



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

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NEWS RELEASE

FOR RELEASE November 23, 2009

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the City of Le Grand, Iowa.

The City's receipts totaled \$984,462 for the year ended June 30, 2009. The receipts included \$111,867 in property tax, \$241,685 from charges for service, \$107,602 from operating grants, contributions and restricted interest, \$215,714 from capital grants, contributions and restricted interest, \$79,609 from local option sales tax, \$20,116 from unrestricted interest on investments, \$203,233 from bond proceeds and \$4,636 from other general receipts.

Disbursements for the year totaled \$1,018,748, and included \$477,253 for capital projects, \$104,155 for culture and recreation and \$70,963 for public works. Also, disbursements for business type activities totaled \$237,883.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/index.html>.

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CITY OF LE GRAND

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

JUNE 30, 2009

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City of Le Grand

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Strain	Mayor	(Resigned)
Loran Vis (Appointed Sep 2009)	Mayor	Nov 2009
Jay Wyatt	Mayor Pro Tem	Jan 2010
Mack German	Council Member	(Resigned)
Dustin Vis (Appointed Nov 2008)	Council Member	Jan 2010
Darlene Short	Council Member	Jan 2012
Mark Stephens	Council Member	Jan 2012
Jarrold Ulery	Council Member	Jan 2012
Cheryl R. Culver	City Clerk	Indefinite
Curtis A. Ward	Attorney	Indefinite

City of Le Grand



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Le Grand, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Le Grand's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, 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, 2008.

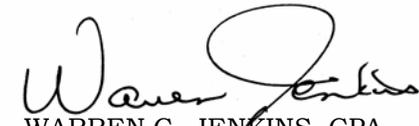
In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2008, as discussed in the preceding paragraph, the financial statements referred to above present 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, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 23, 2009 on our consideration of the City of Le Grand's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 11 and 28 through 30 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Le Grand's basic financial statements. Other 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. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 23, 2009

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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- The cash basis net assets of the City's governmental activities decreased approximately 9%, or \$46,449, due, in part, to payments of approximately \$360,000 toward the water distribution project.
- The cash basis net assets of the City's business type activities increased \$12,163, or approximately 5%.

USING THIS ANNUAL REPORT

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the 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 Assets reports information which helps answer this question.

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

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

- Governmental Activities include public safety, public works, 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 City's waterworks and 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 Capital Projects 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.

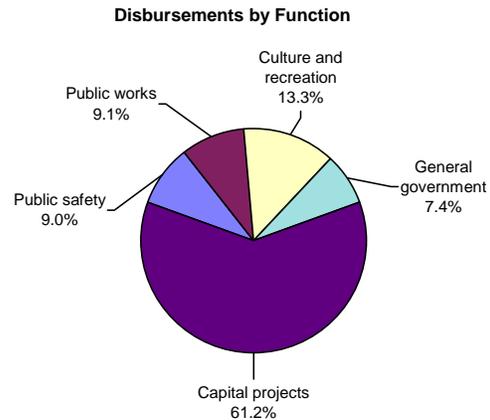
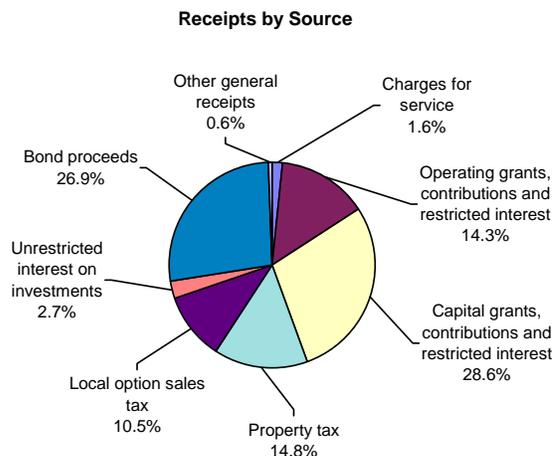
2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$490,799 to \$444,330. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities	
	Year ended June 30, 2009
Receipts:	
Program receipts:	
Charges for service	\$ 11,891
Operating grants, contributions and restricted interest	107,602
Capital grants, contributions and restricted interest	215,714
General receipts:	
Property tax	111,867
Local option sales tax	79,609
Unrestricted interest on investments	20,116
Bond proceeds	203,233
Other general receipts	4,636
Total receipts	<u>754,668</u>
Disbursements:	
Public safety	70,403
Public works	70,963
Culture and recreation	104,155
General government	58,091
Capital projects	477,253
Total disbursements	<u>780,865</u>
Change in cash basis net assets before transfers	(26,197)
Transfers, net	<u>(20,252)</u>
Change in cash basis net assets	(46,449)
Cash basis net assets beginning of year	<u>490,779</u>
Cash basis net assets end of year	<u>\$ 444,330</u>



