,383,062</b>		<b>236,893</b>	<b>368,632</b>	<b>1,988,587</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(638,181)</b>	<b>215,848</b>	<b>30,531</b>	<b>116,150</b>	<b>(275,652)</b>
<b>Other financing sources (uses):</b>					
Operating transfers in	216,075		1,923	95,890	313,888
Operating transfers out		(135,322)		(174,566)	(309,888)
Bond proceeds	400,000				400,000
Sale of capital assets	150				150
<b>Total other financing sources (uses)</b>	<b>616,225</b>	<b>(135,322)</b>	<b>1,923</b>	<b>(78,676)</b>	<b>404,150</b>
<b>Net change in cash balances</b>	<b>(21,956)</b>	<b>80,526</b>	<b>32,454</b>	<b>37,474</b>	<b>128,498</b>
<b>Cash balances beginning of year</b>	<b>53,765</b>	<b>693,140</b>	<b>20,036</b>	<b>457,288</b>	<b>1,224,229</b>
<b>Cash balances end of year</b>	<b>\$ 31,809</b>	<b>773,666</b>	<b>52,490</b>	<b>494,762</b>	<b>1,352,727</b>
<b>Cash Basis Fund Balances</b>					
Nonspendable - Cemetery perpetual care				61,543	61,543
Restricted for:					
Debt service			52,490		52,490
Other purposes		773,666		76,828	850,494
Assigned				356,391	356,391
Unassigned	\$ 31,809				31,809
<b>Total cash basis fund balances</b>	<b>\$ 31,809</b>	<b>773,666</b>	<b>52,490</b>	<b>494,762</b>	<b>1,352,727</b>

See notes to financial statements.

## City of Belmont

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

As of and for the year ended June 30, 2013

	Enterprise Funds					Total
	Water	Sewer	Water Sinking Fund	Storm Sewer	Nonmajor	
Operating receipts:						
Charges for services	\$ 836,761	422,474		60,472	60,793	1,380,500
Miscellaneous		660			2,117	2,777
Total operating receipts	836,761	423,134		60,472	62,910	1,383,277
Operating disbursements:						
Business type activities	319,634	246,227		764	61,531	628,156
Total operating disbursements	319,634	246,227		764	61,531	628,156
Excess of operating receipts over operating disbursements	517,127	176,907		59,708	1,379	755,121
Non-operating receipts (disbursements):						
Intergovernmental		270		161,762		162,032
Use of money and property	734	236	5,757	238	96	7,061
Bond proceeds	293,706				159,492	453,198
Sale of capital assets	1,550					1,550
Miscellaneous		159,492				159,492
Debt service			(502,412)			(502,412)
Capital projects	(300,353)	(131,521)		(149,797)	(159,492)	(741,163)
Total non-operating receipts (disbursements)	(4,363)	28,477	(496,655)	12,203	96	(460,242)
Excess (deficiency) of receipts over (under) disbursements	512,764	205,384	(496,655)	71,911	1,475	294,879
Operating transfers in			393,000			393,000
Operating transfers out	(395,000)	(2,000)				(397,000)
Total operating transfers in (out)	(395,000)	(2,000)	393,000			(4,000)
Net change in cash balances	117,764	203,384	(103,655)	71,911	1,475	290,879
Cash balances beginning of year	241,826	191,062	105,109	114,091	92,110	744,198
Cash balances end of year	\$ 359,590	394,446	1,454	186,002	93,585	1,035,077
<b>Cash Basis Fund Balances</b>						
Restricted for debt service			1,454			1,454
Unrestricted	\$ 359,590	394,446		186,002	93,585	1,033,623
Total cash basis fund balances	\$ 359,590	394,446	1,454	186,002	93,585	1,035,077

See notes to financial statements.

## Notes to Financial Statements

June 30, 2013

**(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 1856 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 2012 tax return includes total receipts of \$22,236, cash disbursements of \$16,043, a beginning balance of \$99,550 and an ending balance of \$105,743. Therefore, to avoid material misstatements of govern-

# CITY OF BELMOND

## Notes to Financial Statements

June 30, 2013

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 Cash Basis Statement of Activities and Net Position (previously referred to as net assets) reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

*Nonexpendable restricted net position* is subject to externally imposed stipulations which the required cash balance to be maintained permanently by the City, including the City's Permanent Fund.

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often has constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position 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.

# CITY OF BELMOND

## Notes to Financial Statements

June 30, 2013

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.

