

CITY OF LE GRAND

**Independent Auditors' Reports
Basic Financial Statements
Supplementary Information and Other Information
Schedule of Findings**

June 30, 2013

CITY OF LE GRAND

Contents

		<u>Page</u>
Officials		1
Independent Auditors' Report		2-3
Management's Discussion and Analysis		4-8
Basic Financial Statements:		
	<u>Exhibit</u>	
Government-wide Financial Statement:		
Cash Basis Statement of Activities and Net Position	A	9-10
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	11
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	12
Notes to Financial Statements		13-18
Other Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		19-20
Notes to Other Information – Budgetary Reporting		21
Supplementary Information:		
	<u>Schedule</u>	
Schedule of Indebtedness	1	22-23
Bond and Note Maturities	2	24
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>		25-26
Schedule of Findings		27-29
Staff		30

CITY OF LE GRAND

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Loran Vis	Mayor	Jan 2014
Jay Wyatt	Mayor Pro Tem	Jan 2014
Dustin Vis	Council Member	Jan 2014
Darrel Baker	Council Member	Jan 2015
Mary Strain	Council Member	Jan 2015
Brad Weitzell	Council Member	Jan 2015
Jodi Abrahams	Clerk/Treasurer	Indefinite
Curt Ward	Attorney	Indefinite



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6336

Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com
Nathan P. Minkel, CPA • nathan@bowmanandmillerpc.com

Independent Auditors' 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 the City of Le Grand, 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.

Auditors' 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 auditors' 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.

As permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2012.

Opinions

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2012, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Le Grand, as of June 30, 2013, and the respective changes in cash basis financial position 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 the City of Le Grand's basic financial statements. The supplementary information included in Schedules 1 and 2 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 4 through 8 and 19 through 21 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 September 13, 2013 on our consideration of the City of Le Grand'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 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 Le Grand's internal control over financial reporting and compliance.

Bowman and Miller, P.C.

Marshalltown, Iowa
September 13, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Le Grand 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

- The cash basis net position of the City's governmental activities increased approximately 11%, or \$56,903, from fiscal year 2012 to fiscal year 2013.
- The cash basis net position of the City's business type activities decreased \$7,026, or approximately 2%, in fiscal year 2013 from fiscal year 2012.
- The City's total cash basis net position increased 5.8%, or approximately \$50,000, from June 30, 2012 to June 30, 2013.

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 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 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 which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases and 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, culture and recreation, general government, and debt service. Property tax and state and federal grants finance most of these activities.
- **Business Type Activities** include the waterworks and 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 Road Use Tax and Local Option Sales Tax, and 3) the Debt Service 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 two Enterprise Funds to provide separate information for the Water and 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, increasing from \$503,148 to \$560,051. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

<u>Changes in Cash Basis Net Position of Governmental Activities</u>	
	<u>Year Ended June 30, 2013</u>
Receipts:	
Program receipts:	
Charges for service	\$ 9,267
Operating grants, contributions and restricted interest	143,052
Capital grants, contributions and restricted interest	2,744
General receipts:	
Property tax	135,847
Other city tax	1,507
Local option sales tax	84,643
Unrestricted interest on investments	1,465
Sale of capital assets	867
Miscellaneous	12,613
Total receipts	<u>392,005</u>
Disbursements:	
Public safety	64,569
Public works	93,258
Culture and recreation	90,274
General government	44,591
Debt service	42,410
Total disbursements	<u>335,102</u>
Change in cash basis net position	56,903
Cash basis net position beginning of year	<u>503,148</u>
Cash basis net position end of year	<u>\$ 560,051</u>

The City's cash basis net position for governmental activities increased \$56,903, due primarily to the increase in intergovernmental receipts from the prior year.

The cost of all governmental activities this year was approximately \$335,000. However, as shown on the Statement of Activities and Net Assets on pages 9-10, the amount taxpayers ultimately financed for these activities was only \$180,039 because some of the cost was paid by those directly benefited from the programs (\$9,267) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$145,796). The City paid for the remaining "public benefit" portion of governmental activities (\$180,039) with taxes (some of which could only be used for certain programs) and with other receipts, such as interest and other general receipts.