The cash basis net assets decreased \$46,499, due primarily to disbursements for the water distribution project.

<u>Changes in Cash Basis Net Assets of Business Type Activities</u>	
	<u>Year ended June 30, 2009</u>
Receipts:	
Program receipts:	
Charges for service:	
Water	\$ 137,751
Sewer	92,043
Total receipts	<u>229,794</u>
Disbursements:	
Water	158,003
Sewer	79,880
Total disbursements	<u>237,883</u>
Change in cash basis net assets before transfers	(8,089)
Transfers, net	<u>20,252</u>
Change in cash basis net assets	12,163
Cash basis net assets beginning of year	<u>260,892</u>
Cash basis net assets end of year	<u>\$ 273,055</u>

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Le Grand completed the year, its governmental funds reported a combined fund balance of \$444,330, a decrease of \$46,449 below last year's total of \$490,779. 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 \$9,295 from the prior year to \$191,204. The decrease was due in part to a decrease in intergovernmental receipts from township contributions.
- The Special Revenue, Road Use Tax Fund cash balance was \$120,031 at the end of the fiscal year, an increase of \$6,917 over the previous year. The increase was the result of a decrease in fiscal year 2009 disbursements. In the previous fiscal year, the City used road use tax resources for the purchase of a vehicle.
- The Special Revenue, Local Option Sales Tax Fund cash balance was \$216,829 at the end of the fiscal year, an increase of \$12,035 over the previous year. The City is planning on transferring these funds to the Capital Projects Fund for the water distribution project when the project is complete.
- The Capital Projects Fund cash balance was a negative (\$99,349) at the end of the fiscal year, a decrease of \$58,306 from the previous year. The decrease was due to payments toward the water distribution project. Once the project is complete, the City plans to transfer moneys from other funds for their share of the project and eliminate the negative balance.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased \$7,242 to \$1,279 during the fiscal year. The decrease was due to the cost of purchasing water increasing at a higher rate than the increase in water rates charged to customers.
- The Sewer Fund cash balance increased \$19,405 to \$271,776 during the fiscal year. The increase was partly due to an increase in sewer rates.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 12, 2009 and resulted in an increase in disbursements, primarily relating to capital projects.

The City's receipts were \$2,329 less than budgeted. This was primarily due to a decrease in township contributions.

Disbursements for the capital projects, culture and recreation and general government functions were \$27,611, \$23,850 and \$11,533, respectively, less than the amended budget. This was primarily due to anticipated disbursements not occurring during fiscal year 2009. Spending was down for the fiscal year.

The City exceeded the amount budgeted in the capital projects function before the budget was amended.

DEBT ADMINISTRATION

At June 30, 2009, the City had \$419,000 in bonds outstanding, as shown below.

	Outstanding Debt at Year-End	
	June 30,	
	2009	2008
General obligation bonds	\$ 325,000	121,767
Revenue bonds	94,000	123,000
Total	\$ 419,000	244,767

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$325,000 is below its constitutional debt limit of \$1,419,886.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Le Grand's elected and appointed officials and citizens considered many factors when setting the fiscal year 2010 budget, tax rates and fees charged for various City activities.

The budget for business type activities was significantly more for fiscal year 2010 due to debt service payments for capital projects undertaken in fiscal years 2008 and 2009.

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 Cheryl Culver, City Clerk, P.O. Box 430, W. Main Street, Le Grand, Iowa 50142-0430.