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

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

The Enterprise, 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.

The Enterprise, Storm Sewer Fund accounts for the operation and maintenance of the City's storm sewer system.

### 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 is both restricted and unrestricted cash basis net position 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.

# CITY OF BELMOND

## Notes to Financial Statements

June 30, 2013

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 proceeding 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, 2013 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, 2013, the City had no investments.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2013

**(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:

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
	2014	\$ 240,000	37,538	30,853	4,147	273,000	196,198	543,853
2015	242,000	35,207	31,842	2,586	441,492	188,010	715,334	225,803
2016	245,000	32,342			291,000	179,544	536,000	211,886
2017	258,000	28,987			301,000	170,820	559,000	199,807
2018	260,000	25,111			310,000	161,790	570,000	186,901
2019-2023	775,000	71,523			1,710,000	663,150	2,485,000	734,673
2024-2028	228,263	6,365			2,006,000	389,430	2,234,263	395,795
2029-2031					1,367,000	82,890	1,367,000	82,890
	<u>\$ 2,248,263</u>	<u>237,073</u>	<u>62,695</u>	<u>6,733</u>	<u>6,699,492</u>	<u>2,031,832</u>	<u>9,010,450</u>	<u>2,275,638</u>

Urban Renewal Tax Increment Financing Revenue Bonds

The urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Special Revenue Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however, the debt is subject to the constitutional debt limitation of the City. Total principal and interest remaining on the bonds is \$69,428 payable through June, 2015. For the current year, interest paid and total T.I.F. receipts were \$4,681 and \$50,093, respectively.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$7,093,000 of water revenue notes issued in September 2011. 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. The total principal and interest remaining to be paid on the notes is \$8,571,832. For the current year, principal and interest paid and total customer receipts were \$483,672 and \$517,127, respectively.

The City has pledged future sewer customer receipts, net of specific operating disbursements to repay \$5,500,000 of sewer revenue notes issued in June 2013. During fiscal year 2013 the City drew down \$159,492 of the Sewer Revenue Capital Loan Note Anticipation Project Notes, Series 2013 with remaining \$5,340,508 to be drawn over the course of the City's project. Proceeds from the notes provided financing for the construction of the city sewer utility. The notes are payable to First State Bank from the Project Fund established to which the City pledges proceeds not to exceed \$5,750,000 Sewer Revenue Capital Loan Notes, and are payable on December 1, 2014 with an interest rate of 2.22%.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2013

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

- (a) The water revenue 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 5.78% of their annual covered salary and the City is required to contribute 8.67% 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, 2013, 2012 and 2011 were \$55,672, \$51,374, and \$43,737 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, 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 \$541 for single coverage and \$1,352 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$127,945.

**(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, 2013, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2013</u>
Vacation	\$ <u>22,326</u>

CITY OF BELMOND

Notes to Financial Statements

June 30, 2013

This liability has been computed based on rates of pay in effect at June 30, 2013.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Employee Benefits	\$102,231
	Local Option	100,000
	Road Use Tax	2,000
	Tax Increment Financing	7,844
	Enterprise	
	Water	2,000
	Sewer	<u>2,000</u>
		<u>216,075</u>
Special Revenue:	Special Revenue:	
T.I.F. Sinking	Tax Increment Financing	<u>46,635</u>
Equipment Replacement	Special Revenue:	
	Emergency	<u>15,856</u>
Capital Project-Pool	Special Revenue:	
	Local Option	<u>28,399</u>
Capital Project-Sidewalk	Special Revenue:	
	Local Option	<u>5,000</u>
Debt Service	Special Revenue:	
	Local Option	<u>1,923</u>
Enterprise:	Enterprise:	
Water Sinking	Water	<u>393,000</u>
Total		<u>\$706,888</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 \$5,768 during the year ended June 30, 2013.

# CITY OF BELMOND

## Notes to Financial Statements

June 30, 2013

### **(9) Risk Management**

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 679 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 at a level determined by the Board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2013 were \$59,980.

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 \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 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, 2013, 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, 2013

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 the amount of capital distributions previously received by the withdrawing member and 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 Belmont also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation and airport liability in the amount of \$18,062 and \$822, respectively. 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 position 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, 2013, the City of Belmont 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) Commitments**

The City has entered into construction contracts totaling \$1,508,596 for the storm water backflow prevention project. As of June 30, 2013 no monies had been paid on the contract leaving a balance of \$1,508,596.