Changes in Cash Basis Net Position of Business Type Activities

	<u>Year ended June 30, 2013</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 144,597
Sewer	98,542
General receipts:	
Unrestricted interest on investments	1,558
Miscellaneous	4,198
Total receipts	<u>248,895</u>
Disbursements:	
Water	136,329
Sewer	119,592
Total disbursements	<u>255,921</u>
Change in cash basis net position	(7,026)
Cash basis net position beginning of year	<u>351,031</u>
Cash basis net position end of year	<u>\$ 344,005</u>

The City's cash basis net position for business type activities decreased \$7,206, due primarily to an increase in operating disbursements resulting from the purchase of a new maintenance truck.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Le Grand completed the year, its governmental funds reported a combined fund balance of \$560,051, an increase of \$56,903 from last year's total of \$503,148. The following are the major reasons for the changes in fund balance of the major funds from the prior year.

- The General Fund cash balance increased \$41,928 from the prior year to \$232,418. The increase is mainly due to the transfer in of funds to pay for employee benefits and tax relief.
- The Special Revenue, Road Use Tax Fund cash balance remained virtually unchanged this fiscal year.
- The Special Revenue, Local Option Sales Tax Fund cash balance was \$124,545 at the end of the fiscal year, a decrease of \$23,932 from the previous year. The decrease is the primarily the result of the City transferring these funds to the Debt Service Fund to continue payment on the City's outstanding general obligation debt.
- The Debt Service Fund cash balance was \$-0- at the end of the fiscal year, an increase \$38,585 from the previous year. This fund is used to pay off general obligation bonds and notes. The increase in the cash balance this year is due to transfers in from the Special Revenue, Local Option Sales Tax Fund to pay for the current and previous year's general debt obligations.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased \$11,855 to \$73,045 during the fiscal year, primarily due to an increase in charges for services for water usage over the previous year.
- The Enterprise, Sewer Fund cash balance decreased \$18,881 from the prior year to \$270,960, primarily due to an increase in operating disbursements from the prior year resulting from the purchase of a new maintenance truck.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended their budget once. The amendment was approved on May 14, 2013 and resulted in an increase in operating disbursements of approximately \$86,000. The amendment was made to provide for additional disbursements in certain City departments, including costs associated with the purchase of a new maintenance truck and costs for sewer smoke testing. The City had sufficient cash balances to absorb these additional costs. The City's receipts were \$10,375 more than budgeted. This was primarily due to the City receiving more in sewer and water charges than anticipated as well as additional grant funds not anticipated.

DEBT ADMINISTRATION

At June 30, 2013, the City had \$193,000 in general obligation bonds outstanding, compared to \$228,000 last year, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2013	2012
General obligation bonds	\$ 193,000	228,000
Total	\$ 193,000	228,000

The Constitution of the State of Iowa limits the amount of general obligation debt that cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$193,000 is below its constitutional debt limit of \$1,547,067.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Le Grand's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates, and fees that will be charged for various City activities.

During the next fiscal year 2013-2014, the City has no plans to undertake any major capital projects, however the City does plan to purchase a new back-up generator system which is included in the budget. Also included in the budget is an increase in charges for services for business type activities to reflect the standard increase in water and sewer rates. The City's property tax base appears to be stable and may increase which should allow for little or no change to the current property tax levy.

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 Jodi Abrahams, City Clerk, at 104 West Main Street, Le Grand, Iowa 50142.

CITY OF LE GRAND
Cash Basis Statement of Activities and Net Position
As of and for the year ended June 30, 2013

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 64,569	-	42,067	2,744
Public works	93,258	-	89,828	-
Culture and recreation	90,274	9,267	11,157	-
General government	44,591	-	-	-
Debt service	42,410	-	-	-
Total governmental activities	<u>335,102</u>	<u>9,267</u>	<u>143,052</u>	<u>2,744</u>
Business type activities:				
Water	136,329	144,597	-	-
Sewer	119,592	98,542	-	-
Total business type activities	<u>255,921</u>	<u>243,139</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 591,023</u>	<u>252,406</u>	<u>143,052</u>	<u>2,744</u>
General Receipts:				
Property and other city tax levied for:				
General purposes				
Local option sales tax				
Unrestricted interest on investments				
Sale of capital assets				
Miscellaneous				
Total general receipts				
Change in cash basis net position				
Cash basis net position beginning of year				
Cash basis net position end of year				
Cash Basis Net Position				
Restricted:				
Expendable:				
Streets				
Property tax relief				
Unrestricted				
Total cash basis net position				

