

CITY OF ELDRIDGE, IOWA

**Independent Auditor's Reports  
Basic Financial Statements  
Supplementary Information  
Schedule of Findings**

June 30, 2006

CITY OF ELDRIDGE, IOWA

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CITY OF ELDRIDGE, IOWA

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bradley J. Noel	Mayor	Jan 2010
Jim Curtis	Council Member	Jan 2008
Steve Puls	Council Member	Jan 2008
Brian Wood	Council Member	Jan 2008
Steve Mohr	Council Member	Jan 2010
Marty O'Boyle	Council Member	Nov 2010
Brian M. Roesler	Utility Board Trustee	Feb 2008
Michael E. Ripperger	Utility Board Trustee	Feb 2009
Kevin A. Kroeger	Utility Board Trustee	Feb 2010
Donald M. Stoltenberg	Utility Board Trustee	Feb 2011
John Powell	Utility Board Trustee	Feb 2012
John R. Dowd	City Administrator	
Matt Van Waus	Assistant City Administrator	
Denise M. Benson	City Clerk	
Thomas R. Schirman, Jr.	City Attorney	
Brian Wessel	Public Works Director	
Martin J. Stolmeier	Police Chief	
David Engler	Fire Chief	
Myron K. Scheibe	City Engineer	
Robert Kuehl	Building Inspector	
Dan Glunz	Utility Manager	
Pat Bredow	Community Center Manager	

# GABELMANN & ASSOCIATES, P.C.

Certified Public Accountants

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Eldridge, Iowa:

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldridge, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City of Eldridge, Iowa's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Eldridge, Iowa'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 our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldridge, Iowa at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2006 on our consideration of the City of Eldridge, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 38 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

**GABELMANN & ASSOCIATES, P.C.**  
Certified Public Accountants

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Eldridge, Iowa'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 June 30, 2005 (which are not presented herein) and expressed an unqualified opinion on those financial statements. The financial statements for the two years ended June 30, 2004 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3 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 the 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.

Bettendorf, Iowa  
October 23, 2006

*Gabelmann & Associates, P.C.*

# CITY OF ELDRIDGE, IOWA

## Management's Discussion and Analysis

June 30, 2006

Our discussion and analysis of the financial performance of the City of Eldridge, Iowa provides an overview of the City's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the City's financial statements.

### Financial Highlights

- The City maintained the tax levy rate at \$6.65 per \$1,000 for the 2005-2006 fiscal year.
- The taxable valuation for the City continued to grow. Taxable values increased by nearly \$13.5 million as of January 1, 2004. This is an increase of 7.8% over the 2003 values. Debt service valuations increased by \$10.3 million or 5.3% over 2003 levels.
- The electric utility continued to invest into the new power plant located in Council Bluffs, Iowa.
- In order to meet higher demands, a new water source well was begun, and improvements were made to improve the ability to treat more drinking water.

### Using This Annual Report

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

1. *Government-wide Financial Statements:* The statement of net assets and the statement of activities (pages 10-12) provide information about the activities of the City on a government-wide basis, or as a whole, and present a longer-term view of the City's finances.
2. *Government Fund Financial Statements:* Fund financial statements (pages 13-18) focus on the individual parts of the City government. Fund financial statements also report the City's major funds. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. For proprietary activities, these statements offer short-term and long-term financial information about the activities the City operates as businesses such as water, sanitary sewer, electric and the community center.
3. *Notes to the Financial Statements:* The notes to the financial statements (pages 23-37) are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.
4. *Required Supplementary Information:* This part of the annual report (pages 38-41) represents financial information required to be presented by the Governmental Accounting Standards Board. Such information provides users of this report with additional data that supplements the government-wide financial statements, fund financial statements and notes (referred to as the basic financial statements).
5. *Basis of Accounting:* The basis of accounting for the presentation of these financial statements is explained in the notes to the financial statements. The basis for the presentation varies based on whether the fund is from the governmental or proprietary group.

## Management's Discussion and Analysis

June 30, 2006

### Reporting Entities

The report as presented shows the activities of the following:

1. *The City of Eldridge*: This group encompasses traditional activities such as police and fire protection, streets and parks. In addition, special revenue groups such as TIF revenues, road use taxes and option sales taxes are shown here. These activities are under the governance of the mayor and city council.
2. *Eldridge Electric and Water Utilities*: This group includes the activities of the water and electric utilities. These funds are operated on a proprietary basis under the direction of the Utility Board of Trustees.
3. *Eldridge Community Center*: The Community Center is operated on a proprietary basis under the direction of the Community Center Board.

### Financial Position

The financial position of the City of Eldridge, the Eldridge Electric and Water Utilities and the Eldridge Community Center remain stable. The continued growth in taxable valuations provides a strong foundation for property tax revenues. Other revenues such as the road use tax, option sales tax, the hotel/motel tax and TIF revenues also remain stable.

Sanitary sewer rates were increased by 10.0% effective July 1, 2006. The rate increase was necessary to provide sufficient funds for current operations and to set aside money for future maintenance.

The Electric Fund issued bonds in July 2006 to finance improvements that will strengthen the system's ability to provide power. The Council Bluffs Energy Center is projected to provide power to the community in June of 2007.

The Water Fund has experienced some stress due to the growth in the City of Eldridge. Needed improvements to the treatment capacity and the raw water supply have been made in the last year. The finances of the Water Fund have been stretched in order to accommodate these upgrades to the system, but the fund should recover barring for unexpected circumstances that would require a large expenditure.

### Budget Versus Actual

### Governmental Activities

Total revenues for the fiscal year ended June 30, 2006 lagged behind budgeted levels. This occurred primarily in charges for services and other finance sources.

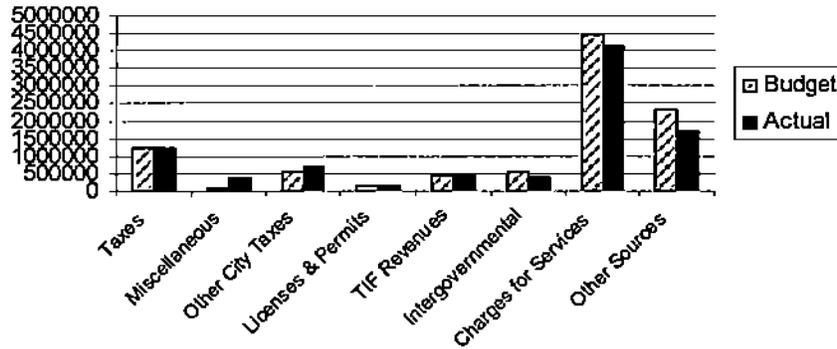
Management's Discussion and Analysis

June 30, 2006

Budget Versus Actual, continued

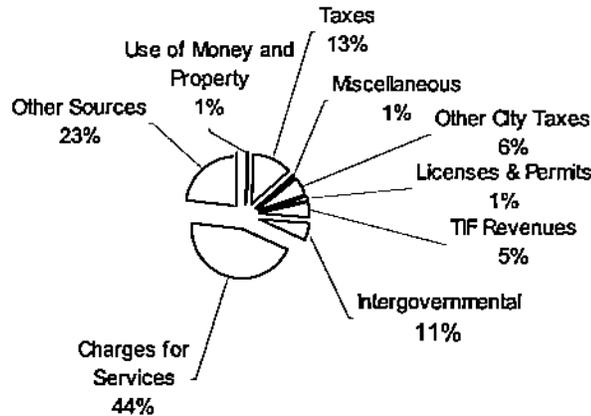
Governmental Activities, continued

**Revenues by Source  
Budget versus Actual**



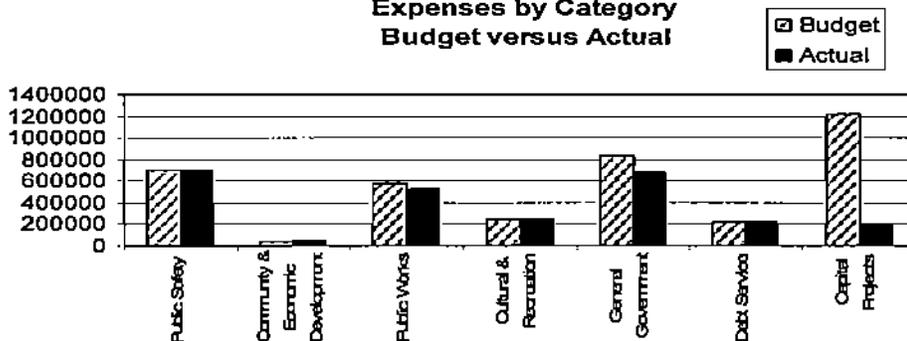
The largest single source of revenue for governmental accounts is property taxes, followed by option sales tax, TIF revenues and road use taxes.

