

CITY OF ELDORA, IOWA

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

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City of Eldora, Iowa

Officials

Before January 2006

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------|-------------------|-------------------------|
| Ken Reece | Mayor | Jan 2006 |
| Denny Barnard | Council Member | Jan 2006 |
| Tom Donald | Council Member | Jan 2006 |
| Rick Warren | Council Member | Jan 2006 |
| Kip Knutzon | Council Member | Jan 2008 |
| Jerry Kramer | Council Member | Jan 2008 |
| Eric Weinkoetz | Administrator | Resigned April 30, 2005 |
| Joyce Lawler | Deputy City Clerk | Appointed |
| Dave Dunn | Attorney | Jan 2006 |

Library Board

| | | |
|---------------|--------|----------|
| Don Wilson | Member | Jul 2006 |
| Tim Ellefson | Member | Jul 2006 |
| Denise Wolf | Member | Jul 2008 |
| Lynne Allbee | Member | Jul 2008 |
| Mary Swartz | Member | Jul 2010 |
| Dean Stickrod | Member | Jul 2010 |
| Jan Dunn | Member | Jul 2010 |

Board of Adjustment

| | | |
|--------------|--------|----------|
| Glen Gaede | Member | May 2006 |
| David McCall | Member | May 2007 |
| Ron Ziggafos | Member | May 2008 |
| Bob Webb | Member | May 2009 |
| Dick Ritter | Member | May 2010 |

City of Eldora, Iowa

Officials (continued)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------------------------------|--------------|---------------------|
| <u>Planning and Zoning Commission</u> | | |
| Mary Rubow | Member | Jun 2007 |
| Bill Dagit | Member | Jun 2008 |
| Steve Priske | Member | Jun 2008 |
| Bruce Harvey | Member | Jun 2009 |
| Larry Luiken | Member | Jun 2009 |
| Frank Valde | Member | Jun 2010 |
| Dan Dye | Member | Jun 2010 |
| <u>Theater Board</u> | | |
| Ingvert Appel | Member | Dec 2005 |
| Nancy Steinfeldt | Member | Dec 2005 |
| Karen Miller | Member | Dec 2007 |
| Dave Rubow | Member | Dec 2007 |
| Judith Andrews | Member | Dec 2007 |

City of Eldora, Iowa

Officials

After January 2006

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------|-------------------|---------------------|
| Robert Jeske | Mayor | Jan 2008 |
| Kip Knutzon | Council Member | Jan 2008 |
| Jerry Kramer | Council Member | Jan 2008 |
| Denny Barnard | Council Member | Jan 2010 |
| Ken Collins | Council Member | Resigned |
| Connie Jeske | Council Member | Jan 2010 |
| Jeff Horne | Administrator | Appointed |
| Joyce Lawler | Deputy City Clerk | Appointed |
| Dave Dunn | Attorney | Jan 2010 |

Library Board

| | | |
|---------------|--------|----------|
| Denise Wolf | Member | Jul 2008 |
| Lynne Allbee | Member | Jul 2008 |
| Mary Swartz | Member | Jul 2010 |
| Dean Stickrod | Member | Jul 2010 |
| Jan Dunn | Member | Jul 2010 |
| Don Wilson | Member | Jul 2012 |
| Howard Marsh | Member | Jul 2012 |

Board of Adjustment

| | | |
|--------------|--------|----------|
| David McCall | Member | May 2007 |
| Ron Ziggafos | Member | May 2008 |
| Dick Ritter | Member | May 2010 |
| Glen Gaede | Member | May 2011 |

City of Eldora, Iowa

Officials (continued)

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|---------------------------------------|--------------|---------------------|
| <u>Planning and Zoning Commission</u> | | |
| Mary Rubow | Member | Jun 2007 |
| Bill Dagit | Member | Jun 2008 |
| Steve Priske | Member | Jun 2008 |
| Bruce Harvey | Member | Jun 2009 |
| Larry Luiken | Member | Jun 2009 |
| Frank Valde | Member | Jun 2010 |
| Dan Dye | Member | Jun 2010 |
| <u>Theater Board</u> | | |
| Karen Miller | Member | Dec 2007 |
| Dave Rubow | Member | Dec 2007 |
| Judith Andrews | Member | Dec 2007 |
| Dan Gehring | Member | Dec 2009 |
| Linda Barcus | Member | Dec 2009 |

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 Eldora, Iowa, as of and for the year ended June 30, 2006, 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 Eldora's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldora as of June 30, 2006, 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 24, 2006 on our consideration of the City of Eldora'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 13 and 33 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied 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 Eldora's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedule 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

October 26, 2006

**CITY OF ELDORA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006**

This discussion and analysis is intended to be an easily readable analysis of the City of Eldora's financial activities for the fiscal year ended June 30, 2006 based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the City's financial statements.

Financial Highlights

The City issued debt for an aquatic center.

The Clinic renovation continued with some payments going to greenbelt Home Care and to the Ambulance Service.

Basis of Accounting

The City has elected to present its financial statements on a cash basis of accounting. The cash basis of accounting is a basis other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses and their related assets and liabilities. Under the City's cash basis of accounting, revenues and expenses are recorded when they result from cash transactions. As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods and services but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Report Layout

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report. Besides the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules or non-major funds and supplemental information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as public safety, public works, health and social services, culture and recreation, community and economic development, general government administration, debt service, and capital projects. Business-type activities are water, sewer, solid waste and theatre.

Statement of Activities

The focus of the Statement of Activities is to present the major program cost and match major resources with each. To the extent a program's cost is not recovered by grants, donations and direct charges, it is paid from general taxes and other resources. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.

Following the Statement of Activities is a section containing fund financial statements. In the Statement of Cash Transactions and Changes in Cash Balance the City's major funds are presented in their own column and the remaining funds are combined into a column titled "Non-major Governmental or Proprietary Funds". For each major fund, a Schedule of Cash Transactions is presented. Readers who wish to obtain information on non-major funds can find it in the Combining Schedules of Non-major Funds in the Supplemental Information section of this report. Finally, completing the document is a series of other financial schedules and the reports by the independent certified public accountants as required by statute.

The MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior years.

Fund Financial Statements

A fund is a grouping a related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Eldora, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds for the City of Eldora can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds account for most of the City's basic services. These focus on how much flows into and out of those funds, and 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 Tax Increment Financing, 3) the Debt Service Fund and 4) 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 City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

Proprietary Funds – Proprietary funds account for the City’s Enterprise Funds. The City of Eldora maintains four different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Eldora uses enterprise funds to account for its Water, Sewer, Landfill, Utility Deposits and Theater. The Sewer Fund is considered to a major fund, while the rest are combined as non-major business activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information: This report also presents certain required supplementary information concerning the City of Eldora’s progress in funding its obligation to provide pension benefits to its employees.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in cash balances for governmental activities.

The differences between the original budgeted expenditures and the final expenditures decreased by \$1,602,637 and can be briefly summarized as follows:

1. The Local Option Sales Tax was more than what was budgeted for. Therefore, whatever revenues that we receive are also an expense going out to the other funds.
2. Revenue was lost with the internal loans to the daycare project caused by the law suit.
3. Expenses that were incurred with the clinic renovation were not budgeted for.

Long-term debt – At the end of the current fiscal year, the City of Eldora had a total debt outstanding of \$9,158,200. This consists of \$3,565,000 of general obligation debt, \$5,419,000 of sewer revenue debt and \$174,200 in other debt. During 2006, notes for sewer improvement and a building demolition project were added.

Economic Factors and Next Year's Budgets and Rates

The City will continue to explore service sharing wherever possible with Hardin County and neighboring communities. The City is looking into sharing Geographic Information Systems and Document Management.

The City is diverting additional local options sales tax revenues to the completion of the clinic renovation project in the 2006 budget and 2007. The City will also possibly need additional funding to complete the pool project.

These factors, if known, were considered in doing the City of Eldora City 2007 Budget. If they were not known, then they will be considered with the 2007 amended budget.

Request for information

This financial report is designed to provide a general overview of the City of Eldora's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should contact the City of Eldora, City Administrator Jeffrey Horne, 1442 Washington St., Eldora, Iowa 50627.