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

Governmental Activities	Business Type Activities	Total
(19,758)	-	(19,758)
(3,430)	-	(3,430)
(69,850)	-	(69,850)
(44,591)	-	(44,591)
(42,410)	-	(42,410)
<u>(180,039)</u>	<u>-</u>	<u>(180,039)</u>
-	8,268	8,268
-	(21,050)	(21,050)
-	(12,782)	(12,782)
<u>(180,039)</u>	<u>(12,782)</u>	<u>(192,821)</u>
137,354	-	137,354
84,643	-	84,643
1,465	1,558	3,023
867	-	867
12,613	4,198	16,811
<u>236,942</u>	<u>5,756</u>	<u>242,698</u>
56,903	(7,026)	49,877
<u>503,148</u>	<u>351,031</u>	<u>854,179</u>
<u>\$ 560,051</u>	<u>344,005</u>	<u>904,056</u>
\$ 203,088	-	203,088
124,545	-	124,545
<u>232,418</u>	<u>344,005</u>	<u>576,423</u>
<u>\$ 560,051</u>	<u>344,005</u>	<u>904,056</u>

CITY OF LE GRAND
Statement of Cash Receipts, Disbursements and
Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2013

	Special Revenue				Total
	General	Road Use Tax	Local Option Sales Tax	Debt Service	
Receipts:					
Property tax	\$ 135,847	-	-	-	135,847
Other city tax	1,507	-	84,643	-	86,150
Intergovernmental	44,811	89,828	-	-	134,639
Licenses and permits	830	-	-	-	830
Charges for service	9,267	-	-	-	9,267
Use of money and property	9,370	-	-	-	9,370
Miscellaneous	15,035	-	-	-	15,035
Total receipts	216,667	89,828	84,643	-	391,138
Disbursements:					
Operating:					
Public safety	64,569	-	-	-	64,569
Public works	3,752	89,506	-	-	93,258
Culture and recreation	90,274	-	-	-	90,274
General government	44,591	-	-	-	44,591
Debt service	-	-	-	42,410	42,410
Total disbursements	203,186	89,506	-	42,410	335,102
Excess (deficiency) of receipts over (under) disbursements	13,481	322	84,643	(42,410)	56,036
Other financing sources (uses):					
Sale of capital assets	867	-	-	-	867
Operating transfers in	27,580	-	-	80,995	108,575
Operating transfers out	-	-	(108,575)	-	(108,575)
Total other financing sources (uses)	28,447	-	(108,575)	80,995	867
Net change in cash balances	41,928	322	(23,932)	38,585	56,903
Cash balances beginning of year	190,490	202,766	148,477	(38,585)	503,148
Cash balances end of year	\$ 232,418	203,088	124,545	-	560,051
Cash Basis Fund Balances					
Restricted for:					
Streets	\$ -	203,088	-	-	203,088
Property tax relief	-	-	124,545	-	124,545
Assigned for:					
Park	2,933	-	-	-	2,933
Library	34,945	-	-	-	34,945
Capital disbursements	42,160	-	-	-	42,160
Unassigned	152,380	-	-	-	152,380
Total cash basis fund balances	\$ 232,418	203,088	124,545	-	560,051

CITY OF LE GRAND
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2013

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 144,597	98,542	243,139
Miscellaneous	2,765	1,433	4,198
Total operating receipts	<u>147,362</u>	<u>99,975</u>	<u>247,337</u>
Operating disbursements:			
Business type activities	136,329	119,592	255,921
Total operating disbursements	<u>136,329</u>	<u>119,592</u>	<u>255,921</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	11,033	(19,617)	(8,584)
Non-operating receipts:			
Interest on investments	822	736	1,558
Excess (deficiency) of receipts over (under) disbursements	<u>11,855</u>	<u>(18,881)</u>	<u>(7,026)</u>
Net change in cash balances	11,855	(18,881)	(7,026)
Cash balances beginning of year	61,190	289,841	351,031
Cash balances end of year	<u>\$ 73,045</u>	<u>270,960</u>	<u>344,005</u>
Cash Basis Fund Balances			
Unrestricted	<u>\$ 73,045</u>	<u>270,960</u>	<u>344,005</u>
Total cash basis fund balances	<u>\$ 73,045</u>	<u>270,960</u>	<u>344,005</u>

CITY OF LE GRAND
Notes to Financial Statements
June 30, 2013

Note 1 – Summary of Significant Accounting Policies

The City of Le Grand is a political subdivision of the State of Iowa located in Marshall and Tama County. It was first incorporated in 1891 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Le Grand has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City of Le Grand has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Marshall County Assessor's Conference Board, Marshall County Emergency Management Commission, Marshall County Solid Waste Disposal Commission, Marshall County Joint E911 Service Board, Region Six Planning Commission and Marshall County Economic Development Board.