#### **(12) Belmont Medical Center**

On August 18, 2011, the Medical Center closed on Series 2011A Taxable Revenue Bonds, in the sum of not to exceed \$21,600,000. During fiscal year 2013, the Medical Center drew down the remaining \$3,564,184 of the Taxable Revenue Bonds. Interest only payments at 4.00% are payable annually on August 18, starting on August 18, 2012. 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 2013, the Medical Center made interest payments of \$624,802. The balance of bonds as of June 30, 2013 is \$21,600,000.

CITY OF BELMOND

Notes to Financial Statements

June 30, 2013

On August 18, 2011, the Medical Center closed on Series 2011B/C Revenue Bonds, in the sum of not to exceed \$2,400,000, comprised of Series 2011B (not to exceed \$2,160,000) and 2011C (not to exceed \$240,000). During fiscal year 2013, the Medical center drew down the remaining \$599,088 of the Revenue Bonds. Interest only payments at 4.75% are payable monthly on the unpaid outstanding principal balance. Principal payments are payable monthly starting on August 1, 2013. The bonds are collateralized by a pledge of the Medical Center's net revenues. During fiscal year 2013, the Medical Center made interest payments of \$94,267. The balance of the bonds 2011B and 2011C as of June 30, 2013 are \$2,160,000 and \$240,000, respectively.

## 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, 2013

	Governmental Funds Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 895,591		895,591	906,248	882,364	13,227
Tax increment financing collections	50,093		50,093	51,309	51,309	(1,216)
Other city tax	267,894		267,894	222,746	267,076	818
Licenses and permits	4,850		4,850	5,625	4,771	79
Use of money and property	5,375	7,061	12,436	19,365	14,794	(2,358)
Intergovernmental	307,499	162,032	469,531	914,867	1,364,745	(895,214)
Charges for services	38,771	1,380,500	1,419,271	1,946,599	1,310,770	108,501
Miscellaneous	142,862	163,819	306,681	457,648	190,056	116,625
Total receipts	1,712,935	1,713,412	3,426,347	4,524,407	4,085,885	(659,538)
Disbursements:						
Public safety	797,336		797,336	799,020	805,669	8,333
Public works	306,813		306,813	308,875	317,146	10,333
Health and social services	1,819		1,819	6,139	6,139	4,320
Culture and recreation	276,295		276,295	247,788	297,011	20,716
Community and economic development	93,509		93,509	95,000	95,437	1,928
General government	204,630		204,630	212,004	220,015	15,385
Debt service	283,693		283,693	478,267	283,694	1
Capital projects	24,492		24,492	1,451,359	66,000	41,508
Business type activities		1,871,731	1,871,731	5,591,943	3,237,033	1,365,302
Total disbursements	1,988,587	1,871,731	3,860,318	9,190,395	5,328,144	1,467,826
Excess (deficiency) of receipts over (under) disbursements	(275,652)	(158,319)	(433,971)	(4,665,988)	(1,242,259)	808,288
Other financing sources, net	404,150	449,198	853,348	1,420,000	6,190,550	(5,337,202)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	128,498	290,879	419,377	(3,245,988)	4,948,291	(4,528,914)
Balances beginning of year	1,224,229	744,198	1,968,427	6,670,015	1,968,422	5
Cash balances end of year	\$ 1,352,727	1,035,077	2,387,804	3,424,027	6,916,713	(4,528,909)

See accompanying independent auditor's report.

City of Belmond

Notes to Other Information – Budgetary Reporting

June 30, 2013

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 \$3,862,251. The budget amendment is reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