**Revenues by Source**



Expenses for the fiscal year also came in under anticipated levels. The timing of capital projects is the primary reason behind the difference. It is anticipated that these projects will show more fully in the 2006-2007 fiscal year.

**Expenses by Category  
Budget versus Actual**



# Management's Discussion and Analysis

June 30, 2006

## Budget Versus Actual, continued

### Governmental Activities, continued

The largest expense category involves public safety activities. The next largest expense categories are general government and public works.

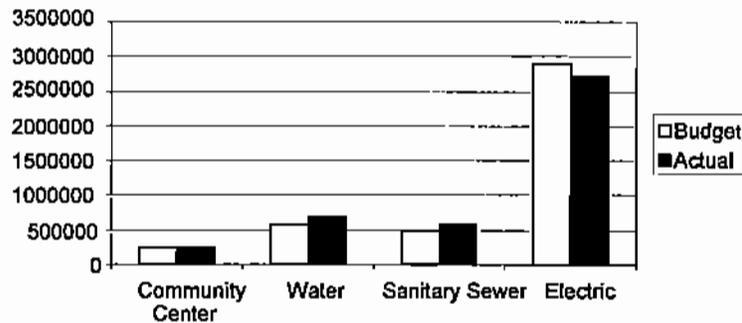
**Expenses by Activity**



### Business Type Activities

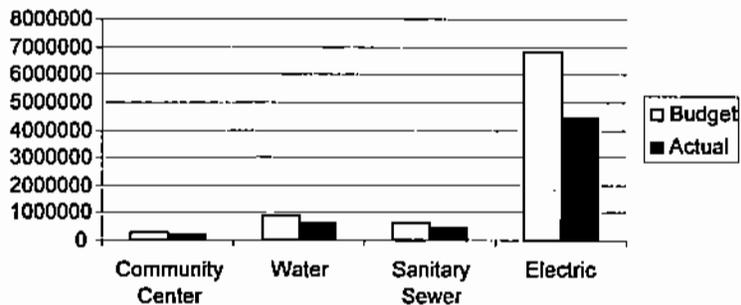
Actual revenues in the business type accounts came in very close to budgeted levels in the recently completed fiscal year.

**Budget versus Actual Revenues**



Actual expenses lagged behind budgeted amounts for the fiscal year. As with the governmental activities, capital expenditures did not reach anticipated levels during the year, especially in the Electric Fund.

**Budget versus Actual Expenses**



## Management's Discussion and Analysis

June 30, 2006

### Significant Capital Assets

There were no significant changes in the City's capital assets during the 2005-2006 fiscal year. This will change in the coming year when the public facilities associated with new residential development will be turned over to the City.

### Long-Term Debt

Long-term debt decreased by 11.0% during the last fiscal year. Long-term debt is comprised of a combination of general obligation, revenue and TIF bonds issued in previous years. The City contracts out the roles of bond registrar and paying agent to Banker's Trust in Des Moines, Iowa.

<u>Bond Issue</u>	<u>Balance 7-01-05</u>	<u>Principal Paid</u>	<u>Interest Paid</u>	<u>Balance 6-30-06</u>
2001 GO Refunding	\$ 755,000	\$ 90,000	\$ 29,803	\$ 665,000
2001 TIF for library	445,000	80,000	15,975	365,000
2003 Sewer revenue	680,000	75,000	22,165	605,000
2002 Water revenue	<u>1,155,000</u>	75,000	46,668	<u>1,080,000</u>
Total outstanding debt	<u>\$3,035,000</u>			<u>\$2,715,000</u>

### Economic Factors and Next Year's Budget and Rates

As stated earlier in this report, the City of Eldridge, Iowa remains in a strong financial position to continue operations into the next fiscal year. Taxable values increased by nearly \$9.9 million as of January 1, 2005. This is an increase of 4.9% over the 2004 values. Debt service valuations increased by \$7.0 million or 3.3% over 2004 levels. These increases, while not as great as last year, will still provide property tax dollars for future operations. The projected tax levy rates per \$1,000 of taxable value for the 2006-2007 fiscal year are:

<u>Tax Levy Purpose</u>	<u>Estimated Levy Rate</u>
Regular General Levy	\$6.26
Tort Liability Levy	0.15
Debt Service Levy	<u>0.24</u>
Total Tax levy	<u>\$6.65</u>
Agricultural Land Levy	<u>\$2.58</u>

The sanitary sewer utility will be expanding the south slope plant to accommodate new growth and to meet new treatment regulations. This improvement will be financed with sewer revenue bonds.

## Management's Discussion and Analysis

June 30, 2006

### Contacting the City's Financial Management

This report is designed to provide citizens, taxpayers, customers and creditors with a general overview of the finances of the City of Eldridge, Iowa. Questions about this report, or about the finances of the City, should be directed either to the City Clerk or the City Administrator at City Hall, 305 N Third Street, Eldridge, Iowa, 52748 or by telephone at 563-285-4841.

John R. Dowd  
City Administrator

CITY OF ELDRIDGE, IOWA

Statement of Net Assets

June 30, 2006

<u>Assets</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and investments	\$ 3,871,401	\$ 2,904,427	\$ 6,775,828
Receivables:			
Property tax:			
Current year	21,125	-	21,125
Succeeding year	1,347,653	-	1,347,653
Other tax	46,465	-	46,465
Customer accounts and unbilled usage	-	524,692	524,692
Accounts	21,631	-	21,631
Accrued interest	5,974	5,924	11,898
Due from other funds	44,375	795,489	839,864
Inventories	27,474	467,456	494,930
Prepaid insurance	26,788	30,052	56,840
Other assets	292	292	584
Restricted cash and investments	-	219,290	219,290
Construction in progress	-	3,374,082	3,374,082
Capital assets, net of accumulated depreciation	<u>18,665,764</u>	<u>34,696,268</u>	<u>53,362,032</u>
Total assets	<u>24,078,942</u>	<u>43,017,972</u>	<u>67,096,914</u>
	<u>Liabilities</u>		
Accounts payable	18,409	85,793	104,202
Accrued interest payable	3,358	5,247	8,605
Salaries and benefits payable	16,167	3,832	19,999
Accrued expenses	1,089	60,016	61,105
Due to other funds	93,281	746,583	839,864
Deferred revenue:			
Succeeding year property tax	1,347,653	-	1,347,653
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits	-	42,790	42,790
General obligation bonds	165,000	-	165,000
Revenue bonds	-	160,000	160,000
Capital lease	6,791	-	6,791
Compensated absences	32,018	30,619	62,637
Portion due or payable after one year:			
General obligation bonds	865,000	-	865,000
Revenue bonds	-	1,525,000	1,525,000
Capital lease	22,666	-	22,666
Compensated absences	<u>53,581</u>	<u>38,280</u>	<u>91,861</u>
Total liabilities	<u>2,625,013</u>	<u>2,698,160</u>	<u>5,323,173</u>
	<u>Net Assets</u>		
Invested in capital assets, net of related debt	17,606,307	36,385,350	53,991,657
Restricted for:			
Road purposes	958,664	-	958,664
Revenue bond retirement	-	176,500	176,500
Unrestricted:			
Designated for:			
Equipment replacement	268,045	322,677	590,722
Capital projects	560,591	263,897	824,488
Other purposes	1,461,780	-	1,461,780
Undesignated	<u>598,542</u>	<u>3,171,388</u>	<u>3,769,930</u>
Total net assets	<u>\$21,453,929</u>	<u>\$40,319,812</u>	<u>\$61,773,741</u>

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Statement of Activities

Year Ended June 30, 2006

Program Revenues

<u>Functions/Programs:</u>	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
Public safety	\$ 688,237	\$ 154,445	\$ 3,178
Public works	2,469,005	176,063	-
Culture and recreation	234,459	62,907	52,179
Community and economic development	49,159	2,883	-
General government	660,388	281,909	-
Interest on long-term debt	<u>45,371</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>4,146,619</u>	<u>678,207</u>	<u>55,357</u>
Business type activities:			
Electric	2,605,719	2,563,320	192
Water	586,131	599,672	-
Sewer	861,293	520,294	-
Community center	263,811	251,546	-
Interest on long-term debt	<u>68,344</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>4,385,298</u>	<u>3,934,832</u>	<u>192</u>
Total	<u>\$ 8,531,917</u>	<u>\$ 4,613,039</u>	<u>\$ 55,549</u>

General revenues:

- Property and other city tax levied for:
  - General purposes
  - Debt service
- Tax increment financing
- Franchise tax
- Road use tax
- Local option sales tax
- Interest on investments
- Transfers
- Gain on sale of capital assets
- Capital outlays paid by government funds
- Release of deposit funds
- Miscellaneous

Total general revenues

Change in net assets

Net assets beginning of year

Net assets end of year

See accompanying notes to financial statements.