B. Basis of Presentation

Government-wide Financial Statement – 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 require them to be maintained permanently by the City.

CITY OF LE GRAND
Notes to Financial Statements (Continued)
June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Expendable restricted net position results when constraints placed on 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 have 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.

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

The City reports the following major governmental funds:

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

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for projects financed by local option sales tax.

The Debt Service Fund is used 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 and Sewer Funds account for the operation and maintenance of the City's water and sewer systems.

CITY OF LE GRAND
Notes to Financial Statements (Continued)
June 30, 2013

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

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

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal law 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.

CITY OF LE GRAND
Notes to Financial Statements (Continued)
June 30, 2013

Note 2 – Cash and Pooled 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.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Note 3 – Bonds Payable

Annual debt service requirements to maturity for one general obligation bond are as follows:

Year Ending June 30,	General Obligation Bond		Total	
	Principal	Interest	Principal	Interest
2014	\$ 36,000	5,790	36,000	5,790
2015	37,000	4,710	37,000	4,710
2016	39,000	3,600	39,000	3,600
2017	40,000	2,430	40,000	2,430
2018	41,000	1,230	41,000	1,230
Total	\$ 193,000	17,760	193,000	17,760

On May 21, 2008, the City entered into an agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank, N.A. for the issuance of \$327,000 of general obligation water improvement bonds with an interest rate of 3% per annum. The agreement requires the City to annually pay a .25% servicing fee on the outstanding principle balance. The bonds were pursuant to the provisions of the Chapter 384.24A of the Code of Iowa for the purpose of paying the costs of construction, improvement and extension of the municipal water distribution system.

CITY OF LE GRAND
Notes to Financial Statements (Continued)
June 30, 2013

Note 4 – Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit 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, PO 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 contributions to IPERS for the year ended June 30, 2013 was \$10,407, equal to the required contributions for the year.

Note 5 – 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 payments payable to employees at June 30, 2013 was \$2,949, primarily relating to the General Fund. This liability has been computed based on rates of pay in effect at June 30, 2013.

Note 6 – Risk Management

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

Note 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: Local Option Sales Tax	\$ <u>27,580</u>
Debt Service	Special Revenue: Local Option Sales Tax	<u>80,995</u>
Total		\$ <u><u>108,575</u></u>

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

CITY OF LE GRAND
Notes to Financial Statements (Continued)
June 30, 2013

Note 8 – Date of Management Evaluation

The City has evaluated subsequent events through September 13, 2013, the date which financial statements were available to be issued.

CITY OF LE GRAND
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
Receipts:		
Property tax	\$ 135,847	-
Other city tax	86,150	-
Intergovernmental	134,639	-
Licenses and permits	830	-
Charges for service	9,267	243,139
Use of money and property	9,370	1,558
Miscellaneous	15,035	4,198
Total receipts	391,138	248,895
Disbursements:		
Public safety	64,569	-
Public works	93,258	-
Culture and recreation	90,274	-
General government	44,591	-
Debt service	42,410	-
Business type activities	-	255,921
Total disbursements	335,102	255,921
Excess (deficiency) of receipts over (under) disbursements	56,036	(7,026)
Other financing sources, net	867	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	56,903	(7,026)
Balances beginning of year	503,148	351,031
Balances end of year	\$ 560,051	344,005

Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
135,847	133,148	133,148	2,699
86,150	83,967	83,967	2,183
134,639	128,935	128,935	5,704
830	2,375	2,375	(1,545)
252,406	250,280	250,280	2,126
10,928	11,020	11,020	(92)
19,233	20,700	20,700	(1,467)
640,033	630,425	630,425	9,608
64,569	83,251	83,251	(18,682)
93,258	90,765	128,057	(34,799)
90,274	137,392	137,392	(47,118)
44,591	52,802	52,802	(8,211)
42,410	42,410	42,410	-
255,921	219,521	268,491	(12,570)
591,023	626,141	712,403	(121,380)
49,010	4,284	(81,978)	130,988
867	100	100	767
49,877	4,384	(81,878)	131,755
854,179	803,483	803,483	50,696
904,056	807,867	721,605	182,451

CITY OF LE GRAND
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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$86,262. The budget amendment is reflected in the final budgeted amounts.