City of Le Grand

Basic Financial Statements

City of Le Grand

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2009

	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest
Functions/Programs:				
Governmental activities:				
Public safety	\$ 70,403	2,043	-	-
Public works	70,963	-	73,262	-
Culture and recreation	104,155	6,686	34,340	-
General government	58,091	3,162	-	-
Capital projects	477,253	-	-	215,714
Total governmental activities	780,865	11,891	107,602	215,714
Business type activities:				
Water	158,003	137,751	-	-
Sewer	79,880	92,043	-	-
Total business type activities	237,883	229,794	-	-
Total	\$ 1,018,748	241,685	107,602	215,714
General Receipts:				
Property tax levied for general purposes				
Local option sales tax				
Unrestricted interest on investments				
Bond proceeds				
Miscellaneous				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Streets				
Local option sales tax				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
(68,360)	-	(68,360)
2,299	-	2,299
(63,129)	-	(63,129)
(54,929)	-	(54,929)
(261,539)	-	(261,539)
(445,658)	-	(445,658)
-	(20,252)	(20,252)
-	12,163	12,163
-	(8,089)	(8,089)
(445,658)	(8,089)	(453,747)
111,867	-	111,867
79,609	-	79,609
20,116	-	20,116
203,233	-	203,233
4,636	-	4,636
(20,252)	20,252	-
399,209	20,252	419,461
(46,449)	12,163	(34,286)
490,779	260,892	751,671
\$ 444,330	273,055	717,385
\$ 120,031	-	120,031
216,829	-	216,829
-	18,503	18,503
15,615	-	15,615
91,855	254,552	346,407
\$ 444,330	273,055	717,385

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, 2009

	Special Revenue		
	General	Road Use Tax	Local Option Sales Tax
Receipts:			
Property tax	\$ 109,041	-	-
Other city tax	2,826	-	-
Local option sales tax	-	-	79,609
Licenses and permits	840	-	-
Use of money and property	26,074	-	-
Intergovernmental	14,346	73,262	-
Charges for service	20	-	-
Miscellaneous	18,859	-	-
Total receipts	172,006	73,262	79,609
Disbursements:			
Operating:			
Public safety	61,759	-	-
Public works	3,532	67,431	-
Culture and recreation	104,155	-	-
General government	58,091	-	-
Capital projects	-	-	-
Total disbursements	227,537	67,431	-
Excess (deficiency) of receipts over (under) disbursements	(55,531)	5,831	79,609
Other financing sources (uses):			
Bond proceeds	-	-	-
Operating transfers in	58,481	1,086	-
Operating transfers out	(12,245)	-	(67,574)
Total other financing sources (uses)	46,236	1,086	(67,574)
Net change in cash balances	(9,295)	6,917	12,035
Cash balances beginning of year	200,499	113,114	204,794
Cash balances end of year	\$ 191,204	120,031	216,829
Cash Basis Fund Balances			
Unreserved:			
General fund	\$ 191,204	-	-
Special revenue funds	-	120,031	216,829
Capital projects fund	-	-	-
Total cash basis fund balances	\$ 191,204	120,031	216,829

See notes to financial statements.

Capital Projects	Nonmajor		Total
	Le Grand Firefighters/EMS Association		
-	-		109,041
-	-		2,826
-	-		79,609
-	-		840
-	17		26,091
215,714	-		303,322
-	-		20
-	10,827		29,686
215,714	10,844		551,435
-	8,644		70,403
-	-		70,963
-	-		104,155
-	-		58,091
477,253	-		477,253
477,253	8,644		780,865
(261,539)	2,200		(229,430)
203,233	-		203,233
-	-		59,567
-	-		(79,819)
203,233	-		182,981
(58,306)	2,200		(46,449)
(41,043)	13,415		490,779
(99,349)	15,615		444,330
-	-		191,204
-	15,615		352,475
(99,349)	-		(99,349)
(99,349)	15,615		444,330

City of Le Grand

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, 2009

	Enterprise		
	Water	Sewer	Total
Operating receipts:			
Charges for service	\$ 137,751	92,043	229,794
Operating disbursements:			
Business type activities	148,910	47,128	196,038
Excess (deficient) of operating receipts over (under) operating disbursements	(11,159)	44,915	33,756
Non-operating disbursements:			
Debt service	(8,276)	(32,690)	(40,966)
Miscellaneous	(817)	(62)	(879)
Net non-operating disbursements	(9,093)	(32,752)	(41,845)
Excess (deficiency) of receipts over (under) disbursements	(20,252)	12,163	(8,089)
Operating transfers in	13,010	7,242	20,252
Net change in cash balances	(7,242)	19,405	12,163
Cash balances beginning of year	8,521	252,371	260,892
Cash balances end of year	\$ 1,279	271,776	273,055
Cash Basis Fund Balances			
Restricted for debt service	\$ -	18,503	18,503
Unreserved	1,279	253,273	254,552
Total cash basis fund balances	\$ 1,279	271,776	273,055

See notes to financial statements.