Changes in Net Assets of Governmental Activities

| | <u>Year Ended June 30, 2006</u> | <u>Year Ended June 30, 2005</u> |
|---|-------------------------------------|-------------------------------------|
| Receipts and Transfers | | |
| Program Receipts: | | |
| Charges for service | \$ 256,726 | \$ 181,353 |
| Grants and contributions | 696,774 | 388,391 |
| General Receipts: | | |
| Property taxes | 783,591 | 782,327 |
| Tax increment financing | 70,248 | 64,767 |
| Other city taxes | 251,236 | 222,169 |
| Investment earnings | 78,214 | 61,540 |
| Rents received | 53,540 | 44,370 |
| Other general receipts | 234,953 | 10,237 |
| Other Financing Sources | 1,689,200 | 287,184 |
| Transfers net | <u>146,978</u> | <u>30,699</u> |
| Total Receipts and Transfers | <u>4,261,460</u> | <u>2,073,037</u> |
| Disbursements | | |
| Public safety | 771,471 | 688,577 |
| Public works | 415,889 | 386,063 |
| Health and social services | 1,193,069 | 302,315 |
| Culture and recreation | 248,565 | 241,505 |
| Community and economic development | 96,932 | 760 |
| General government | 270,958 | 385,351 |
| Debt service | 294,465 | 194,393 |
| Capital projects | <u>1,293,276</u> | <u>35,989</u> |
| Total Disbursements | <u>4,584,625</u> | <u>2,234,953</u> |
| Increase (decrease) in cash basis net assets | (323,165) | (161,916) |
| Cash basis net assets beginning of year | <u>1,959,161</u> | <u>2,121,077</u> |
| Cash basis net assets end of year | 1,635,996 | 1,959,161 |

As you can see, the City saw a net decrease in assets. This can somewhat be accounted for by the expenditure of the settlement funds towards the clinic renovation project as well as a fall in property tax receipts.

Changes in Net Assets of Business Type Activities

| Receipts and Transfers | <u>Year Ended June 30, 2006</u> | <u>Year Ended June 30, 2005</u> |
|--|--|--|
| Program receipts: | | |
| Charges for service: | | |
| Water | \$ 305,076 | 279,376 |
| Sewer | 559,540 | 426,343 |
| Solid waste | 94,802 | 85,981 |
| Other charges | 120,789 | 108,151 |
| General Receipts: | | |
| Intergovernmental | 318,266 | 277,753 |
| Interest | 76,421 | 24,437 |
| Other general receipts | 24,196 | 23,462 |
| Other financing sources | <u>2,920,642</u> | <u>2,539,239</u> |
| Total receipts and transfers | <u>4,419,732</u> | <u>3,764,741</u> |
| Disbursements | | |
| Water | 297,245 | 222,962 |
| Sewer | 206,578 | 224,772 |
| Solid waste | 104,394 | 62,532 |
| Other business type | 114,595 | 104,366 |
| Capital projects | 3,990,187 | 1,927,389 |
| Transfers, net | <u>146,978</u> | <u>30,699</u> |
| Total disbursements and transfers | <u>4,859,977</u> | <u>2,572,720</u> |
| Increase (decrease) in cash basis net assets | 440,245) | 1,192,021 |
| Cash basis net assets beginning of year | <u>2,223,041</u> | <u>1,031,020</u> |
| Cash basis net assets end of year | 1,782,796 ===== | 2,223,041 ===== |

Individual Major Governmental Fund Analysis

As the City of Eldora completed its year, its governmental funds reported a combined cash balance of \$1,635,996, a decrease of \$323,165 from last year's total. 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 \$1,058,041 from the prior year to a deficit of \$191,509. The City is reviewing options to return this balance to a positive amount.

Individual Major Business Type Fund Analysis

The Sewer Fund cash balance increased \$1,101,220 from the prior year to \$1,582,770. This is mainly due to proceeds received for construction of the waste water treatment plant.

Budgetary Highlights

The City of Eldora adopts an annual budget for all funds. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

Public Safety – This category includes police operations, civil service commissions, emergency management, fire protection, and ambulance service.

Public Works – This category includes roads, bridges, and sidewalks, equipment replacement, street lighting, traffic safety, and snow removal.

Culture and Recreation – This category includes library services, parks, recreation, and cemetery.

Community and Economic Development – This category includes trees forever, TIF, planning and zoning, and community activities.

General Government – This category includes mayor/administrator, city council, deputy city clerk, legal services, city hall, insurance, cemetery, hospital, ambulance, and safety programs.

Debt Service – This category includes general, TIF, and road use debt service.

Capital Projects – This category includes lease purchase, property acquisition, blight, right-of-way, and street resurfacing.

Business Type Activities – This category includes water, sewer, solid waste and theater operations.

Basic Financial Statements

City of Eldora, Iowa

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2006

| | <u>Disbursements</u> | <u>Charges for Service</u> | <u>Program Receipts</u> | |
|------------------------------------|----------------------|----------------------------|---|---|
| | | | <u>Operating Grants, Contributions, and Restricted Interest</u> | <u>Capital Grants, Contributions, and Restricted Interest</u> |
| Functions/Programs: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 771,471 | 218,050 | 32,337 | - |
| Public works | 415,889 | 18,076 | 255,510 | - |
| Health and social services | 1,193,069 | - | 35,243 | - |
| Culture and recreation | 248,565 | 11,406 | 283,451 | - |
| Community and economic development | 96,932 | 650 | 56,998 | - |
| General government | 270,958 | 8,544 | 17,742 | - |
| Debt service | 294,465 | - | - | - |
| Capital projects | <u>1,293,276</u> | <u>-</u> | <u>15,493</u> | <u>-</u> |
| Total governmental activities | <u>4,584,625</u> | <u>256,726</u> | <u>696,774</u> | <u>-</u> |
| Business type activities: | | | | |
| Other nonmajor | 516,234 | 520,667 | - | - |
| Sewer | <u>4,196,765</u> | <u>559,540</u> | <u>-</u> | <u>318,266</u> |
| Total business type activities | <u>4,712,999</u> | <u>1,080,207</u> | <u>-</u> | <u>318,266</u> |
| Total | <u>\$ 9,297,624</u> | <u>1,336,933</u> | <u>696,774</u> | <u>318,266</u> |

Exhibit A

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

| <u>Governmental</u> <u>Activities</u> | <u>Business Type</u> <u>Activities</u> | <u>Total</u> |
|--|---|--------------------|
| (521,084) | - | (521,084) |
| (142,303) | - | (142,303) |
| (1,157,826) | - | (1,157,826) |
| 46,292 | - | 46,292 |
| (39,284) | - | (39,284) |
| (244,672) | - | (244,672) |
| (294,465) | - | (294,465) |
| <u>(1,277,783)</u> | <u>-</u> | <u>(1,277,783)</u> |
| <u>(3,631,125)</u> | <u>-</u> | <u>(3,631,125)</u> |
| - | 4,433 | 4,433 |
| <u>-</u> | <u>(3,318,959)</u> | <u>(3,318,959)</u> |
| <u>-</u> | <u>(3,314,526)</u> | <u>(3,314,526)</u> |
| <u>(3,631,125)</u> | <u>(3,314,526)</u> | <u>(6,945,651)</u> |

(continued)

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2006

| | Net (Disbursements) Receipts and Changes in Cash Basis Net Assets | | |
|---|--|-----------------------------|------------------|
| | Governmental Activities | Business Type Activities | Total |
| General Receipts: | | | |
| Property tax levied for: | | | |
| General purposes | \$ 626,297 | - | 626,297 |
| Tax increment financing | 70,248 | - | 70,248 |
| Debt service | 157,294 | - | 157,294 |
| Local option sales tax | 251,236 | - | 251,236 |
| Unrestricted interest on investments | 78,214 | 76,421 | 154,635 |
| Rents received | 53,540 | - | 53,540 |
| Interfund loan repayment | 37,573 | - | 37,573 |
| Note proceeds | 1,689,200 | - | 1,689,200 |
| Bond proceeds | - | 2,920,642 | 2,920,642 |
| Miscellaneous | 189,785 | 24,196 | 213,981 |
| Sale of assts | 7,595 | - | 7,595 |
| Transfers | 146,978 | (146,978) | - |
| Total general receipts and transfers | <u>3,307,960</u> | <u>2,874,281</u> | <u>6,182,241</u> |
| Change in cash basis net assets | (323,165) | (440,245) | (763,410) |
| Cash basis net assets beginning of year | <u>1,959,161</u> | <u>2,223,041</u> | <u>4,182,202</u> |
| Cash basis net assets end of year | <u>\$ 1,635,996</u> | <u>1,782,796</u> | <u>3,418,792</u> |
| Cash Basis Net Assets | | | |
| Restricted: | | | |
| Streets | \$ 223,271 | - | 223,271 |
| Cemetery perpetual care | 74,917 | - | 74,917 |
| Debt service | 48,492 | - | 48,492 |
| Other purposes | 210,196 | - | 210,196 |
| Unrestricted | <u>1,079,120</u> | <u>1,782,796</u> | <u>2,861,916</u> |
| Total cash basis net assets | <u>\$ 1,635,996</u> | <u>1,782,796</u> | <u>3,418,792</u> |

See notes to financial statements.