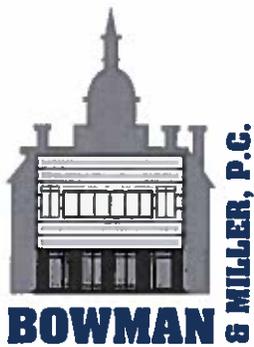
CITY OF LE GRAND
Schedule of Indebtedness
Year ended June 30, 2013

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bond: Water distribution system	June 1, 2008	3.00%	\$ 327,000
Total			

	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$	228,000	-	35,000	193,000	6,840	-
\$	228,000	-	35,000	193,000	6,840	-

CITY OF LE GRAND
Bond and Note Maturities
June 30, 2013

Year Ending June 30,	General Obligation Bond Water Distribution System Issued June 1, 2008		Total
	Interest Rates	Amount	
2014	3.00 %	\$ 36,000	\$ 36,000
2015	3.00	37,000	37,000
2016	3.00	39,000	39,000
2017	3.00	40,000	40,000
2018	3.00	41,000	41,000
Total		\$ 193,000	\$ 193,000



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

24 EAST MAIN STREET • MARSHALLTOWN, IOWA 50158 • 641-753-9337 • FAX 641-753-6366
418 2ND STREET • GLADBROOK, IOWA 50635 • 641-473-2717 • FAX 641-753-6336

Elizabeth A. Miller, CPA • beth@bowmanandmillerpc.com
Nathan P. Minkel, CPA • nathan@bowmanandmillerpc.com

Independent Auditors' 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 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 the City of Le Grand, Iowa, as of and for the year ended June 30, 2013, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 13, 2013. Our report expressed unmodified opinions 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 Le Grand's internal control over financial reporting to determine the 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 Le Grand's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Le Grand'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 a deficiency in internal control we consider to be a material weakness.

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

Compliance and Other Matters

As a part of obtaining reasonable assurance about whether the City of Le Grand'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 III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operation 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 Le Grand's Responses to Findings

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

Bowman and Miller, P.C.

Marshalltown, Iowa
September 13, 2013

CITY OF LE GRAND
Schedule of Findings
Year ended June 30, 2013

Part I: Summary of the Independent Auditors' Results:

- (a) Unmodified 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) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF LE GRAND
Schedule of Findings
Year ended June 30, 2013

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCY:

II-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. When duties are properly segregated, the activities of one employee act as a check on those of another. One of two individuals has control over each of the following areas:

- (1) Information system (computer usage) – performing all accounting functions and controlling all data input and output.
- (2) Cash – reconciling bank accounts, initiating cash receipt and disbursement transactions and handling and recording cash.
- (3) Receipts – collecting, depositing, journalizing, and posting.
- (4) Utility receipts – billing, collecting, depositing, posting, and reconciling.
- (5) Disbursements – preparing, recording, and reconciling.
- (6) Payroll – preparing and distributing.

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. In instances where it is not possible to segregate duties, the City should utilize administrative personnel to provide additional internal control through review of financial transactions and reports.

Response – We will continue to monitor other ways to improve the segregation of duties.

Conclusion – Response accepted.

CITY OF LE GRAND
Schedule of Findings
Year ended June 30, 2013

Part III: Other Findings Related to Required Statutory Reporting:

- III-A-13 Certified Budget – Disbursements during the year ended June 30, 2013, did not exceed the amounts budgeted.
- III-B-13 Questionable Disbursements – We noted no disbursements that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 24, 1979.
- III-C-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- III-D-13 Business Transactions – No transactions between the City and City officials or employees were noted.
- III-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 insure that the coverage is adequate for current operations.
- III-F-13 Council Minutes – Except as noted below, no transactions were found that we believe should have been approved in the Council minutes but were not.

The Council went into closed session on October 9, 2012 and November 15, 2012. The minutes record did not document the reason for the closed sessions by reference to a specific Code of Iowa exemption as required by Chapter 21.5 of the Code of Iowa.

Recommendation – The City should comply with Chapter 21 of the Code of Iowa.

Response – Starting immediately, the City Clerk will document the reason for the closed session by referencing a specific Code of Iowa exemption as required by Chapter 21.5 of the Code of Iowa.

Conclusion – Response accepted.

- III-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.

CITY OF LE GRAND

Staff

This audit was performed by:

**Bowman and Miller, P.C.
Certified Public Accountants
Marshalltown, IA 50158**

Personnel:

**Elizabeth A. Miller, C.P.A., Partner
Nathan P. Minkel, C.P.A., Partner
Diana S. Swanson, Staff**