Net (Expense) Revenue and  
Changes in Net Assets

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Governmental Activities	Business Type Activities	Total
\$( 530,614)	\$ -	\$( 530,614)
( 2,292,942)	-	( 2,292,942)
( 119,373)	-	( 119,373)
( 46,276)	-	( 46,276)
( 378,479)	-	( 378,479)
<u>45,371</u>	<u>-</u>	<u>45,371</u>
<u>( 3,413,055)</u>	<u>-</u>	<u>( 3,413,055)</u>
-	( 42,207)	( 42,207)
-	13,541	13,541
-	( 340,999)	( 340,999)
-	( 12,265)	( 12,265)
<u>-</u>	<u>68,344</u>	<u>68,344</u>
<u>-</u>	<u>450,274</u>	<u>450,274</u>
\$( <u>3,413,055</u> )	\$( <u>450,274</u> )	\$( <u>3,863,329</u> )
1,213,182	-	1,213,182
54,844	-	54,844
491,543	-	491,543
36,762	-	36,762
402,468	-	402,468
668,161	-	668,161
90,112	165,954	256,066
( 35,655)	35,655	-
2,620	-	2,620
( 144,771)	144,771	-
-	58,290	58,290
<u>( 97,950)</u>	<u>52,073</u>	<u>45,877</u>
<u>2,681,316</u>	<u>456,743</u>	<u>3,138,059</u>
( 731,739)	6,469	( 725,270)
<u>22,185,668</u>	<u>40,313,343</u>	<u>62,499,011</u>
\$ <u>21,453,929</u>	\$ <u>40,319,812</u>	\$ <u>61,773,741</u>

CITY OF ELDRIDGE, IOWA

Balance Sheet –  
Governmental Funds

June 30, 2006

<u>Assets</u>	<u>General Fund</u>	<u>Special Revenue</u>		
		<u>LeClaire Road Tax Increment Financing Fund</u>	<u>Road Use Tax Fund</u>	<u>Sales Tax Projects Fund</u>
Cash and investments	\$ 913,294	\$ 445,870	\$ 961,594	\$ 807,738
Receivables:				
Property tax:				
Current year	13,092	7,424	-	-
Succeeding year	1,296,269	-	-	-
Other tax	-	-	-	46,465
Accounts	21,631	-	-	-
Accrued interest	5,974	-	-	-
Due from other funds	44,375	-	-	-
Inventories	27,474	-	-	-
Prepaid insurance	26,788	-	-	-
Other assets	292	-	-	-
<b>Total assets</b>	<b>\$2,349,189</b>	<b>\$ 453,294</b>	<b>\$ 961,594</b>	<b>\$ 854,203</b>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ 4,123	\$ -	\$ 2,930	\$ 10,636
Accrued interest payable	-	1,118	-	-
Salaries and benefits payable	16,167	-	-	-
Accrued expenses	1,089	-	-	-
Due to other funds	93,081	-	-	-
Deferred revenue:				
Succeeding year property tax	1,296,269	-	-	-
Compensated absences	32,018	-	-	-
<b>Total liabilities</b>	<b>1,442,747</b>	<b>1,118</b>	<b>2,930</b>	<b>10,636</b>
Fund balances:				
Restricted for:				
Road purposes	-	-	958,664	-
Unrestricted:				
Designated for:				
Equipment replacement	268,045	-	-	-
Capital projects	-	-	-	-
Other purposes	-	444,752	-	843,567
Undesignated	638,397	7,424	-	-
<b>Total fund balances</b>	<b>906,442</b>	<b>452,176</b>	<b>958,664</b>	<b>843,567</b>
<b>Total liabilities and fund balances</b>	<b>\$2,349,189</b>	<b>\$ 453,294</b>	<b>\$ 961,594</b>	<b>\$ 854,203</b>

See accompanying notes to financial statements.

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Nonmajor Special Revenue Funds</u>	<u>Total All Funds</u>
\$ 8,133	\$ 560,591	\$ 174,181	\$3,871,401
609	-	-	21,125
51,384	-	-	1,347,653
-	-	-	46,465
-	-	-	21,631
-	-	-	5,974
-	-	-	44,375
-	-	-	27,474
-	-	-	26,788
-	-	-	292
<u>\$ 60,126</u>	<u>\$ 560,591</u>	<u>\$ 174,181</u>	<u>\$5,413,178</u>
\$ -	\$ -	\$ 720	\$ 18,409
2,240	-	-	3,358
-	-	-	16,167
-	-	-	1,089
200	-	-	93,281
51,384	-	-	1,347,653
-	-	-	32,018
<u>53,824</u>	<u>-</u>	<u>720</u>	<u>1,511,975</u>
-	-	-	958,664
-	-	-	268,045
-	560,591	-	560,591
-	-	173,461	1,461,780
<u>6,302</u>	<u>-</u>	<u>-</u>	<u>652,123</u>
<u>6,302</u>	<u>560,591</u>	<u>173,461</u>	<u>3,901,203</u>
<u>\$ 60,126</u>	<u>\$ 560,591</u>	<u>\$ 174,181</u>	<u>\$5,413,178</u>

CITY OF ELDRIDGE, IOWA

Reconciliation of the Balance Sheet –  
Governmental Funds to the Statement of Net Assets

June 30, 2006

Total governmental fund balance (page 14) \$ 3,901,203

Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities are not  
current financial resources and, therefore, are not  
reported in the funds. The cost of the assets is  
\$26,853,623 and the accumulated depreciation is  
\$8,187,859. 18,665,764

Long-term liabilities, including bonds payable, capital  
leases and compensated absences are not due and  
payable in the current period and, therefore, are not  
reported as liabilities in the funds. ( 1,113,038)

Net assets of governmental activities (page 10) \$ 21,453,929

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Statement of Revenues, Expenditures  
and Changes in Fund Balances –  
Governmental Funds

June 30, 2006

	General Fund	Special Revenue		
		LeClaire Road Tax Increment Financing Fund	Road Use Tax Fund	Sales Tax Projects Fund
<b>Revenues:</b>				
Property tax	\$1,213,182	\$ -	\$ -	\$ -
Tax increment financing	-	388,124	-	-
Other taxes	36,762	-	-	619,132
Licenses and permits	144,336	-	-	-
Rent	28,382	-	-	-
Intergovernmental	6,578	-	402,468	-
Charges for service	208,661	-	-	-
Interest on investments	62,424	-	13,844	13,844
Miscellaneous	<u>267,460</u>	<u>14,714</u>	<u>-</u>	<u>21,832</u>
Total revenues	<u>1,967,785</u>	<u>402,838</u>	<u>416,312</u>	<u>654,808</u>
<b>Expenditures:</b>				
Operating:				
Public safety	650,575	-	-	16,000
Public works	477,787	-	42,242	-
Culture and recreation	232,728	-	-	-
Community and economic development	46,992	-	-	-
General government	383,906	183,025	-	25,006
Debt service	8,519	95,762	-	-
Capital projects	-	-	855	150,771
Total expenditures	<u>1,800,507</u>	<u>278,787</u>	<u>43,097</u>	<u>191,777</u>
Excess (deficiency) of revenues over (under) expenditures	<u>167,278</u>	<u>124,051</u>	<u>373,215</u>	<u>463,031</u>
<b>Other financing sources (uses):</b>				
Sale of capital assets	5,600	-	-	-
Operating transfers in	14,345	-	-	-
Operating transfers out	-	-	( 25,000)	( 215,000)
Other	<u>( 98,735)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>( 78,790)</u>	<u>-</u>	<u>( 25,000)</u>	<u>( 215,000)</u>
Net change in fund balances	88,488	124,051	348,215	248,031
Fund balances beginning of year	<u>817,954</u>	<u>328,125</u>	<u>610,449</u>	<u>595,536</u>
Fund balances end of year	<u>\$ 906,442</u>	<u>\$ 452,176</u>	<u>\$ 958,664</u>	<u>\$ 843,567</u>

See accompanying notes to financial statements.