City of Eldora, Iowa
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2006

| | <u>General</u> | <u>Capital Project Pool Trust</u> |
|--|---------------------|---|
| Receipts: | | |
| Property tax | \$ 384,829 | - |
| Tax increment financing collections | - | - |
| Other city tax | | - |
| Licenses and permits | 8,544 | - |
| Use of money and property | 79,932 | 26,896 |
| Intergovernmental | 17,255 | - |
| Charges for service | 239,771 | - |
| Special assessments | - | - |
| Miscellaneous | 140,116 | 238,947 |
| Total receipts | <u>870,447</u> | <u>265,843</u> |
| Disbursements: | | |
| Operating: | | |
| Public safety | 700,966 | - |
| Public works | 142,330 | - |
| Health and social services | 1,182,332 | - |
| Culture and recreation | 193,052 | - |
| Community and economic development | 760 | - |
| General government | 246,319 | - |
| Debt service | - | - |
| Capital projects | - | 853,328 |
| Total disbursements | <u>2,465,759</u> | <u>853,328</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>(1,595,312)</u> | <u>(587,485)</u> |
| Other financing sources (uses): | 4,015 | |
| Interfund loan repayment | 37,573 | - |
| Note proceeds | - | 1,489,200 |
| Sale of capital assets | 1,725 | - |
| Operating transfers in | 501,987 | |
| Operating transfers out | (4,015) | - |
| Total other financing sources (uses) | <u>537,270</u> | <u>1,489,200</u> |
| Net change in cash balances | (1,058,041) | 901,715 |
| Cash balances beginning of year | <u>866,532</u> | <u>7,271</u> |
| Cash balances end of year | <u>\$ (191,509)</u> | <u>908,986</u> |
| Cash Basis Fund Balances | | |
| Reserved: | | |
| Debt service | \$ - | - |
| Health care | - | - |
| Unreserved: | | |
| General fund | (191,509) | - |
| Special revenue funds | - | - |
| Capital projects fund | - | 908,986 |
| Permanent fund | - | - |
| Total cash basis fund balances | <u>\$ (191,509)</u> | <u>908,986</u> |

See notes to financial statements.

Exhibit B

| Other Nonmajor Governmental | |
|-----------------------------------|--------------------|
| <u>Funds</u> | <u>Total</u> |
| 379,794 | 764,623 |
| 70,248 | 70,248 |
| 270,204 | 270,204 |
| - | 8,544 |
| 32,563 | 139,391 |
| 347,725 | 364,980 |
| 15,851 | 255,622 |
| 2,861 | 2,861 |
| 124,577 | 503,640 |
| <u>1,243,823</u> | <u>2,380,113</u> |
| 70,505 | 771,471 |
| 273,559 | 415,889 |
| 10,737 | 1,193,069 |
| 55,513 | 248,565 |
| 96,172 | 96,932 |
| 24,639 | 270,958 |
| 294,465 | 294,465 |
| 439,948 | 1,293,276 |
| <u>1,265,538</u> | <u>4,584,625</u> |
| <u>(21,715)</u> | <u>(2,204,512)</u> |
| - | 37,573 |
| 200,000 | 1,689,200 |
| 5,870 | 7,595 |
| 448,658 | 950,645 |
| <u>(799,652)</u> | <u>(803,667)</u> |
| <u>(145,124)</u> | <u>1,881,346</u> |
| (166,839) | (323,165) |
| <u>1,085,358</u> | <u>1,959,161</u> |
| <u>918,519</u> | <u>1,635,996</u> |
| 48,492 | 48,492 |
| - | - |
| - | (191,509) |
| 433,467 | 433,467 |
| 361,643 | 1,270,629 |
| 74,917 | 74,917 |
| <u>918,519</u> | <u>1,635,996</u> |

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

As of and for the year ended June 30, 2006

| | Enterprise Funds | | |
|---|-------------------------|---------------------|--------------------|
| | Other Nonmajor Funds | Sewer | Total |
| Operating receipts: | | | |
| Charges for service | \$ 509,855 | 559,528 | 1,069,383 |
| Miscellaneous | 10,812 | 12 | 10,824 |
| Total operating receipts | <u>520,667</u> | <u>559,540</u> | <u>1,080,207</u> |
| Operating disbursements: | | | |
| Business type activities | 516,234 | 4,196,765 | 4,712,999 |
| Total operating disbursements | <u>516,234</u> | <u>4,196,765</u> | <u>4,712,999</u> |
| Excess (deficiency) of operating receipts over (under) operating disbursements | <u>4,433</u> | <u>(3,637,225)</u> | <u>(3,632,792)</u> |
| Non-operating receipts (disbursements): | | | |
| Intergovernmental | - | 318,266 | 318,266 |
| Interest on investments | 25,226 | 51,195 | 76,421 |
| Miscellaneous | 12,898 | 11,298 | 24,196 |
| Total non-operating receipts | <u>38,124</u> | <u>380,759</u> | <u>418,883</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>42,557</u> | <u>(3,256,466)</u> | <u>(3,213,909)</u> |
| Other financing sources (uses): | | | |
| Bond proceeds | - | 2,920,642 | 2,920,642 |
| Operating transfer in | - | - | - |
| Operating transfers out | (21,000) | (125,978) | (146,978) |
| Total other financing sources (uses) | <u>(21,000)</u> | <u>2,794,664</u> | <u>2,773,664</u> |
| Net change in cash balances | 21,557 | (461,802) | (440,245) |
| Cash balances beginning of year | <u>640,271</u> | <u>1,582,770</u> | <u>2,223,041</u> |
| Cash balances end of year | <u>\$ 661,828</u> | <u>1,120,968</u> | <u>1,782,796</u> |
| Cash Basis Fund Balances | | | |
| Unreserved | <u>661,828</u> | <u>1,120,968</u> | <u>1,782,796</u> |
| Total cash basis fund balances | <u>\$ 661,828</u> | <u>\$ 1,120,968</u> | <u>1,782,796</u> |

See notes to financial statements.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

The City of Eldora, Iowa is a political subdivision of the State of Iowa located in Hardin County. It was first incorporated in 1869 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, City of Eldora, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following board: Hardin County Assessor's Conference Board.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2006

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 services.

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 that do not meet 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 or enterprise funds are aggregated and reported as nonmajor governmental or enterprise funds.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2006

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.

Capital Projects:

The Pool Trust Fund is used to account for the construction of a new Aquatic Center.

The City reports the following major proprietary fund:

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

C. Measurement Focus and Basis of Accounting

The City of Eldora 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.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2006

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, 2006, disbursements exceeded the amounts budgeted in the public safety, health and social services, general government, debt service and business-type activities.