City of Le Grand

Notes to Financial Statements

June 30, 2009

(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 Counties. 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.

These financial statements present the City of Le Grand (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Blended Component Unit

The Le Grand Firefighter's/EMS Association, Inc. is separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. The Le Grand Firefighter's/EMS Association, Inc. has been established pursuant to Chapter 504A of the Code of Iowa for the purpose of assisting the Le Grand Volunteer Fire Department and the Le Grand EMS volunteers.

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 Joint E911 Service Board and the Marshall County Solid Waste Management Commission.

B. Basis of Presentation

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

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

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

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

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those 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 not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for local option sales tax received and its uses.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

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

The Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary 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 are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the capital projects function prior to a budget amendment being adopted.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 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.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Bonds Payable

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

Year Ending June 30,	General Obligation		Revenue Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$ 32,000	9,791	30,000	2,820	62,000	12,611
2011	33,000	8,850	31,000	1,920	64,000	10,770
2012	34,000	7,860	33,000	990	67,000	8,850
2013	35,000	6,840	-	-	35,000	6,840
2014	36,000	5,790	-	-	36,000	5,790
2015-2018	155,000	11,970	-	-	155,000	11,970
Total	\$325,000	51,101	94,000	5,730	419,000	56,831

Sewer Revenue Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$455,000 of sewer revenue bonds issued in December 1992. Proceeds from the bonds provided financing for the construction of improvements to the Municipal Sewer Utility. The bonds are payable solely from sewer customer net receipts and are payable through 2012. Annual principal and interest payments on the above sewer revenue bonds are expected to require approximately 73% percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$99,730. For the current year, principal and interest paid and total customer net receipts were \$32,690 and \$44,915, respectively.

The resolution providing for the issuance of the sewer revenue bonds include the following provisions.

- (a) The bonds will only be redeemed from the future earnings of the enterprise activity and the bond holders a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sewer sinking fund within the Enterprise Funds for the purpose of making the bond principal and interest payments when due.
- (c) Additional monthly transfers in an amount equal to the amount required to be deposited into the sinking fund shall be made to the sewer reserve fund until a specific minimum balance has been accumulated. This fund is restricted for the purpose of paying principal at maturity or interest on the bonds in the event funds are not available in the sinking fund.

As of June 30, 2009, this fund has not been established and the required transfers have not been made as required by the sewer revenue bond resolution.

General Obligation Water Improvement Bonds

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 principal balance. The bonds were issued pursuant to the provisions of 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. The City will receive disbursements from the Trustee upon request to reimburse the City for costs as they are incurred. At June 30, 2009, the City had drawn \$325,000. The remaining \$2,000 was drawn in September 2009.

The Code of Iowa requires principal and interest on general obligation bonds to be paid from the Debt Service Fund. However, \$8,276 of general obligation bond interest was paid from the Enterprise, Water Fund during the year ended June 30, 2009.

(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 4.10% of their annual covered salary and the City is required to contribute 6.35% 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 year ended June 30, 2009 was \$7,554, equal to the required contribution for the year.

(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 payable to employees at June 30, 2009, primarily relating to the General Fund, is \$5,000.

This liability has been computed based on rates of pay in effect at June 30, 2009.

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue: Local Option Sales Tax	\$ 58,481
Special Revenue: Road Use Tax	General	1,086
Enterprise: Water	General Special Revenue: Local Option Sales Tax	3,917 9,093
Sewer	General	<u>7,242</u>
Total		<u>\$ 79,819</u>

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

(7) Risk Management

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

(8) Commitments

The City has entered into a water distribution project totaling \$510,761. At June 30, 2009, \$25,538 remains unpaid and will be paid as work on the water distribution project progresses.