## City of Belmont

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

As of and for the year ended June 30, 2013

	Special Revenue								
	Road Use Tax	Equipment Replacement	Employee Benefits	Emergency	Urban	Economic Development	Housing Assistance	T.I.F	Memorial Park Fund
					Renewal Tax Increment			Sinking Fund	
Receipts:									
Property tax			87,771	15,243					
Tax increment financing collections					50,093				
Other city tax			3,508	613					
Use of money and property		137			18	240		16	15
Intergovernmental	\$ 227,540					38,749			
Miscellaneous			8,010			21,359			6,050
Total receipts	227,540	137	99,289	15,856	50,111	60,348		16	6,065
Disbursements:									
Operating:									
Public works	205,794								
Culture and recreation									6,146
Community and economic development						82,894			
Debt service								46,800	
Capital projects									
Total disbursements	205,794					82,894		46,800	6,146
Excess (deficiency) of receipts over (under) disbursements	21,746	137	99,289	15,856	50,111	(22,546)		(46,784)	(81)
Other financing sources (uses):									
Operating transfers in		15,856						46,635	
Operating transfers out	(2,000)		(102,231)	(15,856)	(54,479)				
Total other financing sources (uses):	(2,000)	15,856	(102,231)	(15,856)	(54,479)			46,635	
Net change in cash balances	19,746	15,993	(2,942)		(4,368)	(22,546)		(149)	(81)
Cash balances beginning of year	47,588	63,213	3,759		6,932	113,610	6,038	156	9,908
Cash balances end of year	\$ 67,334	79,206	817		2,564	91,064	6,038	7	9,827
<b>Cash Basis Fund Balances</b>									
Nonspendable - cemetery perpetual care									
Restricted for other purposes	\$ 67,334				2,564			7	
Assigned		79,206	817			91,064	6,038		9,827
Total cash basis fund balances	\$ 67,334	79,206	817		2,564	91,064	6,038	7	9,827

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

As of and for the year ended June 30, 2013

	Special Revenue			Capital Projects				Permanent	Total
	Veterans Memorial Fund	Restitution Fund	Christmas Decoration Fund	Pool	Industrial Park	Sidewalk Project	Traffic Lights	Cemetery Perpetual Care	
<b>Receipts:</b>									
Property tax									103,014
Tax increment financing collections									50,093
Other city tax									4,121
Use of money and property	14	16	69		158	11	18		712
Intergovernmental									266,289
Miscellaneous				4,218		20,053		863	60,553
<b>Total receipts</b>	<b>14</b>	<b>16</b>	<b>69</b>	<b>4,218</b>	<b>158</b>	<b>20,064</b>	<b>18</b>	<b>863</b>	<b>484,782</b>
<b>Disbursements:</b>									
<b>Operating:</b>									
Public works									205,794
Culture and recreation			2,506						8,652
Community and economic development									82,894
Debt service									46,800
Capital projects						24,492			24,492
<b>Total disbursements</b>			<b>2,506</b>			<b>24,492</b>			<b>368,632</b>
Excess (deficiency) of receipts over (under) disbursements	14	16	(2,437)	4,218	158	(4,428)	18	863	116,150
<b>Other financing sources (uses):</b>									
Operating transfers in				28,399		5,000			95,890
Operating transfers out									(174,566)
<b>Total other financing sources (uses):</b>				<b>28,399</b>		<b>5,000</b>			<b>(78,676)</b>
Net change in cash balances	14	16	(2,437)	32,617	158	572	18	863	37,474
Cash balances beginning of year	6,265	6,907	31,773	(31,889)	105,422	18,090	8,836	60,680	457,288
Cash balances end of year	6,279	6,923	29,336	728	105,580	18,662	8,854	61,543	494,762
<b>Cash Basis Fund Balances</b>									
Nonspendable - cemetery perpetual care								61,543	61,543
Restricted for other purposes		6,923							76,828
Assigned	6,279		29,336	728	105,580	18,662	8,854		356,391
<b>Total cash basis fund balances</b>	<b>6,279</b>	<b>6,923</b>	<b>29,336</b>	<b>728</b>	<b>105,580</b>	<b>18,662</b>	<b>8,854</b>	<b>61,543</b>	<b>494,762</b>

See accompanying independent auditor's report.

## City of Belmont

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

As of and for the year ended June 30, 2013

	Landfill	Customer Deposits	Sewer Improvement	Total
Operating receipts:				
Charges for services	\$ 60,793			60,793
Miscellaneous		2,117		2,117
Total operating receipts	60,793	2,117		62,910
Operating disbursements:				
Business type activities	61,285	246		61,531
Total operating disbursements	61,285	246		61,531
Excess (deficiency) of receipts over (under) disbursements	(492)	1,871		1,379
Non-operating receipts (disbursements):				
Use of money and property	96			96
Bond proceeds			159,492	159,492
Capital projects			(159,492)	(159,492)
Total other financing sources (uses):	96			96
Net change in cash balances	(396)	1,871		1,475
Cash balances beginning of year	52,489	39,621		92,110
Cash balances end of year	\$ 52,093	41,492		93,585
<b>Cash basis fund balances</b>				
Unrestricted	\$ 52,093	41,492		93,585
Total cash basis fund balances	\$ 52,093	41,492		93,585

See accompanying independent auditor's report.