(2) **Cash**

The City's deposits in banks at June 30, 2006 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 at June 30, 2006. During the year ended June 30, 2006, the City invested its excess funds in savings accounts.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2006

(3) Bonds and Notes Payable

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

| Year Ending <u>June 30,</u> | General Obligation Bonds/Notes | | Revenue Notes | |
|-----------------------------------|-----------------------------------|-----------------|------------------|------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2007 | \$ 341,741 | 168,734 | 52,000 | 171,963 |
| 2008 | 358,303 | 127,327 | 54,000 | 169,934 |
| 2009 | 364,931 | 114,022 | 57,000 | 167,826 |
| 2010 | 376,628 | 99,985 | 59,000 | 165,601 |
| 2011 | 328,397 | 84,845 | 61,000 | 163,298 |
| 2012 | 265,000 | 71,925 | 64,000 | 160,916 |
| 2013 | 275,000 | 61,896 | 323,000 | 158,416 |
| 2014 | 275,000 | 51,219 | 466,000 | 148,128 |
| 2015 | 290,000 | 40,284 | 620,000 | 133,541 |
| 2016 | 180,000 | 28,544 | 622,000 | 114,297 |
| 2017 | 120,000 | 21,050 | 625,000 | 94,974 |
| 2018 | 125,000 | 16,190 | 594,000 | 75,534 |
| 2019 | 130,000 | 11,065 | 581,000 | 56,989 |
| 2020 | 135,000 | 5,670 | 585,000 | 38,812 |
| 2021 | - | - | 487,000 | 20,480 |
| 2022 | - | - | 76,000 | 5,070 |
| 2023 | - | - | 50,000 | 2,790 |
| 2024 | - | - | 30,000 | 1,290 |
| 2025 | - | - | 10,000 | 390 |
| 2026 | - | - | 3,000 | 90 |
| Total | <u>\$ 3,565,000</u> | <u>902,756</u> | <u>5,419,000</u> | <u>1,850,339</u> |

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the sewer fund.
- (b) Sufficient monthly transfers shall be made to a separate revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) The City shall establish and provide for the collection of rates to be charges to customers of the sewer utility to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the Utility and to leave a balance of net revenues equal to at least 110% of the principal and interest of all outstanding sewer notes due in such fiscal year.

| Installment Notes | | Total | |
|-------------------|-----------------|------------------|------------------|
| <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 56,822 | 7,868 | 450,563 | 348,565 |
| 57,378 | 5,370 | 469,681 | 302,631 |
| 30,000 | 2,850 | 451,931 | 284,698 |
| 30,000 | 1,425 | 465,628 | 267,011 |
| - | - | 389,397 | 248,143 |
| - | - | 329,000 | 232,841 |
| - | - | 598,000 | 220,312 |
| - | - | 741,000 | 199,347 |
| - | - | 910,000 | 173,825 |
| - | - | 802,000 | 142,841 |
| - | - | 745,000 | 116,024 |
| - | - | 719,000 | 91,724 |
| - | - | 711,000 | 68,054 |
| - | - | 720,000 | 44,482 |
| - | - | 487,000 | 20,480 |
| - | - | 76,000 | 5,070 |
| - | - | 50,000 | 2,790 |
| - | - | 30,000 | 1,290 |
| - | - | 10,000 | 390 |
| - | - | 3,000 | 90 |
| <u>174,200</u> | <u>17,513</u> | <u>9,158,200</u> | <u>2,770,608</u> |

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2006

(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 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$60,759, \$56,582 and \$53,827, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick 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, compensatory time, and sick leave termination payments payable to employees at June 30, 2006, primarily relating to the General and Proprietary Funds, are as follows:

| <u>Type of Benefit</u> | <u>Amount</u> |
|------------------------|---------------|
| Vacation | \$ 59,000 |
| Sick leave | 27,000 |
| Compensatory time | <u>9,600</u> |
| Total | \$ 95,600 |
| | ===== |

This liability has been computed based on rates of pay in effect at June 30, 2006.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2006

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2006 is as follows:

| <u>Transfer to</u> | <u>Transfer from</u> | <u>Amount</u> |
|----------------------|------------------------|-------------------|
| General | Special Revenue: | |
| | Local option sales tax | \$ 138,737 |
| | Employee benefits | 310,664 |
| | Insurance | 42,586 |
| | Enterprise: | |
| | Solid Waste | 10,000 |
| Capital Projects | Special Revenue: | |
| | Local option sales tax | 112,499 |
| | Housing | 257 |
| | Property acquisition | 1,976 |
| | Lease purchase | 6,342 |
| | Right of Way | 3,508 |
| | Day Care Trust | 21,711 |
| | Permanent fund | 57,206 |
| Permanent Fund | General | 575 |
| Special Revenue: | Enterprise: | |
| Insurance | Water | 10,200 |
| | Sewer | 4,700 |
| | Theater | 800 |
| Economic Development | Cap Pro | 101,000 |
| Visitors Center | General | 369 |
| Ambulance Trust | General | 3,071 |
| Debt Service | Special Revenue: | |
| | TIF | 3,166 |
| | Enterprise: | |
| | Sewer | <u>121,278</u> |
| Total | | \$ <u>950,645</u> |
| | | ===== |

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2006

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

(7) Contingent Liabilities

- (A) The City of Eldora, Iowa is one of eleven cities in Hardin County that comprise the membership of the Hardin County Sanitary Solid Waste Disposal Commission. This Commission is responsible for providing solid waste disposal in Hardin County. The present site in use has a remaining estimated useful life of fifteen years according to a study done for the Hardin County Sanitary Solid Waste Disposal Commission by Fox Engineering. Fox Engineering has estimated the Commission will incur costs of \$531,000 for closure and continued monitoring of the site after closure. These costs will be incurred in segments over the remaining 15-year life of the facility. The City of Eldora will be responsible for its pro rata share of these expenses. In addition, the City of Eldora is contingently liable for any potential clean-up costs associated with complying with requirements of the federal government's Environmental Protection Agency or the State of Iowa's Department of Natural Resources.
- (B) The City of Eldora, Iowa is contingently liable for an old city dump which has been closed. The Department of Natural Resources investigated the site in 1989, but no orders or reports were issued. No determination of potential cost of cleanup efforts has been made.

(8) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 531 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2006

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2006 were \$66,488.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual – member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2006, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2006

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

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Construction Commitments

The City entered into a commitment of approximately \$2.5 million to construct a new pool. As of June 30, 2006 \$853,000 has been spent on this project. This project was funded by the issuance of \$1.5 million general obligation bonds plus donations and grants.

The City entered into a commitment of approximately \$6 million to construct a new wastewater treatment plant. As of June 30, 2006 there is approximately \$300,000 left to expend on the project.

The City entered into a commitment of approximately \$910,000 to construct a new day care facility. This project will be funded by donations and grants. As of June 30, 2006 approximately \$260,000 has been spent on this project.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2006

(10) Deficit Fund Balances

The Special Revenue Employee Benefits Account had a deficit balance of \$121,089 at June 30, 2006. The City plans to increase property taxes over the next few years to eliminate this deficit.

The Special Revenue Fund, Day Care Trust Account had a deficit balance of \$11,257 at June 30, 2006. This deficit will be eliminated in the future by grants, contributions or transfers from other funds.

The General Fund, had a deficit balance of \$191,509 at June 30, 2006. The council is investigating options to reduce this deficit.

(11) Operating Lease

The City of Eldora entered into an operating lease for a Sharp Digital Imager System. Payments are \$180/month with the lease expiring December 31, 2009. Lease expense paid during the year was \$2,160. Future minimum payments are as follows:

| | | |
|--------------|-----------|--------------|
| Years Ending | 6-30-2007 | \$ 2,160 |
| | 6-30-2008 | 2,160 |
| | 6-30-2009 | 2,160 |
| | 6-30-2010 | <u>1,080</u> |
| | Total | \$ 7,560 |
| | | ===== |

(12) Capital Lease

The City of Eldora entered into a capital lease for the purchase of a police car. The lease expires February 2009. During the year ended June 30, 2006 the City disbursed \$5,798 for this lease.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2006

Future minimum lease payments are as follows:

| <u>Year Ending</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|------------------|-----------------|---------------|
| June 30, 2007 | \$ 4,951 | 846 | 5,797 |
| June 30, 2008 | 5,219 | 578 | 5,797 |
| June 30, 2009 | <u>5,500</u> | <u>297</u> | <u>5,797</u> |
| | <u>15,670</u> | <u>1,721</u> | <u>17,391</u> |
| | ===== | ===== | ===== |