<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total All Funds</u>
\$ 54,844	\$ -	\$ -	\$1,268,026
-	-	103,419	491,543
-	11,860	49,029	716,783
-	-	-	144,336
-	16,256	-	44,638
-	-	-	409,046
-	-	-	208,661
-	-	-	90,112
-	<u>28,779</u>	-	<u>332,785</u>
<u>54,844</u>	<u>56,895</u>	<u>152,448</u>	<u>3,705,930</u>
-	-	16,000	682,575
-	-	-	520,029
-	117	-	232,845
-	-	920	47,912
400	-	81,013	673,350
119,559	-	-	223,840
-	<u>51,600</u>	<u>16,000</u>	<u>219,226</u>
<u>119,959</u>	<u>51,717</u>	<u>113,933</u>	<u>2,599,777</u>
( 65,115)	<u>5,178</u>	<u>38,515</u>	<u>1,106,153</u>
-	-	-	5,600
65,000	125,000	-	204,345
-	-	-	( 240,000)
-	-	-	<u>( 98,735)</u>
<u>65,000</u>	<u>125,000</u>	<u>-</u>	<u>( 128,790)</u>
( 115)	130,178	38,515	977,363
<u>6,417</u>	<u>430,413</u>	<u>134,946</u>	<u>2,923,840</u>
<u>\$ 6,302</u>	<u>\$ 560,591</u>	<u>\$ 173,461</u>	<u>\$3,901,203</u>

CITY OF ELDRIDGE, IOWA

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances –  
Governmental Funds to the Statement of Activities

Year Ended June 30, 2006

Net change in fund balances – governmental funds (page 17) \$ 977,363

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Depreciation expense		(1,995,819)
Capital asset increases	\$ 148,971	
Less amounts financed with capital lease	<u>( 37,925)</u>	
Expenditures for capital assets		111,046
Gain on sale of capital assets		2,620
Proceeds on sale of capital assets		<u>( 5,600)</u>
		<u>(1,887,753)</u>

Repayment of long term liabilities is an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net assets. Current year repayments were as follows:

Bond principal		170,000
Capital lease		8,469
Compensated absences		<u>182</u>
		<u>178,651</u>

Change in net assets of governmental activities (page 12) \$ ( 731,739)

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Statement of Net Assets –  
Proprietary Funds

June 30, 2006

<u>Assets</u>	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Total All Funds</u>
Cash and investments	\$ 1,325,317	\$ 579,863	\$ 919,567	\$ 79,680	\$ 2,904,427
Receivables:					
Customer accounts and unbilled usage	359,682	100,110	64,900	-	524,692
Accrued interest	-	-	4,739	1,185	5,924
Due from other funds	504,076	291,213	200	-	795,489
Inventories	411,638	37,808	8,896	9,114	467,456
Prepaid insurance	11,047	5,524	7,949	5,532	30,052
Other assets	292	-	-	-	292
Restricted assets:					
Cash and investments	30,593	62,197	126,500	-	219,290
Construction in progress	3,374,082	-	-	-	3,374,082
Capital assets (net of accumulated depreciation)	<u>12,271,238</u>	<u>8,540,353</u>	<u>12,965,777</u>	<u>918,900</u>	<u>34,696,268</u>
<b>Total assets</b>	<b><u>18,287,965</u></b>	<b><u>9,617,068</u></b>	<b><u>14,098,528</u></b>	<b><u>1,014,411</u></b>	<b><u>43,017,972</u></b>
 <u>Liabilities</u>					
Accounts payable	56,519	7,782	21,492	-	85,793
Accrued interest payable	-	3,525	1,722	-	5,247
Salaries and benefits payable	675	147	51	2,959	3,832
Accrued expenses	60,016	-	-	-	60,016
Due to other funds	33,680	478,238	234,665	-	746,583
Payable from restricted assets:					
Customer deposits	30,593	12,197	-	-	42,790
Revenue bonds	-	80,000	80,000	-	160,000
Compensated absences	30,619	-	-	-	30,619
Long-term liabilities:					
Revenue bonds	-	1,000,000	525,000	-	1,525,000
Compensated absences	<u>38,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,280</u>
<b>Total liabilities</b>	<b><u>250,382</u></b>	<b><u>1,581,889</u></b>	<b><u>862,930</u></b>	<b><u>2,959</u></b>	<b><u>2,698,160</u></b>
 <u>Net assets</u>					
Invested in capital assets, net of related debt	15,645,320	7,460,353	12,360,777	918,900	36,385,350
Restricted for revenue bond retirement	-	50,000	126,500	-	176,500
Unrestricted:					
Designated for:					
Equipment replacement	195,257	46,180	81,240	-	322,677
Capital projects	-	139,517	124,380	-	263,897
Undesignated	<u>2,197,006</u>	<u>339,129</u>	<u>542,701</u>	<u>92,552</u>	<u>3,171,388</u>
<b>Total net assets</b>	<b><u>\$18,037,583</u></b>	<b><u>\$ 8,035,179</u></b>	<b><u>\$13,235,598</u></b>	<b><u>\$ 1,011,452</u></b>	<b><u>\$40,319,812</u></b>

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Statement of Revenues, Expenses and Changes in Fund Net Assets –  
Proprietary Funds

Year Ended June 30, 2006

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Total All Funds</u>
<b>Operating revenues:</b>					
Charges for service	\$ 2,563,320	\$ 599,672	\$ 520,294	\$ 251,546	\$ 3,934,832
Miscellaneous	<u>43,492</u>	<u>24,805</u>	<u>1,733</u>	<u>1,623</u>	<u>71,653</u>
Total operating revenues	<u>2,606,812</u>	<u>624,477</u>	<u>522,027</u>	<u>253,169</u>	<u>4,006,485</u>
<b>Operating expenses:</b>					
Business type activities:					
Cost of sales and services	2,258,229	349,893	300,252	236,711	3,145,085
Depreciation	<u>347,490</u>	<u>236,238</u>	<u>561,041</u>	<u>27,100</u>	<u>1,171,869</u>
Total operating expenses	<u>2,605,719</u>	<u>586,131</u>	<u>861,293</u>	<u>263,811</u>	<u>4,316,954</u>
Operating income (loss)	<u>1,093</u>	<u>38,346</u>	<u>(339,266)</u>	<u>(10,642)</u>	<u>(310,469)</u>
<b>Non-operating revenues (expenses):</b>					
Interest on investments	48,814	54,766	54,052	8,322	165,954
Interest expense	<u>(40)</u>	<u>(46,304)</u>	<u>(22,040)</u>	<u>-</u>	<u>(68,384)</u>
Total non-operating revenues (expenses)	<u>48,774</u>	<u>8,462</u>	<u>32,012</u>	<u>8,322</u>	<u>97,570</u>
<b>Other financing sources (uses):</b>					
Capital outlays paid by governmental funds	-	-	128,771	16,000	144,771
Release of deposit funds	41,675	16,615	-	-	58,290
Operating transfers in	92,126	-	50,000	-	142,126
Operating transfers out	-	(92,126)	(14,345)	-	(106,471)
Other	<u>-</u>	<u>(19,348)</u>	<u>-</u>	<u>-</u>	<u>(19,348)</u>
Total other financing sources (uses)	<u>133,801</u>	<u>(94,859)</u>	<u>164,426</u>	<u>16,000</u>	<u>219,368</u>
Change in net assets	183,668	(48,051)	(142,828)	13,680	6,469
Net assets beginning of year	<u>17,853,915</u>	<u>8,083,230</u>	<u>13,378,426</u>	<u>997,772</u>	<u>40,313,343</u>
Net assets end of year	<u>\$18,037,583</u>	<u>\$ 8,035,179</u>	<u>\$13,235,598</u>	<u>\$ 1,011,452</u>	<u>\$40,319,812</u>

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA

Statement of Cash Flows –  
Proprietary Funds

Year Ended June 30, 2006

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Total All Funds</u>
<b>Cash flows from operating activities:</b>					
Cash received from customers and users	\$2,574,672	\$ 621,838	\$ 518,084	\$ 251,546	\$3,966,140
Cash received from other revenues	43,492	24,805	1,733	1,623	71,653
Cash paid for personal services	( 225,817)	( 113,625)	( 180,482)	( 118,910)	( 638,834)
Cash paid to suppliers	<u>(2,047,568)</u>	<u>( 246,343)</u>	<u>( 101,002)</u>	<u>( 120,486)</u>	<u>(2,515,399)</u>
Net cash provided by operating activities	<u>344,779</u>	<u>286,675</u>	<u>238,333</u>	<u>13,773</u>	<u>883,560</u>
<b>Cash flows from noncapital financing activities:</b>					
Advances to other funds, net of advance repayments	92,126	( 92,126)	35,655	-	35,655
Reclassification of customer deposits	( 24,812)	24,812	-	-	-
Other	<u>-</u>	<u>( 19,348)</u>	<u>-</u>	<u>-</u>	<u>( 19,348)</u>
Net cash provided (used) by noncapital financing activities	<u>67,314</u>	<u>( 86,662)</u>	<u>35,655</u>	<u>-</u>	<u>16,307</u>
<b>Cash flows from capital and related financing activities:</b>					
Acquisition of capital assets	(2,148,156)	( 72,547)	( 212,681)	( 21,000)	(2,454,384)
Capital outlays paid by governmental funds	-	-	128,771	16,000	144,771
Principal paid on revenue bonds	-	( 75,000)	( 75,000)	-	( 150,000)
Amounts loaned (paid) to other funds	4,664	( 533,130)	125,653	-	( 402,813)
Interest paid on revenue bonds	-	( 46,668)	( 22,165)	-	( 68,833)
Other interest	<u>( 40)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>( 40)</u>
Net cash used by capital and related financing activities	<u>(2,143,532)</u>	<u>( 727,345)</u>	<u>( 55,422)</u>	<u>( 5,000)</u>	<u>(2,931,299)</u>
<b>Cash flows provided by investing activities:</b>					
Interest on investments	<u>53,558</u>	<u>54,766</u>	<u>50,620</u>	<u>7,464</u>	<u>166,408</u>
Net (decrease) increase in cash and investments	(1,677,881)	( 472,566)	269,186	16,237	(1,865,024)
Cash and investments beginning of year	<u>3,033,791</u>	<u>1,114,626</u>	<u>776,881</u>	<u>63,443</u>	<u>4,988,741</u>
Cash and investments end of year	<u>\$1,355,910</u>	<u>\$ 642,060</u>	<u>\$1,046,067</u>	<u>\$ 79,680</u>	<u>\$3,123,717</u> (continued)