## City of Belmont

## Schedule of Indebtedness

Year ended June 30, 2013

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	\$ 950,000		130,000	820,000	11,860
Street improvement	3-27-07	.50 - 2.85	1,115,000	1,100,000		71,737	1,028,263	21,374
Fire truck	2-1-13	.60 - 2.50	400,000		400,000		400,000	1,923
Total				2,050,000	400,000	201,737	2,248,263	35,157
Urban Renewal Tax Increment Financing (TIF) Revenue Bonds:								
Dumond Estates	2-18-98	5.00%	400,000	104,814		42,119	62,695	4,681
Total				104,814		42,119	62,695	4,681
Revenue notes:								
Water	9-15-10	3.00%	7,093,000	6,527,295	293,705	281,000	6,540,000	202,672
Sewer Capital Loan Anticipation Note	6-3-13	2.22%	5,500,000 (A)		159,492		159,492	
Total				6,527,295	453,197	281,000	6,699,492	202,672
Total				\$ 8,682,109	853,197	524,856	9,010,450	242,510

(A) On June 3, 2013 the City closed on Sewer Revenue Capital Loan Note Anticipation Project Notes, Series 2013, in the sum not to exceed \$5,500,000. During fiscal year 2013, the City drew down \$159,492 of the Sewer Revenue Capital Loan Note Anticipation Project Notes with the remaining \$5,340,508 to be drawn on or before December 1, 2014.

See accompanying independent auditor's report.

## Bond and Note Maturities

June 30, 2013

## General Obligation Bonds and Notes

Year Ending June 30,	Street Improvement		Street Improvement		Fire Truck		Total
	Issued March 20, 2003		Issued March 27, 2007		Issued February 1, 2013		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2014	.90%	\$ 130,000	.90%	70,000	.60%	40,000	240,000
2015	1.15	130,000	1.15	72,000	.75	40,000	242,000
2016	1.35	130,000	1.35	75,000	.85	40,000	245,000
2017	1.45	140,000	1.45	78,000	1.10	40,000	258,000
2018	1.65	140,000	1.65	80,000	1.30	40,000	260,000
2019	1.85	150,000	1.85	84,000	1.50	40,000	274,000
2020			2.10	87,000	1.70	35,000	122,000
2021			2.30	90,000	1.90	35,000	125,000
2022			2.50	95,000	2.10	30,000	125,000
2023			2.65	99,000	2.30	30,000	129,000
2024			2.75	103,000	2.50	30,000	133,000
2025			2.85	95,263			95,263
Total		<u>\$ 820,000</u>		<u>1,028,263</u>		<u>400,000</u>	<u>2,248,263</u>