Required Supplementary Information

City of Eldora, Iowa

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, 2006

| | Governmental Funds <u>Actual</u> | Proprietary Funds <u>Actual</u> |
|--|--|---------------------------------------|
| Receipts: | | |
| Property tax | \$ 764,623 | - |
| Tax increment financing collections | 70,248 | - |
| Other city tax | 270,204 | - |
| Licenses and permits | 8,544 | - |
| Use of money and property | 139,391 | 76,421 |
| Intergovernmental | 364,980 | 318,266 |
| Charges for service | 255,622 | 1,069,383 |
| Special assessments | 2,861 | - |
| Miscellaneous | 503,640 | 35,021 |
| Total receipts | <u>2,380,113</u> | <u>1,499,091</u> |
| Disbursements: | | |
| Public safety | 771,471 | - |
| Public works | 415,889 | - |
| Health and social services | 1,193,069 | - |
| Culture and recreation | 248,565 | - |
| Community and economic development | 96,932 | - |
| General government | 270,958 | - |
| Debt service | 294,465 | - |
| Capital projects | 1,293,276 | - |
| Business type activities | - | 4,712,999 |
| Total disbursements | <u>4,584,625</u> | <u>4,712,999</u> |
| Excess (deficiency) of receipts over (under) disbursements | (2,204,512) | (3,213,908) |
| Other financing sources, net | <u>1,881,346</u> | <u>2,773,664</u> |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (323,165) | (440,244) |
| Balances beginning of year | <u>1,959,161</u> | <u>2,223,041</u> |
| Balances end of year | <u>\$ 1,635,996</u> | <u>1,782,797</u> |
| See accompanying independent auditor's report. | | |

| <u>Net</u> | <u>Budgeted Amounts</u> | | <u>Final to Net Variance</u> |
|------------------|-------------------------|-------------------|--------------------------------------|
| | <u>Original</u> | <u>Final</u> | |
| 764,623 | 746,200 | 746,200 | 18,423 |
| 70,248 | - | - | 70,248 |
| 270,204 | 224,920 | 224,920 | 45,284 |
| 8,544 | 12,000 | 12,000 | (3,456) |
| 215,812 | 51,500 | 51,500 | 164,312 |
| 683,246 | 518,000 | 518,000 | 165,246 |
| 1,325,005 | 6,367,169 | 6,367,169 | (5,042,164) |
| 2,861 | - | - | 2,861 |
| 538,661 | 125,000 | 125,000 | 413,661 |
| <u>3,879,204</u> | <u>8,044,789</u> | <u>8,044,789</u> | <u>(4,165,585)</u> |
| 771,471 | 528,268 | 568,236 | (203,235) |
| 415,889 | 551,050 | 747,859 | 331,970 |
| 1,193,069 | 960,760 | 797,751 | (395,318) |
| 248,565 | 332,714 | 471,378 | 222,813 |
| 96,932 | 225,000 | 195,384 | 98,452 |
| 270,958 | 228,829 | 177,245 | (93,713) |
| 294,465 | - | (29,217) | (323,682) |
| 1,293,276 | 5,110,000 | 4,568,586 | 3,275,310 |
| 4,712,999 | 1,350,579 | 3,403,039 | (1,309,960) |
| <u>9,297,624</u> | <u>9,287,200</u> | <u>10,900,261</u> | <u>1,602,637</u> |
| (5,418,420) | (1,242,411) | (2,855,472) | (2,562,948) |
| <u>4,655,010</u> | <u>17,480</u> | <u>17,480</u> | <u>4,637,530</u> |
| (763,409) | (1,224,931) | (2,837,992) | 2,074,583 |
| <u>4,182,202</u> | <u>3,557,029</u> | <u>3,557,029</u> | <u>625,173</u> |
| <u>3,418,793</u> | <u>2,332,098</u> | <u>719,037</u> | <u>2,699,756</u> |

City of Eldora, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2006

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 except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2006 one budget amendment increased disbursements by \$1,613,061.

During the year ended June 30, 2006, disbursements exceeded the amounts budgeted in the public safety, health and social services, general government, debt service and business type activities.

Other Supplementary Information

City of Eldora, Iowa

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

As of and for the year ended June 30, 2006

| | Special Revenue | | | |
|--|-------------------|-----------------|----------------------|--------------|
| | Road Use | Insurance | Employee Benefits | Housing |
| Receipts: | | | | |
| Property tax | \$ - | 37,142 | 185,358 | - |
| Tax increment financing collections | - | - | - | - |
| Other city tax | - | 1,891 | 9,438 | - |
| Use of money and property | - | 1,936 | - | 3 |
| Intergovernmental | 255,673 | - | - | - |
| Charges for service | 13,391 | - | - | - |
| Special assessments | - | - | - | - |
| Miscellaneous | 4,342 | - | - | - |
| Total receipts | <u>273,406</u> | <u>40,969</u> | <u>194,796</u> | <u>3</u> |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | - | - | - | - |
| Public works | 273,559 | - | - | - |
| Health and social services | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Community and Economic Development | - | - | - | - |
| General government | - | 24,639 | - | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | - |
| Total disbursements | <u>273,559</u> | <u>24,639</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>(153)</u> | <u>16,330</u> | <u>194,796</u> | <u>3</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets | - | - | - | - |
| Operating transfers in | - | 15,700 | - | - |
| Operating transfers out | - | (42,586) | (310,664) | (257) |
| Note Proceeds | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>(26,886)</u> | <u>(310,664)</u> | <u>(257)</u> |
| Net change in cash balances | (153) | (10,556) | (115,868) | (254) |
| Cash balances beginning of year | 223,424 | 82,877 | (5,221) | 254 |
| Cash balances end of year | <u>\$ 223,271</u> | <u>72,321</u> | <u>(121,089)</u> | <u>-</u> |
| Cash Basis Fund Balances | | | | |
| Reserved: | | | | |
| Debt service | \$ - | - | - | - |
| Unreserved: | | | | |
| Special revenue funds | 223,271 | 72,321 | (121,089) | - |
| Capital project fund | - | - | - | - |
| Permanent fund | - | - | - | - |
| Total cash basis fund balances | <u>\$ 223,271</u> | <u>72,321</u> | <u>(121,089)</u> | <u>-</u> |

See accompanying independent auditor's report.

| Local Option Tax | Fire Department Trust | TIF | Trees Forever | Park Trust | Day Care Trust |
|------------------------|-----------------------------|----------------|------------------|---------------|-------------------|
| - | - | - | - | - | - |
| - | - | 70,248 | - | - | - |
| 251,236 | - | - | - | - | - |
| - | 464 | 3,137 | 396 | 361 | - |
| - | - | - | - | - | 20,414 |
| - | 1,000 | - | - | - | - |
| - | - | - | - | - | - |
| - | 31,357 | - | 4,155 | 28 | 11,538 |
| <u>251,236</u> | <u>32,821</u> | <u>73,385</u> | <u>4,551</u> | <u>389</u> | <u>31,952</u> |
| - | 31,872 | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | 10,737 |
| - | - | - | 12,368 | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>-</u> | <u>31,872</u> | <u>-</u> | <u>12,368</u> | <u>-</u> | <u>10,737</u> |
| <u>251,236</u> | <u>949</u> | <u>73,385</u> | <u>(7,817)</u> | <u>389</u> | <u>21,215</u> |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| (251,236) | - | (3,166) | - | - | (21,711) |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>(251,236)</u> | <u>-</u> | <u>(3,166)</u> | <u>-</u> | <u>-</u> | <u>(21,711)</u> |
| - | 949 | 70,219 | (7,817) | 389 | (496) |
| - | 36,913 | 63,812 | 10,373 | 9,445 | (10,761) |
| <u>-</u> | <u>37,862</u> | <u>134,031</u> | <u>2,556</u> | <u>9,834</u> | <u>(11,257)</u> |
| - | - | - | - | - | - |
| - | 37,862 | 134,031 | 2,556 | 9,834 | (11,257) |
| - | - | - | - | - | - |
| <u>-</u> | <u>37,862</u> | <u>134,031</u> | <u>2,556</u> | <u>9,834</u> | <u>(11,257)</u> |

(continued)