CITY OF ELDRIDGE, IOWA

Statement of Cash Flows –  
Proprietary Funds, continued

Year Ended June 30, 2006

	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Total All Funds</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income (loss)	\$ 1,093	\$ 38,346	\$( 339,266)	\$( 10,642)	\$( 310,469)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation expense	347,490	236,238	561,041	27,100	1,171,869
(Increase) decrease in customer accounts and unbilled usage receivable	( 11,597)	13,116	( 2,210)	-	( 691)
Decrease in employee receivables	374	-	27	-	401
(Increase) decrease in inventories	( 62,922)	976	-	( 40)	( 61,986)
Decrease (increase) in prepaid insurance	3,031	( 734)	3,039	64	5,400
Increase in other assets	( 292)	-	-	-	( 292)
Increase (decrease) in accounts payable	56,116	( 2,986)	20,999	-	74,129
Decrease in accrued wages	( 5,615)	( 2,281)	( 5,297)	( 2,709)	( 15,902)
Increase in accrued expenses	639	-	-	-	639
Increase in customer deposits	7,534	4,000	-	-	11,534
Increase in compensated absences	<u>8,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,928</u>
Net cash provided by operating activities	<u>\$ 344,779</u>	<u>\$ 286,675</u>	<u>\$ 238,333</u>	<u>\$ 13,773</u>	<u>\$ 883,560</u>
Reconciliation of cash and investments at year end to specific assets included on the statement of net assets:					
Current assets:					
Cash and investments	\$ 1,325,317	\$ 579,863	\$ 919,567	\$ 79,680	\$ 2,904,427
Restricted assets:					
Cash and investments:					
Revenue bond retirement	-	50,000	126,500	-	176,500
Customer deposits	<u>30,593</u>	<u>12,197</u>	<u>-</u>	<u>-</u>	<u>42,790</u>
Cash and investments at year end	<u>\$ 1,355,910</u>	<u>\$ 642,060</u>	<u>\$ 1,046,067</u>	<u>\$ 79,680</u>	<u>\$ 3,123,717</u>

See accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA  
Notes to Financial Statements  
June 30, 2006

(1) Organization and Summary of Significant Accounting Policies

Organization

The City of Eldridge, Iowa (the City) is a political subdivision of the State of Iowa located in Scott County and operates under the Home Rule provisions of the Constitution of Iowa. The City also 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, recreation, community and economic development and general governmental services. The City also provides electric, water, sewer and sanitation utilities.

(a) Reporting Entity

For financial reporting purposes, the City of Eldridge, 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. Under these criteria, it has been determined that the City has no component units for which it is financially accountable.

(b) Basis of Presentation

Government-wide Financial Statements

The statement of net assets and the statement of activities report information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property 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 net assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

CITY OF ELDRIDGE, IOWA  
Notes to Financial Statements

(1) Organization and Summary of Significant Accounting Policies, continued

(b) Basis of Presentation, continued

Government-wide Financial Statements, continued

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues 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 restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

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

The City reports the following major governmental funds:

General Fund

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

Special Revenue Funds

The LeClaire Road Tax Increment Financing Fund is used to account for revenues from the tax authorized by ordinance in the urban renewal district. The City reports the expenditures of this fund as general government expenditures.

CITY OF ELDRIDGE, IOWA  
Notes to Financial Statements

(1) Organization and Summary of Significant Accounting Policies, continued

(b) Basis of Presentation, continued

Fund Financial Statements, continued

Special Revenue Funds, continued

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

The Sales Tax Projects Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

Debt Service Fund

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation long-term debt.

Capital Projects Fund

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The City reports the following major proprietary funds:

Electric Fund

The Electric Fund is used to account for the operation and maintenance of the City's electric system.

Water Fund

The Water Fund is used to account for the operation and maintenance of the City's water system.

Sewer Fund

The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

Community Center Fund

The Community Center Fund is used to account for the operation of the City's Community Center.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(1) Organization and Summary of Significant Accounting Policies, continued

(c) Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal on long-term debt and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(1) Organization and Summary of Significant Accounting Policies, continued

(d) Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash and Investments

For purposes of financial reporting and the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Investments consist of certificates of deposit and are carried at cost, which approximates market.

Taxes Receivable, Including Tax Increment Financing

Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2006 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1.50% per month penalty for delinquent payments, are based on January 1, 2004 assessed property valuations, are for the tax accrual period July 1, 2005 through June 30, 2006 and reflect tax asking contained in the budget certified to the County Board of Supervisors in March 2005.

Customer Accounts and Unbilled Usage

Customer accounts receivable are recorded in proprietary funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

CITY OF ELDRIDGE, IOWA  
Notes to Financial Statements

(1) Organization and Summary of Significant Accounting Policies, continued

(d) Assets, Liabilities and Fund Equity, continued

Due From and Due To Other Funds

During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2006, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market (net realizable value). Inventories in the proprietary funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets

Restricted assets in governmental funds include funds set aside for road purposes. Funds set aside in proprietary funds for payment of revenue bonds are classified as restricted assets since their use is restricted by applicable bond covenants. Other restricted assets in proprietary funds include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs not adding to the value of the asset or materially extending assets lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, buildings and improvements	\$25,000
Equipment and vehicles	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40 years
Improvements other than buildings	10-25 years
Vehicles	6-10 years
Equipment	4-15 years
Infrastructure	12-40 years

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(1) Organization and Summary of Significant Accounting Policies, continued

(d) Assets, Liabilities and Fund Equity, continued

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the statement of net assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick leave and personal leave benefits. Vacation benefits must be used during employment. Sick leave benefits may be used during employment or accumulated up to the maximum hours limit established by the City for payment upon retirement or disability. Personal leave benefits may be used during employment or accumulated up to the maximum hours limit established by the City for payment upon leaving the City's employment unless terminated for cause.

A liability is recorded when incurred in the government-wide and proprietary fund financial statements. The governmental funds financial statements report a liability for accrued vacation only. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

Long-term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the statement of net assets and the proprietary fund statement of net assets.

Fund Equity

In the governmental fund financial statements, restrictions of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(1) Organization and Summary of Significant Accounting Policies, continued

(e) Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information.

(2) Cash and Investments

The City's cash and investments at June 30, 2006 consist of the following:

Petty cash fund on hand	\$	830
Checking accounts		701,304
Money market accounts		5,440,827
Certificates of deposit		<u>852,157</u>
		<u>\$6,995,118</u>

(a) Deposit Accounts

At June 30, 2006, the carrying amount of the City's deposits was \$6,142,131 and the related bank balance was \$6,191,873.

The City's deposits are categorized to give an indication of the level of risk assumed by the City at June 30, 2006. The City's deposits are all Category 1 and 2 which means that they are covered by depository insurance or collateral held by the City in the City's name or the financial institution's trust department in the City's name.

(b) Investments

The City's investments at June 30, 2006 are as follows:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Certificates of deposit	<u>\$852,157</u>	<u>\$852,157</u>

The City is authorized by state 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's investments are categorized to give an indication of the level of risk assumed by the City at June 30, 2006. The City's investments are all Category 1 and 2 which means that they are covered by depository insurance or collateral held by the City in the City's name or the financial institution's trust department in the City's name.