(9) Deficit Balance

The Capital Projects Fund had a deficit balance of \$99,349 at June 30, 2009. The deficit balance will be eliminated through transfers of funds after the water distribution project is completed.

City of Le Grand

Required Supplementary Information

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total
Receipts:			
Property tax	\$ 109,041	-	109,041
Other city tax	2,826	-	2,826
Local option sales tax	79,609	-	79,609
Licenses and permits	840	-	840
Use of money and property	26,091	-	26,091
Intergovernmental	303,322	-	303,322
Charges for service	20	229,794	229,814
Miscellaneous	29,686	-	29,686
Total receipts	551,435	229,794	781,229
Disbursements:			
Public safety	70,403	-	70,403
Public works	70,963	-	70,963
Culture and recreation	104,155	-	104,155
General government	58,091	-	58,091
Capital projects	477,253	-	477,253
Business type activities	-	237,883	237,883
Total disbursements	780,865	237,883	1,018,748
Excess (deficiency) of receipts over (under) disbursements	(229,430)	(8,089)	(237,519)
Other financing sources, net	182,981	20,252	203,233
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(46,449)	12,163	(34,286)
Balances beginning of year	490,779	260,892	751,671
Balances end of year	\$ 444,330	273,055	717,385

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total
		Variance
109,129	104,781	4,260
1,500	1,500	1,326
78,000	78,000	1,609
1,720	1,720	(880)
25,000	25,000	1,091
137,612	353,326	(50,004)
210,431	210,431	19,383
8,800	8,800	20,886
572,192	783,558	(2,329)
74,098	74,098	3,695
79,632	79,632	8,669
128,005	128,005	23,850
69,624	69,624	11,533
-	504,864	27,611
238,732	238,732	849
590,091	1,094,955	76,207
(17,899)	(311,397)	73,878
35,145	243,648	(40,415)
17,246	(67,749)	33,463
700,077	700,077	51,594
717,323	632,328	85,057

City of Le Grand

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

The budgetary comparison is presented as Required Supplementary Information 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, the Capital Projects 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 \$504,864. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amount budgeted in the capital projects function prior to adoption of the May 2009 budget amendment.

City of Le Grand

City of Le Grand
Schedule of Indebtedness
Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Water distribution	May 21, 2008 *	3.00%	\$ 327,000
Revenue bonds:			
Sewer	Dec 1, 1992	3.00%	\$ 455,000

* The agreement also requires the City to annually pay a .25% servicing fee on the outstanding balance.

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 121,767	203,233	-	325,000	8,276
\$ 123,000	-	29,000	94,000	3,690

Schedule 2

City of Le Grand

Bond Maturities

June 30, 2009

Year Ending June 30,	General Obligation Bonds		Revenue Bonds	
	Water Distribution		Sewer	
	Issued May 28, 2008		Issued Dec 1, 1992	
	Interest		Interest	
	Rates	Amount	Rates	Amount
2010	3.00%	\$ 32,000	3.00%	\$ 30,000
2011	3.00	33,000	3.00	31,000
2012	3.00	34,000	3.00	33,000
2013	3.00	35,000		-
2014	3.00	36,000		-
2015	3.00	37,000		-
2016	3.00	39,000		-
2017	3.00	40,000		-
2018	3.00	39,000		-
Total		<u>\$ 325,000</u>		<u>\$ 94,000</u>

See accompanying independent auditor's report.

**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**

City of Le Grand



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Le Grand, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated October 23, 2009. Our report on the financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008. Except as noted in the Independent Auditor's Report, we conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Le Grand's ability to initiate, authorize, record, process or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Le Grand's financial statements that is more than inconsequential will not be prevented or detected by the City of Le Grand's internal control. We consider the deficiencies in internal control described in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Le Grand's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item (A) is a material weakness.

Compliance and Other Matters

As 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 that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Le Grand and other parties to whom the City of Le Grand may report. This report is not intended to be and should not be used by anyone other than these specified parties.