City of Eldora, Iowa

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

As of and for the year ended June 30, 2006

| | Special Revenue | | | |
|--|------------------|-----------------|------------------|--------------------|
| | Library Trust | Police Trust | Theater Trust | Visitors Center |
| Receipts: | | | | |
| Property tax | \$ - | - | - | - |
| Tax increment financing collections | - | - | - | - |
| Other city tax | - | - | - | - |
| Use of money and property | 115 | 246 | 275 | - |
| Intergovernmental | 3,645 | - | - | - |
| Charges for service | - | 1,460 | - | - |
| Special assessments | - | - | - | - |
| Miscellaneous | 3,206 | 3,458 | 16,214 | 11 |
| Total receipts | <u>6,966</u> | <u>5,164</u> | <u>16,489</u> | <u>11</u> |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | - | 9,633 | - | - |
| Public works | - | - | - | - |
| Health and social services | - | - | - | - |
| Culture and recreation | 6,876 | - | 29,074 | 217 |
| Community and economic development | - | - | - | - |
| General government | - | - | - | - |
| Debt service | - | - | - | - |
| Capital projects | - | - | - | - |
| Total disbursements | <u>6,876</u> | <u>9,633</u> | <u>29,074</u> | <u>217</u> |
| Excess (deficiency) of receipts over (under) disbursements | <u>90</u> | <u>(4,469)</u> | <u>(12,585)</u> | <u>(206)</u> |
| Other financing sources (uses): | | | | |
| Sale of capital assets | - | - | - | - |
| Operating transfers in | - | - | - | 369 |
| Operating transfers out | - | - | - | - |
| Note Proceeds | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>369</u> |
| Net change in cash balances | 90 | (4,469) | (12,585) | 163 |
| Cash balances beginning of year | 10,800 | 9,647 | 17,410 | (163) |
| Cash balances end of year | <u>10,890</u> | <u>5,178</u> | <u>4,825</u> | <u>-</u> |
| Cash Basis Fund Balances | | | | |
| Reserved: | | | | |
| Debt service | \$ - | - | - | - |
| Unreserved: | | | | |
| Special revenue funds | 10,890 | 5,178 | 4,825 | - |
| Capital project fund | - | - | - | - |
| Permanent fund | - | - | - | - |
| Total cash basis fund balances | <u>\$ 10,890</u> | <u>5,178</u> | <u>4,825</u> | <u>-</u> |

See accompanying independent auditor's report.

Schedule 1

| <u>Ambulance Trust</u> | <u>Economic Development</u> | <u>Capital Projects</u> | <u>Debt Service</u> | <u>Permanent Cemetery Perpetual Care</u> | <u>Total</u> |
|------------------------|-----------------------------|-------------------------|---------------------|--|------------------|
| - | - | - | 157,294 | - | 379,794 |
| - | - | - | - | - | 70,248 |
| - | - | - | 7,639 | - | 270,204 |
| - | 4,498 | 18,899 | 2,233 | - | 32,563 |
| - | 52,500 | 15,493 | - | - | 347,725 |
| - | - | - | - | - | 15,851 |
| - | - | 2,861 | - | - | 2,861 |
| 650 | 3,219 | 41,399 | 5,000 | - | 124,577 |
| <u>650</u> | <u>60,217</u> | <u>78,652</u> | <u>172,166</u> | <u>-</u> | <u>1,243,823</u> |
| 29,000 | - | - | - | - | 70,505 |
| - | - | - | - | - | 273,559 |
| - | - | - | - | - | 10,737 |
| - | - | - | - | 6,978 | 55,513 |
| - | 96,172 | - | - | - | 96,172 |
| - | - | - | - | - | 24,639 |
| - | - | - | 294,465 | - | 294,465 |
| - | - | 439,948 | - | - | 439,948 |
| <u>29,000</u> | <u>96,172</u> | <u>439,948</u> | <u>294,465</u> | <u>6,978</u> | <u>1,265,538</u> |
| <u>(28,350)</u> | <u>(35,955)</u> | <u>(361,296)</u> | <u>(122,299)</u> | <u>(6,978)</u> | <u>(21,715)</u> |
| - | - | 4,145 | - | 1,725 | 5,870 |
| 3,071 | 101,000 | 203,499 | 124,444 | 575 | 448,658 |
| - | - | (112,826) | - | (57,206) | (799,652) |
| - | - | 200,000 | - | - | 200,000 |
| <u>3,071</u> | <u>101,000</u> | <u>294,818</u> | <u>124,444</u> | <u>(54,906)</u> | <u>(145,124)</u> |
| (25,279) | 65,045 | (66,478) | 2,145 | (61,884) | (166,839) |
| <u>25,279</u> | <u>-</u> | <u>428,121</u> | <u>46,347</u> | <u>136,801</u> | <u>1,085,358</u> |
| <u>-</u> | <u>65,045</u> | <u>361,643</u> | <u>48,492</u> | <u>74,917</u> | <u>918,519</u> |
| - | - | - | 48,492 | - | 48,492 |
| - | 65,045 | - | - | - | 433,467 |
| - | - | 361,643 | - | - | 361,643 |
| - | - | - | - | 74,917 | 74,917 |
| <u>-</u> | <u>65,045</u> | <u>361,643</u> | <u>48,492</u> | <u>74,917</u> | <u>918,519</u> |

City of Eldora, Iowa

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

As of and for the year ended June 30, 2006

| | <u>Water</u> | <u>Solid Waste</u> | <u>Utility Deposit</u> |
|---|-------------------|------------------------|----------------------------|
| Operating receipts: | | | |
| Charges for service | \$ 305,076 | 94,802 | - |
| Miscellaneous | <u>-</u> | <u>-</u> | <u>10,812</u> |
| Total operating receipts | <u>305,076</u> | <u>94,802</u> | <u>10,812</u> |
| Operating disbursements: | | | |
| Business type activities | <u>297,245</u> | <u>104,394</u> | <u>6,677</u> |
| Total operating disbursements | <u>297,245</u> | <u>104,394</u> | <u>6,677</u> |
| Excess of operating receipts over operating disbursements | <u>7,831</u> | <u>(9,592)</u> | <u>4,135</u> |
| Non-operating receipts: | | | |
| Interest on investments | 18,313 | 3,428 | 1,160 |
| Miscellaneous | <u>9,619</u> | <u>-</u> | <u>-</u> |
| Total non-operating receipts | <u>27,932</u> | <u>3,428</u> | <u>1,160</u> |
| Excess of receipts over disbursements | 35,763 | (6,164) | 5,295 |
| Operating transfers in | - | - | - |
| Operating transfers out | <u>(10,200)</u> | <u>(10,000)</u> | <u>-</u> |
| Net change in cash balances | 25,563 | (16,164) | 5,295 |
| Cash balances beginning of year | <u>430,510</u> | <u>120,155</u> | <u>27,484</u> |
| Cash balances end of year | <u>\$ 456,073</u> | <u>103,991</u> | <u>32,779</u> |
| Cash Basis Fund Balances | | | |
| Unreserved | <u>456,073</u> | <u>103,991</u> | <u>32,779</u> |
| Total cash basis fund balances | <u>\$ 456,073</u> | <u>\$ 103,991</u> | <u>\$ 32,779</u> |

See accompanying independent auditor's report.

Schedule 2

| <u>Theater</u> | <u>Total</u> |
|------------------|-----------------|
| 109,977 | 509,855 |
| <u>-</u> | <u>10,812</u> |
| <u>109,977</u> | <u>520,667</u> |
| | |
| <u>107,918</u> | <u>516,234</u> |
| <u>107,918</u> | <u>516,234</u> |
| | |
| <u>2,059</u> | <u>4,433</u> |
| | |
| 2,325 | 25,226 |
| <u>3,279</u> | <u>12,898</u> |
| <u>5,604</u> | <u>38,124</u> |
| | |
| 7,663 | 42,557 |
| - | - |
| <u>(800)</u> | <u>(21,000)</u> |
| | |
| 6,863 | 21,557 |
| | |
| <u>62,122</u> | <u>640,271</u> |
| | |
| <u>68,985</u> | <u>661,828</u> |
| | |
| <u>68,985</u> | <u>661,828</u> |
| | |
| <u>\$ 68,985</u> | <u>661,828</u> |

City of Eldora, Iowa

Schedule of Indebtedness

Year ended June 30, 2006

| <u>Obligation</u> | <u>Date of Issue</u> | <u>Interest Rates</u> | <u>Amount Originally Issued</u> |
|--------------------------------------|----------------------|-----------------------|---------------------------------|
| General obligation notes: | | | |
| Sewer improvement note | 4-01-05 | 2.75-4.05% | \$ 995,000 |
| Storm sewer note | 11-01-01 | 5.00-5.50% | 280,000 |
| Corporate purpose and refunding note | 10-01-03 | 1.40-4.45% | 795,000 |
| Aquatic Center | 11-7-2005 | 3.45-4.20% | 150,000 |
| Demolition | 7-21-05 | 4.25% | 200,000 |
| Total | | | |
| General obligation bonds: | | | |
| Corporate purpose | 10-01-99 | 4.30-5.20% | \$ 410,000 |
| Revenue bonds: | | | |
| Sewer - Series A | 4-18-00 | 3.92% | \$ 1,743,725 |
| Sewer - Series B | 4-18-00 | 3.92% | 901,275 |
| Sewer - Series D | 4-18-00 | 3.92% | 157,751 |
| Sewer - Series 2005 | 5-02-05 | 3.00% | 4,400,000 |
| Total | | | |
| Other debt: | | | |
| Hardin County Savings Bank Note | 11-08-04 | 4.75% | \$ 150,000 |
| Hardin County Savings Bank Note | 11-02-04 | 4.00% | \$ 80,000 |

See accompanying independent auditor's report.