Year Ending June 30,	Urban Renewal Tax Increment (TIF) Revenue Bond		Water		Sewer		Total
	Dumond Estates		Issued September 15, 2010		Issued June 3, 2013		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2014	5.00%	\$ 30,853	3.00%	273,000	2.22%		273,000
2015	5.00	31,842	3.00	282,000	2.22	5,500,000	5,782,000
2016			3.00	291,000			291,000
2017			3.00	301,000			301,000
2018			3.00	310,000			310,000
2019			3.00	320,000			320,000
2020			3.00	331,000			331,000
2021			3.00	342,000			342,000
2022			3.00	353,000			353,000
2023			3.00	364,000			364,000
2024			3.00	376,000			376,000
2025			3.00	388,000			388,000
2026			3.00	401,000			401,000
2027			3.00	414,000			414,000
2028			3.00	427,000			427,000
2029			3.00	441,000			441,000
2030			3.00	456,000			456,000
2031			3.00	470,000			470,000
Total		<u>\$ 62,695</u>		<u>6,540,000</u>		<u>5,500,000</u>	<u>12,040,000</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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
<b>Receipts:</b>										
Property tax	\$ 895,591	920,517	912,289	869,542	846,658	816,941	807,969	799,193	803,228	803,321
Tax increment financing	50,093	52,519	47,089	40,618	39,152	31,553	32,141	28,059	27,919	22,691
Other city tax	267,894	295,202	219,053	250,904	251,879	252,173	250,913	207,637	255,355	219,182
Licenses and permits	4,850	5,644	6,482	6,172	6,758	7,074	5,199	6,178	5,070	4,898
Use of money and property	5,375	12,527	4,396	9,727	20,427	58,926	37,314	22,272	16,687	27,916
Intergovernmental	307,499	290,886	320,605	355,559	376,792	324,731	369,554	247,258	246,822	253,600
Charges for service	38,771	42,642	45,551	53,498	39,382	42,258	45,179	37,609	43,958	34,395
Special assessments				28			18		18	1,992
Miscellaneous	142,862	112,335	92,148	73,185	98,711	262,168	203,188	213,431	142,723	200,382
<b>Total</b>	<b>\$ 1,712,935</b>	<b>1,732,272</b>	<b>1,647,613</b>	<b>1,659,233</b>	<b>1,679,759</b>	<b>1,795,856</b>	<b>1,751,475</b>	<b>1,561,637</b>	<b>1,541,780</b>	<b>1,568,377</b>
<b>Disbursements:</b>										
Operating:										
Public safety	\$ 797,336	464,164	385,194	411,557	420,551	394,758	403,876	374,039	329,833	327,588
Public works	306,813	232,960	360,605	245,066	221,402	257,042	234,675	267,905	193,829	170,322
Health and social services	1,819	1,639	1,639	11,865	8,850	6,125	13,265	625	12,125	6,050
Culture and recreation	276,295	270,819	245,914	288,722	300,586	258,554	337,101	321,933	252,874	220,778
Community and economic development	93,509	12,401	47,135	65,618	109,905	98,908	137,154	30,618	41,922	25,854
General government	204,630	210,228	190,683	220,688	230,632	204,863	185,489	164,758	175,801	161,260
Debt service	283,693	425,893	536,779	485,697	494,270	484,029	393,643	1,294,286	476,996	488,721
Capital projects	24,492	9,486	14,365	460,836	80,617	1,147,992	125,164	33,284	1,024,701	1,086,378
Nonprogram										9,054
<b>Total</b>	<b>\$ 1,988,587</b>	<b>1,627,590</b>	<b>1,782,314</b>	<b>2,190,049</b>	<b>1,866,813</b>	<b>2,852,271</b>	<b>1,830,367</b>	<b>2,487,448</b>	<b>2,508,081</b>	<b>2,496,005</b>

See accompanying independent auditor's report.



**Renner &  
Birchem, PC**

**Certified Public Accountants**

*"Where people who care make the difference"*

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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of City of Belmond, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 1, 2013. Our report expressed a qualified opinion on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Belmond's internal control over financial reporting audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Belmond's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Belmond's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified deficiencies in internal control 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 I of the accompanying Schedule of Findings as items I-A-13 and I-B-13 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part I of the accompanying Schedule of Findings as item I-C-13 to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Belmond'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 II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 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.

#### City of Belmond's Responses to Findings

City of Belmond's responses to findings identified in our audit are described in the accompanying Schedule of Findings. City of Belmond's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion of them.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

October 1, 2013



Renner & Birchem, P.C.  
Britt, Iowa

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Part I: Findings Related to the Financial Statements:

**Internal Control Deficiencies:**

I-A-13 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.

I-B-13 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 Belmond. 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.

I-C-13 Posting of Financial Transactions – Receipts and disbursements were not always posted to the correct account. A disbursement of \$159,492 was not posted in the general ledger, to reimburse the Sewer Fund. Adjustments were subsequently made by the City to properly report this amount in the City’s financial statements.

Recommendation – More care should be exercised when posting transactions to reduce the incidence of mispostings.

Response – In the future, more care will be exercised when posting transactions.

Conclusion – Response accepted.

**Instances of Non-Compliance:**

No matters were noted.

City of Belmond

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Part II: Other Findings Related to Statutory Reporting:

II-A-13 Certified Budget – Disbursements during the year ended June 30, 2013, did not exceed the amounts budgeted.

II-B-13 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.

II-C-13 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-13 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	\$ 5,768

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.

II-E-13 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.

II-F-13 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

II-G-13 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.

II-H-13 Revenue 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.

City of Belmont

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

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

II-I-13 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.

II-J-13 Delinquent Utility Accounts – At June 30, 2013 one employee had a delinquent utility account.

Recommendation – We recommend that the City emphasizes to employees and council members that they are setting an example to the community by their actions.

Response – We will encourage employees and council members to pay their utility bills by their due date.

Conclusion – Response accepted.

II-K-13 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.