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



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

October 23, 2009

City of Le Grand
Schedule of Findings
Year ended June 30, 2009

Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

(A) Segregation of Duties – One important aspect of internal accounting control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One of two individuals has control over each of the following areas:

- (1) Information system (computer usage) – performing all general 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) Investments – detailed record keeping and reconciling earnings.
- (4) Long-term debt – recording and reconciling.
- (5) Receipts – collecting, depositing, journalizing and posting.
- (6) Utility receipts – billing, collecting, depositing, posting and reconciling.
- (7) Disbursements – preparing, recording, and reconciling.
- (8) Payroll – preparing and distributing.

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

Response – The Mayor and Council will review control procedures and work with the City Clerk/Treasurer on internal control procedures.

Conclusion – Response accepted.

(B) Information System – The following weaknesses in the City's financial computer based system were noted:

The City does not have written policies over the financial computer system for:

- Password privacy and confidentiality.
- Requiring passwords to be changed periodically.
- A disaster recovery plan.

Recommendation – The City should develop written policies addressing the above items in order to improve the City's control over the computer based system.

Response – The Council will adopt a written policy on procedures for control over computer based systems.

Conclusion – Response accepted.

City of Le Grand

Schedule of Findings

Year ended June 30, 2009

- (C) Restrictive Endorsements – Checks received are not restrictively endorsed immediately upon receipt.

Recommendation – To safeguard assets, checks should be restrictively endorsed immediately upon receipt.

Response – Checks will be stamped immediately upon receipt “For Deposit Only” beginning immediately.

Conclusion – Response accepted.

- (D) Fund Balance Reconciliation – The City records detailed receipt and disbursement transactions for each fund in its computer system. The Clerk prepares a spreadsheet summarizing receipts and disbursements by fund from the City’s computerized accounting system which is used to prepare the Clerk’s monthly report. However, the beginning and ending fund balances per the computerized accounting system are not reconciled and do not agree with the correct beginning and ending fund balances reported by the Clerk on the monthly reports.

Recommendation – The fund balances per the computer system should be reconciled to the Clerk’s balances to allow the accounting system to provide accurate financial information.

Response – The cost to update the balance sheet in the computer financial software is prohibitive, however, the City will look into alternative financial software in the near future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Le Grand
Schedule of Findings
Year ended June 30, 2009

Other Findings Related to Required Statutory Reporting:

- (1) Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amount budgeted in the capital projects function before the May 12, 2009 budget amendment was adopted.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will try to amend the budget in accordance with the Iowa Code.

Conclusion – Response accepted.

- (2) Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

- (3) Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- (4) Business Transactions – No business transactions between the City and City officials or employees were noted.

- (5) 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 the coverage is adequate for current operations.

- (6) Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not. Minutes were not signed as required by Chapter 380.7(3) of the Code of Iowa.

Recommendation – The minutes should be signed to authenticate the record.

Response – Starting immediately, the minutes shall be signed by the Clerk upon approval of the Council.

Conclusion – Response accepted.

- (7) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

- (8) Financial Condition – The Capital Projects Fund had a deficit balance at June 30, 2009 of \$99,349.

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

City of Le Grand

Schedule of Findings

Year ended June 30, 2009

Response – The Capital Projects Fund will not have a deficit once the current water project is completed. Local option sales tax will be transferred to pay for the City’s portion of the water project.

Conclusion – Response accepted.

- (9) Payment of General Obligation Bonds – The general obligation bonds were paid from the Enterprise, Water Fund. Chapter 384.4 of the Code of Iowa states, in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”

Recommendation – The City should transfer funds to be used to pay general obligation debt to the Debt Service Fund. Payments of the bonds should then be disbursed from the Debt Service Fund.

Response – A budget correction will be made and the Debt Service Fund shall pay the water project bond.

Conclusion – Response accepted.

- (10) Sewer Revenue Bonds – The resolution for the sewer revenue bonds requires the City to establish separate Sinking and Reserve Funds. The City has not established a Reserve Fund.

Recommendation – The City should establish a separate Reserve Fund as required by the sewer revenue bond resolution

Response – A separate Reserve Fund shall be established or the City will pay off the sewer bonds early.

Conclusion – Response accepted.

City of Le Grand

Staff

This audit was performed by:

Michelle M. Meyer, CPA, Manager
Aaron P. Wagner, CPA, Staff Auditor
Kelly L. Hilton, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State