CITY OF ELDRIDGE, IOWA  
Notes to Financial Statements

(3) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
<b>Governmental activities:</b>				
Land	\$ 1,220,500	\$ -	\$ -	\$ 1,220,500
Buildings	1,478,800	-	-	1,478,800
Equipment and vehicles	667,024	126,971	( 17,800)	776,195
Infrastructure, road network	<u>23,356,128</u>	<u>22,000</u>	<u>-</u>	<u>23,378,128</u>
	26,722,452	148,971	( 17,800)	26,853,623
Less accumulated depreciation	<u>6,206,860</u>	<u>1,995,819</u>	<u>( 14,820)</u>	<u>8,187,859</u>
Governmental activities capital assets, net	<u>\$ 20,515,592</u>	<u>\$ ( 1,846,848)</u>	<u>\$ ( 2,980)</u>	<u>\$ 18,665,764</u>
<b>Business type activities:</b>				
Construction in progress	\$ 1,280,000	\$ 2,094,082	\$ -	\$ 3,374,082
Buildings	22,726,596	-	-	22,726,596
Equipment and vehicles	695,718	171,370	( 19,765)	847,323
Infrastructure, water and sewer network	<u>15,720,000</u>	<u>201,317</u>	<u>-</u>	<u>15,921,317</u>
	40,422,314	2,466,769	( 19,765)	42,869,318
Less accumulated depreciation	<u>3,634,478</u>	<u>1,171,869</u>	<u>( 7,379)</u>	<u>4,798,968</u>
Business type activities capital assets, net	<u>\$ 36,787,836</u>	<u>\$ 1,294,900</u>	<u>\$ ( 12,386)</u>	<u>\$ 38,070,350</u>

Depreciation expense for the year ended June 30, 2006 was charged to functions of the City as follows:

<b>Governmental activities:</b>	
Public safety	\$ 10,575
Public works	1,946,084
General government	37,940
Culture and recreation	<u>1,220</u>
Total governmental activities	<u>\$ 1,995,819</u>
<b>Business type activities:</b>	
Electric	\$ 347,490
Water	236,238
Sewer	561,041
Culture and recreation	<u>27,100</u>
Total business type activities	<u>\$ 1,171,869</u>

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(4) Bonds Payable

A summary of transactions that occurred regarding bond obligations for the year ended June 30, 2006 is as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds	\$ <u>1,200,000</u>	\$ <u>-</u>	\$ <u>170,000</u>	\$ <u>1,030,000</u>	\$ <u>165,000</u>
Business type activities:					
Revenue bonds	\$ <u>1,835,000</u>	\$ <u>-</u>	\$ <u>150,000</u>	\$ <u>1,685,000</u>	\$ <u>160,000</u>

General Obligation Bonds

Two issues of unmatured general obligation bonds, totaling \$1,030,000 were outstanding at June 30, 2006. These bonds bear interest at rates ranging from 2.70% to 4.40% and mature in varying annual amounts from \$70,000 to \$100,000, with the final maturities due in the year ending June 30, 2013.

Details of the general obligation bonds payable at June 30, 2006 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2006</u>
GO Refunding, Series 2001	November 15, 2001	2.70- 4.40%	June 1, 2013	\$ 90,000- 100,000	\$1,010,000	\$ 665,000
GO Refunding Urban Renewal, Series 2001A	November 15, 2001	2.75- 3.90%	June 1, 2011	\$ 70,000- 75,000	\$ 735,000	<u>365,000</u> <u>\$1,030,000</u>

A summary of the annual general obligation bond principal and interest requirements to maturity by year is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 165,000	\$ 40,293	\$ 205,293
2008	170,000	34,593	204,593
2009	165,000	28,330	193,330
2010	170,000	21,955	191,955
2011	170,000	15,195	185,195
2012-2013	<u>190,000</u>	<u>12,445</u>	<u>202,445</u>
Total	\$ <u>1,030,000</u>	\$ <u>152,811</u>	\$ <u>1,182,811</u>

Revenue Bonds

Two issues of unmatured revenue bonds, totaling \$1,685,000 were outstanding at June 30, 2006. These bonds bear interest at rates ranging from 1.75% to 4.60% and mature in varying annual amounts from \$80,000 to \$125,000, with the final maturities due in the year ending June 30, 2017.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(4) Bonds Payable, continued

Revenue Bonds, continued

The resolutions providing for the issuance of the revenue bonds includes the following provisions:

- a) The bonds will only be redeemed from the future earnings of the water and sewer enterprise activity and the bond holders have a lien on the future earnings of the funds.
- b) Sufficient water and sewer rates will be imposed to maintain a net revenue balance equal to at least 125.00% of the annual payments of principal and interest coming due in the same year.
- c) Monthly transfers shall be made to water and sewer improvement funds until specific minimum balances have been accumulated. These balances are restricted solely for the purpose of paying principal and interest on the bonds.
- d) A sewer debt reserve fund will be maintained in an amount equal to the lesser of the maximum amount of principal and interest coming due on the bonds or 10.00% of the original principal amount of the bonds.

During the year ended June 30, 2006, the City was in compliance with the revenue bond provisions.

Details of the revenue bonds payable at June 30, 2006 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2006</u>
Water Revenue, Series 2002	August 20, 2002	2.00-4.60%	June 1, 2017	\$ 80,000-125,000	\$1,380,000	\$1,080,000
Sewer Revenue Refunding, Series 2003	May 1, 2004	1.75-4.00%	June 1, 2013	\$ 80,000-100,000	\$ 765,000	<u>605,000</u>
						<u>\$1,685,000</u>

A summary of the annual obligation bond principal and interest requirements to maturity by year is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 160,000	\$ 64,970	\$ 224,970
2008	160,000	60,290	220,290
2009	165,000	55,170	220,170
2010	175,000	49,465	224,465
2011	180,000	43,025	223,025
2012-2016	720,000	111,530	831,530
2017	<u>125,000</u>	<u>5,750</u>	<u>130,750</u>
Total	<u>\$1,685,000</u>	<u>\$ 390,200</u>	<u>\$2,075,200</u>

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(5) Capital Lease Payable

A summary of capital lease obligations at June 30, 2006 is as follows:

Capital lease payable to leasing company, due in monthly installments of \$8,519, including interest at 6.00%, through May 2010, secured by equipment	\$29,457
Less current installments	<u>6,791</u>
Capital lease obligations, net of current installments	<u>\$22,666</u>

Annual maturities of capital lease obligations for each of the years subsequent to June 30, 2006 are as follows:

<u>Year Ending June 30,</u>	
2007	\$ 6,791
2008	7,159
2009	7,589
2010	<u>7,918</u>
	<u>\$29,457</u>

(6) Interfund Loans/Advances/Transfers

The City had no interfund loan transactions during the fiscal year ended June 30, 2006.

The City's cash management procedures occasionally result in short-term advances between funds that are repaid upon City Board approval from future revenues.

At June 30, 2006, interfund advances were as follows:

<u>Due To</u>	<u>Due From</u>	<u>Amount</u>
General Fund	Debt Service Fund	\$ 200
General Fund	Sewer Fund	35,660
General Insurance Self Funding Fund	Utility Insurance Self Funding Fund	3,852
Water Fund	General Fund	86,282
Water Fund	Sewer Sinking Fund	198,805
Water Sinking Fund	Water Fund	6,125
Sewer Sinking Fund	Sewer Fund	200
Electric Fund	Water Fund	472,112
Electric Fund	Electric Projects Fund	25,164
Utility Insurance Self Funding Fund	Accrued Employee Leave Fund	6,800
Accrued Employee Leave Fund	Electric Fund	<u>4,664</u>
		<u>\$839,864</u>

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(6) Interfund Loans/Advances/Transfers, continued

Such interfund advances are not reported as operating transfers.

Interfund transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

A summary of interfund transfers that occurred for the year ended June 30, 2006 is as follows:

<u>To</u>	<u>From</u>	<u>Amount</u>
General Fund	Sewer Fund	\$ 14,345
Debt Service Fund	Sales Tax Projects Fund	65,000
Capital Projects Fund	Road Use Tax Fund	25,000
	Sales Tax Projects Fund	100,000
Sewer Fund	Sales Tax Projects Fund	50,000
Electric Fund	Water Fund	<u>92,126</u>
		<u>\$346,471</u>

(7) 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.

Plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of annual covered payroll except for police employees, in which case the percentages are 6.16% and 9.23%, respectively. The contribution rates for police employees and the City were 6.16% and 9.23%, respectively, for the year ended June 30, 2005 and 5.93% and 8.90%, respectively, for the year ended June 30, 2004. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$78,030, \$70,959 and \$62,708, respectively, equal to the required contribution for each year.