Schedule 3

| <u>Balance Beginning of Year</u> | <u>Issued During Year</u> | <u>Redeemed During Year</u> | <u>Balance End of Year</u> | <u>Interest Paid</u> | <u>Interest Due and Unpaid</u> |
|--|-----------------------------------|-------------------------------------|------------------------------------|--------------------------|--|
| 995,000 | - | 80,000 | 915,000 | 41,078 | - |
| 185,000 | - | 25,000 | 160,000 | 9,960 | - |
| 660,000 | - | 55,000 | 605,000 | 23,340 | - |
| - | 1,500,000 | - | 1,500,000 | - | - |
| - | 200,000 | - | 200,000 | - | - |
| <u>\$ 1,840,000</u> | <u>1,700,000</u> | <u>160,000</u> | <u>3,380,000</u> | <u>74,378</u> | <u>-</u> |
| <u>225,000</u> | <u>-</u> | <u>40,000</u> | <u>185,000</u> | <u>11,270</u> | <u>-</u> |
| 165,000 | - | 8,000 | 157,000 | 6,468 | - |
| 772,000 | - | 36,000 | 736,000 | 30,262 | - |
| 134,000 | - | 6,000 | 128,000 | 5,488 | - |
| 1,477,368 | 2,920,632 | - | 4,398,000 | 99,402 | - |
| <u>\$ 2,548,368</u> | <u>2,920,632</u> | <u>50,000</u> | <u>5,419,000</u> | <u>141,620</u> | <u>-</u> |
| 150,000 | - | 30,000 | 120,000 | 7,125 | - |
| 80,000 | - | 25,800 | 54,200 | 3,200 | - |
| <u>230,000</u> | <u>-</u> | <u>55,800</u> | <u>174,200</u> | <u>10,325</u> | <u>-</u> |

City of Eldora, Iowa

Bond and Note Maturities

June 30, 2006

| General Obligation Notes/Bonds | | | | |
|-----------------------------------|---|-------------------|------------------------------------|----------------|
| Year Ending <u>June 30.</u> | Corporate Purpose Bonds Issued Oct 1, 1999 | | Demolition Issued July 21, 2005 | |
| | Interest | | Interest | |
| | <u>Rates</u> | <u>Amount</u> | <u>Rate</u> | <u>Amount</u> |
| 2007 | 4.90 % | 45,000 | 4.25 % | 36,741 |
| 2008 | 5.00 | 45,000 | 4.25 | 38,303 |
| 2009 | 5.10 | 45,000 | 4.25 | 39,931 |
| 2010 | 5.20 | 50,000 | 4.25 | 41,628 |
| 2011 | | - | 4.25 | <u>43,397</u> |
| Total | | <u>\$ 185,000</u> | | <u>200,000</u> |

| General Obligation Notes/Bonds | | | | | | |
|-----------------------------------|---|-------------------|---|-------------------|---|-------------------|
| Year Ending <u>June 30.</u> | Storm Sewer Note Issued Nov 1, 2000 | | Corporate Purpose and Refunding Note Issued Oct 1, 2003 | | Storm Sewer Improvement Note Issued Apr 1, 2005 | |
| | Interest | | Interest | | Interest | |
| | <u>Rates</u> | <u>Amount</u> | <u>Rates</u> | <u>Amount</u> | <u>Rates</u> | <u>Amount</u> |
| 2007 | 5.30 % | 30,000 | 2.55 % | 55,000 | 3.00 % | 90,000 |
| 2008 | 5.35 | 30,000 | 2.90 | 65,000 | 3.10 | 90,000 |
| 2009 | 5.40 | 30,000 | 3.15 | 65,000 | 3.30 | 95,000 |
| 2010 | 5.45 | 35,000 | 3.45 | 55,000 | 3.50 | 100,000 |
| 2011 | 5.50 | 35,000 | 3.70 | 55,000 | 3.60 | 100,000 |
| 2012 | | - | 3.90 | 60,000 | 3.75 | 105,000 |
| 2013 | | - | 4.00 | 60,000 | 3.90 | 110,000 |
| 2014 | | - | 4.15 | 60,000 | 4.00 | 110,000 |
| 2015 | | - | 4.30 | 65,000 | 4.05 | 115,000 |
| 2016 | | - | 4.45 | 65,000 | | - |
| 2017 | | - | | - | | - |
| 2018 | | - | | - | | - |
| 2019 | | - | | - | | - |
| 2020 | | - | | - | | - |
| Total | | <u>\$ 160,000</u> | | <u>\$ 605,000</u> | | <u>\$ 915,000</u> |

| Aquatic Center Note Issued Nov. 7, 2005 | | |
|---|------------------|---------------------|
| Interest | | |
| <u>Rates</u> | Amount | <u>Total</u> |
| 3.45 | 85,000 | 341,741 |
| 3.50 | 90,000 | 358,303 |
| 3.60 | 90,000 | 364,931 |
| 3.65 | 95,000 | 376,628 |
| 3.70 | 95,000 | 328,397 |
| 3.75 | 100,000 | 265,000 |
| 3.80 | 105,000 | 275,000 |
| 3.85 | 105,000 | 275,000 |
| 3.90 | 110,000 | 290,000 |
| 4.00 | 115,000 | 180,000 |
| 4.05 | 120,000 | 120,000 |
| 4.10 | 125,000 | 125,000 |
| 4.15 | 130,000 | 130,000 |
| 4.20 | <u>135,000</u> | <u>135,000</u> |
| | <u>1,500,000</u> | <u>\$ 3,565,000</u> |

(continued)

City of Eldora, Iowa

Bond and Note Maturities

June 30, 2006

| Year Ending <u>June 30,</u> | Revenue Bonds | | | | | |
|-----------------------------------|--|-------------------|--|-------------------|--|-------------------|
| | Sewer Bond - Series A Issued Apr 18, 2000 | | Sewer Bond - Series B Issued Apr 18, 2000 | | Sewer Bond - Series D Issued Apr 18, 2000 | |
| | Interest | | Interest | | Interest | |
| | <u>Rates</u> | <u>Amount</u> | <u>Rates</u> | <u>Amount</u> | <u>Rates</u> | <u>Amount</u> |
| 2007 | 3.92 % | 8,000 | 3.92 % | 37,000 | 3.92 % | 6,000 |
| 2008 | 3.92 | 8,000 | 3.92 | 38,000 | 3.92 | 7,000 |
| 2009 | 3.92 | 9,000 | 3.92 | 40,000 | 3.92 | 7,000 |
| 2010 | 3.92 | 9,000 | 3.92 | 42,000 | 3.92 | 7,000 |
| 2011 | 3.92 | 9,000 | 3.92 | 43,000 | 3.92 | 8,000 |
| 2012 | 3.92 | 10,000 | 3.92 | 45,000 | 3.92 | 8,000 |
| 2013 | 3.92 | 10,000 | 3.92 | 47,000 | 3.92 | 8,000 |
| 2014 | 3.92 | 10,000 | 3.92 | 48,000 | 3.92 | 8,000 |
| 2015 | 3.92 | 11,000 | 3.92 | 50,000 | 3.92 | 9,000 |
| 2016 | 3.92 | 11,000 | 3.92 | 52,000 | 3.92 | 9,000 |
| 2017 | 3.92 | 12,000 | 3.92 | 54,000 | 3.92 | 9,000 |
| 2018 | 3.92 | 12,000 | 3.92 | 57,000 | 3.92 | 10,000 |
| 2019 | 3.92 | 12,000 | 3.92 | 59,000 | 3.92 | 10,000 |
| 2020 | 3.92 | 13,000 | 3.92 | 61,000 | 3.92 | 11,000 |
| 2021 | 3.92 | 13,000 | 3.92 | 63,000 | 3.92 | 11,000 |
| 2022 | | - | | - | | - |
| 2023 | | - | | - | | - |
| 2024 | | - | | - | | - |
| 2025 | | - | | - | | - |
| 2026 | | - | | - | | - |
| Total | | <u>\$ 157,000</u> | | <u>\$ 736,000</u> | | <u>\$ 128,000</u> |