(8) Compensated Absences

The City's liability for compensated absences at June 30, 2006 is as follows:

<u>Type of Benefit</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Vacation	\$ 32,018	\$ 30,619	\$ 62,637
Sick Leave	<u>53,581</u>	<u>38,280</u>	<u>91,861</u>
Total	<u>\$ 85,599</u>	<u>\$ 68,899</u>	<u>\$154,498</u>

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(8) Compensated Absences, continued

The City maintains accrued leave reserves to offset the approximate liability for compensated absences. Employees may earn up to 160 hours per year vacation, depending on years of service. Employees may carry a maximum of 80 hours to the subsequent anniversary year. Any unused vacation accumulated above these limits is forfeited. The City's sick leave policy allows its employees to accumulate up to 280 hours of sick leave which is payable when used or upon retirement or disability. No leave is paid when employment is terminated for any other reason. Employees earn 5 personal days per year and may accumulate up to 10 days personal leave.

(9) Risk Management

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

(10) Contract Commitments

On September 4, 2002, the City entered into an agreement with 13 other entities to jointly develop, design, construct, own and operate as tenants in common a new coal-fired steam electric generating unit to be built at the Council Bluffs Energy Site Center. The City of Eldridge, Iowa's ownership interest is .053%. The Council Bluffs Energy Site is expected to open during 2007. The electric generating unit project is being financed through charges for services and partially through revenue bonds issued in August 2006 and is recorded as construction in progress on the statement of net assets. As of June 30, 2006, \$3,330,000 had been paid towards the construction of the new generating unit.

The City has also entered into an agreement at an estimated cost of \$800,000 for renovation of the Louisa generating plant. These renovations are expected to be completed by June 2007. The renovation project is being financed through revenue bonds issued in August 2006 and is recorded as construction in progress on the statement of net assets. As of June 30, 2006, \$44,082 had been paid towards the renovation project.

In June 2006, the City entered into a contract in the amount of \$381,902 for the construction of a well at Sheridan Meadows Park. The project will be financed through charges for services. As of June 30, 2006, no cost had been incurred on the project.

CITY OF ELDRIDGE, IOWA

Notes to Financial Statements

(11) Subsequent Events

In August 2006, the City entered into a contract in the amount of \$164,850 for water treatment plant improvements. This project will be financed through charges for services.

In September 2006, the City entered into a contract in the amount of \$267,094 for street improvements. This project will be funded through intergovernmental taxes.

In August 2006, the City issued \$3,665,000 of electric revenue bonds to fund the construction and improvement of generation and related transmission and distribution facilities necessary to assure compliance with environmental laws and regulations. These bonds are payable from a pledge of net revenues of the Municipal Water Utility.

CITY OF ELDRIDGE, IOWA

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

Required Supplementary Information

Year Ended June 30, 2006

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
<b>Receipts:</b>			
Property tax	\$ 1,255,562	\$ -	\$ 1,255,562
Tax increment financing	484,427	-	484,427
Other taxes	670,319	-	670,319
Licenses and permits	144,336	-	144,336
Use of money and property	130,436	166,408	296,844
Intergovernmental	409,046	-	409,046
Charges for service	207,532	3,966,140	4,173,672
Miscellaneous	<u>332,895</u>	<u>71,653</u>	<u>404,548</u>
Total receipts	<u>3,634,553</u>	<u>4,204,201</u>	<u>7,838,754</u>
<b>Disbursements:</b>			
Public safety	710,122	-	710,122
Public works	528,601	-	528,601
Culture and recreation	238,270	-	238,270
Community and economic development	48,413	-	48,413
General government	675,400	-	675,400
Debt service	224,297	-	224,297
Capital projects	219,226	-	219,226
Business type activities	-	5,682,719	5,682,719
Total disbursements	<u>2,644,329</u>	<u>5,682,719</u>	<u>8,327,048</u>
Excess (deficiency) of receipts over (under) disbursements	990,224	( 1,478,518)	( 488,294)
Other financing sources (uses), net	<u>274,549</u>	<u>( 386,506)</u>	<u>( 111,957)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,264,773	( 1,865,024)	( 600,251)
Balances beginning of year	<u>2,606,630</u>	<u>4,988,741</u>	<u>7,595,371</u>
Balances end of year	<u>\$ 3,871,403</u>	<u>\$ 3,123,717</u>	<u>\$ 6,995,120</u>

See accompanying notes to required supplementary information – budgetary reporting.

<u>Budgeted Amounts</u>		
<u>Original</u>	<u>Final</u>	<u>Final to Actual Variance</u>
\$ 1,253,457	\$ 1,253,457	\$ 2,105
456,045	456,045	28,382
559,685	559,685	110,634
125,140	125,140	19,196
51,700	51,700	245,144
553,892	553,892	( 144,846)
4,448,000	4,448,000	( 274,328)
123,550	123,550	280,998
<u>7,571,469</u>	<u>7,571,469</u>	<u>267,285</u>
692,214	702,214	( 7,908)
556,947	571,947	43,346
242,730	242,730	4,460
33,840	40,340	( 8,073)
797,293	832,293	156,893
218,180	218,180	( 6,117)
1,219,820	1,219,820	1,000,594
5,744,236	6,804,236	1,121,517
<u>9,505,260</u>	<u>10,631,760</u>	<u>2,304,712</u>
( 1,933,791)	( 3,060,291)	2,571,997
<u>-</u>	<u>-</u>	<u>( 111,957)</u>
( 1,933,791)	( 3,060,291)	2,460,040
<u>7,059,767</u>	<u>7,059,767</u>	<u>535,604</u>
<u>\$ 5,125,976</u>	<u>\$ 3,999,476</u>	<u>\$ 2,995,644</u>

CITY OF ELDRIDGE, IOWA  
 Budget to GAAP Reconciliation  
 Required Supplementary Information  
 Year Ended June 30, 2006

	Governmental Funds			Proprietary Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 3,634,553	\$ 71,377	\$ 3,705,930	\$ 4,204,201	\$( 31,762)	\$ 4,172,439
Expenditures/ expenses	<u>2,644,329</u>	<u>( 44,552)</u>	<u>2,599,777</u>	<u>5,682,719</u>	<u>( 1,297,381)</u>	<u>4,385,338</u>
Net	990,224	115,929	1,106,153	( 1,478,518)	1,265,619	( 212,899)
Other financing sources, net	274,549	( 403,339)	( 128,790)	( 386,506)	605,874	219,368
Beginning fund balances/net assets	<u>2,606,630</u>	<u>317,210</u>	<u>2,923,840</u>	<u>4,988,741</u>	<u>35,324,602</u>	<u>40,313,343</u>
Ending fund balances/net assets	\$ <u>3,871,403</u>	\$ <u>29,800</u>	\$ <u>3,901,203</u>	\$ <u>3,123,717</u>	\$ <u>37,196,095</u>	\$ <u>40,319,812</u>

See accompanying independent auditor's report and notes to required supplementary information – budgetary reporting.

CITY OF ELDRIDGE, IOWA

Notes to Required Supplementary Information –  
Budgetary Reporting

Year Ended June 30, 2006

The budgetary comparison is presented as required supplementary information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the general fund and each major special revenue fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized in the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based on nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund, capital projects fund 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, a budget amendment increased budgeted disbursements by \$1,126,500. This budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2006, disbursements in the public safety, community and economic development and debt service functions exceeded amounts budgeted.

Combining Balance Sheet -  
Nonmajor Special Revenue Funds

June 30, 2006

<u>Assets</u>	Hotel Tax <u>Fund</u>	Blackhawk Trail Tax Increment Financing <u>Fund</u>	Total All <u>Funds</u>
Cash and investments	\$ <u>61,406</u>	\$ <u>112,775</u>	\$ <u>174,181</u>
Total assets	\$ <u>61,406</u>	\$ <u>112,775</u>	\$ <u>174,181</u>
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ <u>720</u>	\$ <u>-</u>	\$ <u>720</u>
Total liabilities	\$ <u>720</u>	\$ <u>-</u>	\$ <u>720</u>
Fund balances:			
Unrestricted, designated for other purposes	<u>60,686</u>	<u>112,775</u>	<u>173,461</u>
Total liabilities and fund balances	\$ <u>61,406</u>	\$ <u>112,775</u>	\$ <u>174,181</u>

See accompanying independent auditor's report.