See accompanying independent auditor's report.

| <u>Sewer Bond</u> | | |
|----------------------------|---------------------|---------------------|
| <u>Issued Jun 13, 2005</u> | | |
| Interest | | |
| <u>Rates</u> | <u>Amount</u> | <u>Total</u> |
| 3.00 % | 1,000 | 52,000 |
| 3.00 | 1,000 | 54,000 |
| 3.00 | 1,000 | 57,000 |
| 3.00 | 1,000 | 59,000 |
| 3.00 | 1,000 | 61,000 |
| 3.00 | 1,000 | 64,000 |
| 3.00 | 258,000 | 323,000 |
| 3.00 | 400,000 | 466,000 |
| 3.00 | 550,000 | 620,000 |
| 3.00 | 550,000 | 622,000 |
| 3.00 | 550,000 | 625,000 |
| 3.00 | 515,000 | 594,000 |
| 3.00 | 500,000 | 581,000 |
| 3.00 | 500,000 | 585,000 |
| 3.00 | 400,000 | 487,000 |
| 3.00 | 76,000 | 76,000 |
| 3.00 | 50,000 | 50,000 |
| 3.00 | 30,000 | 30,000 |
| 3.00 | 10,000 | 10,000 |
| 3.00 | <u>3,000</u> | <u>3,000</u> |
| | <u>\$ 4,398,000</u> | <u>\$ 5,419,000</u> |

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

For the Last Four Years

| | <u>2006</u> | <u>2005</u> | <u>2004</u> | <u>2003</u> |
|-------------------------------------|-------------------------|-------------------------|----------------------|----------------------|
| Receipts: | | | | |
| Property tax | \$ 764,623 | 744,318 | 770,492 | 798,858 |
| Tax increment financing collections | 70,248 | 64,767 | 19,895 | 20,238 |
| Other city tax | 270,204 | 260,178 | 276,684 | 278,691 |
| Licenses and permits | 8,544 | 7,297 | 10,619 | 11,444 |
| Use of money and property | 139,391 | 106,756 | 92,909 | 61,426 |
| Intergovernmental | 364,980 | 281,632 | 283,345 | 335,011 |
| Charges for service | 255,622 | 176,694 | 217,612 | 176,393 |
| Special assessments | 2,861 | 2,329 | 3,702 | 7,685 |
| Miscellaneous | <u>503,640</u> | <u>151,479</u> | <u>69,658</u> | <u>100,820</u> |
| Total | <u>\$ 2,380,113</u> | <u>\$ 1,795,450</u> | <u>1,744,916</u> | <u>1,790,566</u> |
| Disbursements: | | | | |
| Operating | | | | |
| Public safety | 771,471 | \$ 688,577 | 628,097 | 550,158 |
| Public works | 415,889 | 386,063 | 396,145 | 355,447 |
| Health and social services | 1,193,069 | 302,315 | 352,073 | 201,761 |
| Culture and recreation | 248,565 | 241,505 | 251,924 | 270,581 |
| Community and economic development | 96,932 | 760 | 760 | 760 |
| Geneneral government | 270,958 | 385,351 | 259,135 | 219,791 |
| Debt service | 294,465 | 194,393 | 1,429,516 | 230,879 |
| Capital projects | <u>1,293,276</u> | <u>35,989</u> | <u>273,150</u> | <u>529,284</u> |
| Total | <u>\$ 4,584,625</u> | <u>\$ 2,234,953</u> | <u>3,590,800</u> | <u>2,358,661</u> |

See accompanying independent auditor's report.

Schedule of Expenditures of Federal Awards

Year ended June 30, 2006

| <u>Grantor/Program</u> | <u>CFDA Number</u> | <u>Agency or Pass-Through Number</u> | <u>Program Expenditures</u> |
|---|------------------------|--|---------------------------------|
| Direct: | | | |
| Environmental Protection Agency | | | |
| USDA Rural Development | 10.769 | --- | \$ <u>52,500</u> |
| Indirect: | | | |
| U.S. Department of Housing and Urban Development: | | | |
| Iowa Department of Economic Development: | | | |
| Community Development Block Grant/State's Program | 14.228 | 04-CF-013 | 126,568 |
| Community Development Block Grant/State's Program | 14.228 | 99-WS-100 | <u>318,266</u> |
| | | | <u>444,834</u> |
| U.S. Environmental Protection Agency: | | | |
| Iowa Department of Natural Resources | | | |
| State Revolving Loan Fund | 66.458 | --- | <u>1,198,690</u> |
| Total | | | <u>\$ 1,696,024</u> |

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

See accompanying independent auditor's report.

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 Eldora, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 26, 2006. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Eldora's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City of Eldora's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part II of the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial

statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item II-A-06 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eldora'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 Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2006 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.

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 Eldora and other parties to whom the City of Eldora may report including federal awarding agencies and pass-through entities. 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 Eldora 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.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

October 26, 2006

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Eldora, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2006. The City of Eldora's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Eldora's management. Our responsibility is to express an opinion on the City of Eldora's compliance based on our audit.

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

In our opinion, the City of Eldora complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of the City of Eldora is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Eldora's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the City of Eldora's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grant agreements. The reportable condition is described as item III-A-06 in the accompanying Schedule of Findings and Questioned Costs.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with applicable requirements of laws, regulations, contracts and grant agreements caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe item III-A-06 is a material weakness.

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 Eldora and other parties to whom the City of Eldora may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

Cornwell, Frideres, Maher & Associates, P.L.C.
Certified Public Accountants

October 26, 2007

City of Eldora, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

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

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A reportable condition in internal control over the major program was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major programs were CFDA Number 14.228 – Community Development Block Grants/States's Program and CFDA Number 66.458 – Capitalization Grants for State Revolving Funds.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Eldora did not qualify as a low-risk auditee.

City of Eldora, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

II-A-06 Segregation of Duties - During our review of internal control the existing procedures were evaluated in order to determine that incompatible duties are not performed by the same employee. Segregation of duties helps to prevent loss from employee error or dishonesty and therefore maximizes the accuracy of the City's financial statements. We noted that one employee handles almost all of the financial duties, including reconciling accounts and recording financial data.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. Therefore, we recommend the Council maintain its diligence in the review of the financial records.

Response and Corrective Action Planned - We will continue our review.

Conclusion - Response accepted.

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

No matters were noted.

City of Eldora, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

REPORTABLE CONDITION:

CFDA Number 14.228: Community Development Block Grants/States Program

Pass-through Agency Number: 04-CF-013/99-WS-100

Federal Award Year: 2006

Department of Housing and Urban Development passed through the Iowa Department of Economic Development

CFDA Number 66.458: Capitalization Grants for State Revolving Funds

Federal Award Year: 2006

Department of Environmental Protection Agency passed through the Iowa Department of Natural Resources

III-A-06 – Segregation of Duties – The City has one employee handling most of the financial duties, including reconciling accounts and recording financial data. See II-A-06.

Part IV: Other Findings Related to Statutory Reporting:

IV-A-06 Certified Budget - Disbursements during the year ended June 30, 2006 exceeded the amounts budgeted in the public safety, health and social services, general government, debt service and business type activities. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

City of Eldora, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

Response – The budget will be amended in sufficient amounts in the future, if applicable.

Conclusion - Response accepted.

IV-B-06 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-06 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-06 Business Transactions - No business transactions between the City and City officials or employees were noted.

IV-E-06 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.

IV-F-06 Council Minutes – Out of the twenty-two items tested, one disbursement was not approved in the Council minutes.

Recommendation – The City should review their procedures to ensure that all bills are published in the minutes.

Response – This was an oversight this year. We will make sure all disbursements are published in the council minutes.

Conclusion – Response accepted.

IV-G-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Eldora, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2006

IV-H-06 Financial Condition – The Special Revenue Fund, Employee Benefit Account and Day Care Trust Account had deficit balances of \$121,089 and \$11,257 respectively. In addition, the General Fund had a deficit balance of \$191,059 as of June 30, 2006.

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

Response – See footnote number 10 for a description of how the City plans to eliminate these deficits.

Conclusion – Response accepted.

IV-I-06 Revenue Bonds – No violations of the revenue bond resolutions were noted.