Combining Schedule of Revenues, Expenditures and  
Changes in Fund Balances -  
Nonmajor Special Revenue Funds

Year Ended June 30, 2006

	<u>Hotel Tax</u>	<u>Blackhawk Trail Tax Increment Funding</u>	<u>Total</u>
Revenues:			
Tax increment financing	\$ -	\$103,419	\$103,419
Other taxes	<u>49,029</u>	<u>-</u>	<u>49,029</u>
Total revenues	<u>49,029</u>	<u>103,419</u>	<u>152,448</u>
Expenditures:			
Operating:			
Public safety	16,000	-	16,000
Community and economic development	920	-	920
General government	-	81,013	81,013
Capital projects	<u>16,000</u>	<u>-</u>	<u>16,000</u>
Total expenditures	<u>32,920</u>	<u>81,013</u>	<u>113,933</u>
Excess (deficiency) of revenues over (under) expenditures	16,109	22,406	38,515
Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures and other financing uses	16,109	22,406	38,515
Fund balances beginning of year	<u>44,577</u>	<u>90,369</u>	<u>134,946</u>
Fund balances end of year	<u>\$ 60,686</u>	<u>\$112,775</u>	<u>\$173,461</u>

See accompanying independent auditor's report.

Schedule of Revenues by Source and Expenditures by Function –  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Revenues:</b>				
Property tax	\$1,268,026	\$1,182,351	\$1,014,645	\$ 965,052
Tax increment financing	491,543	561,576	653,347	514,775
Other taxes	716,783	643,067	593,202	551,209
License and permits	144,336	127,892	127,864	113,920
Use of money and property	134,750	77,521	56,934	38,108
Intergovernmental	409,046	388,016	468,177	715,634
Charges for service	208,551	184,126	154,069	140,810
Miscellaneous	<u>332,895</u>	<u>84,508</u>	<u>68,239</u>	<u>359,191</u>
Total	<u>\$3,705,930</u>	<u>\$3,249,057</u>	<u>\$3,136,477</u>	<u>\$3,398,699</u>
<b>Expenditures:</b>				
<b>Operating:</b>				
Public safety	\$ 682,575	\$ 698,881	\$ 589,775	\$ 607,054
Public works	520,029	597,320	574,077	559,056
Culture and recreation	232,845	213,124	196,599	177,953
Community and economic development	47,912	36,156	54,946	72,054
General government	673,350	591,459	700,392	619,053
Debt service	223,840	220,535	220,633	225,280
Capital projects	<u>219,226</u>	<u>244,551</u>	<u>539,307</u>	<u>783,880</u>
Total	<u>\$2,599,777</u>	<u>\$2,602,026</u>	<u>\$2,875,729</u>	<u>\$3,044,330</u>

See accompanying independent auditor's report.

# GABELMANN & ASSOCIATES, P.C.

Certified Public Accountants

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  
City of Eldridge, Iowa:

We have audited the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldridge, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the City of Eldridge, Iowa's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 23, 2006. 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 Eldridge, Iowa's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion 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 Eldridge, Iowa'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.

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 in Part II of the accompanying Schedule of Findings, we believe items 06-II-A and 06-II-B are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eldridge, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City of Eldridge, Iowa'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. 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 Eldridge, Iowa and other parties to whom the City of Eldridge, Iowa may report. This report is not intended to be and should not be used by anyone other than these specified parties and others authorized by management.

Bettendorf, Iowa  
October 23, 2006

Gabelmann & Associates, P.C.

CITY OF ELDRIDGE, IOWA

Schedule of Findings

Year Ended June 30, 2006

Part I: Summary of Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (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 noncompliance which is material to the financial statements.
- (d) The City of Eldridge, Iowa did not qualify as a low risk auditee.
- (e) The City of Eldridge, Iowa was not required to have an audit in accordance with Office of Management and Budget Circular A-133.

Part II: Findings Related to the Financial Statements

Reportable Conditions/Material Weaknesses

06-II-A Segregation of Duties/Limited Number of Personnel

Finding: The City of Eldridge, Iowa has one employee who is responsible for posting, updating and maintaining the general ledger and is also responsible for maintaining the subsidiary ledgers for bank accounts, investments and reconciling the same to the general ledger. From a control standpoint, this combination of responsibilities is not conducive to adequate segregation of duties. As the City continues to grow, the lapse of time between identifying reconciling items and posting such to the general ledger increases the risk that losses from errors or irregularities could occur and not be detected in a timely period (see also finding 06-II-B).

Recommendation: The City has a limited number of office personnel with which to attempt to implement controls to ensure that the financial data reported by management is processed in a timely and complete manner. The increased financial activity that the City is experiencing may require additional diversification of the City Clerk's responsibilities and an increased emphasis and focus to general ledger reconciliations and recording of financial data.

Response and Corrective Action Planned: The City has added personnel to facilitate the dispersion of duties among staff. True segregation of duties is not possible with the staff available; however, duties are occasionally performed by other personnel for purposes of cross-training.

Conclusion: Response accepted.

CITY OF ELDRIDGE, IOWA

Schedule of Findings

Year Ended June 30, 2006

Part II: Findings Related to the Financial Statements, continued

Reportable Conditions/Material Weaknesses, continued

06-II-B Reconciliation of General Ledger Accounts

Finding: During the audit, several errors and discrepancies in the City of Eldridge, Iowa's general ledger system were noted as follows:

- 1) The City Clerk prepares monthly bank account reconciliations for cash and investment accounts, however, these amounts were not reconciled to the general ledger accounts.
- 2) The City's police department maintains two checking accounts which have never been recorded in the general ledger or reconciled by the City.
- 3) Wire transfers for bond payments were coming out of the wrong bank account but no adjustments were made to the general ledger accounts.
- 4) The City Clerk's report did not reconcile to the general ledger accounts.
- 5) The City did not record purchases and sales of certificates of deposit or the interest received on these certificates, nor were the amounts reconciled to the general ledger.
- 6) Interest received on money market accounts was not being recorded on a monthly basis, nor was it reconciled to the general ledger.
- 7) There are no detailed listings maintained for inventory of the general fund and sewer fund and no physical inventory counts were taken so that general ledger accounts could be adjusted.

Recommendation: Procedures should be implemented to ensure that responsibility is being assumed for the accuracy of amounts being recorded in the general ledger and that such amounts are being recorded on a timely basis. Reconciliation of general ledger accounts should be performed on a regular basis, typically monthly, with errors being investigated and corrected.

Response and Corrective Action Planned: The City will work with the audit firm to formulate procedures for reconciling general ledger accounts in connection with implementing the City's new financial accounting software.

Conclusion: Response accepted.

CITY OF ELDRIDGE, IOWA

Schedule of Findings

Year Ended June 30, 2006

Part II: Findings Related to the Financial Statements, continued

Other Findings

06-II-C Legal Depository Limits

Finding: For a period of approximately four months, one of the City's money market accounts was above the \$4,000,000 maximum balance limit for U.S. Bank established by the resolution naming depositories due to a certificate of deposit maturing and not being rolled over. This issue was, however, resolved by June 30, 2006.

Recommendation: The City should monitor all accounts regularly to ensure compliance with the depository resolutions.

Response and Corrective Action Planned: The City acknowledges the event. Depository limits are being checked more frequently to prevent a reoccurrence.

Conclusion: Response accepted.

06-II-D Time Sheet Compliance

Finding: Weekly time sheets for administrative employees did not have the required signatures for approval of the time worked.

Recommendation: Procedures should be implemented so that time sheets for all employees, including administrative employees, are signed on a weekly basis to ensure all hours worked by these employees are approved.

Response and Corrective Action Planned: Subsequent to recommendation by the auditors, hours for administrative employees are now being approved by immediate supervisors.

Conclusion: Response accepted.

06-II-E Transfers

Finding: Actual transfers for the fiscal year did not agree to budgeted transfers. The difference was related to several independent items. First, transfers for Fund 821 were included in transfers of the general funds rather than in transfers of the proprietary funds in the budget. Second, a transfer in the amount of \$89,026 from Fund 600 was made to Fund 630 but was not included in budgeted transfers.

Recommendation: Transfers should be properly reflected in the annual budget due to the very nature of the transaction type. A schedule should be maintained for actual recorded transfers which should then be reconciled to budgeted transfers at the end of the fiscal year.

CITY OF ELDRIDGE, IOWA

Schedule of Findings

Year Ended June 30, 2006

Part II: Findings Related to the Financial Statements, continued

Other Findings, continued

06-II-E Transfers, continued

Response and Corrective Action Planned: The amount referred to was a budgeted item showing in fund 600 as debt service expense (principal and interest) and in fund 630 as a loan repayment. Since this is an internal debt, the annual payment is made by means of a journal entry rather than being funded through the bills payable system. We see no reason to change the handling of this item.

Conclusion: Response accepted.

06-II-F Customer Deposits

Finding: The City uses a separate fund to account for resident water and electric deposits. When deposits are used to pay delinquent utility bills, the Water or Electric Fund records the payment but the customer's deposit amount is not transferred to the appropriate funds, resulting in excess cash being maintained in the deposit funds.

Recommendation: Management should obtain approval from the board of directors and transfer the liabilities and excess cash to the Water and Electric Funds, so that customer deposits are maintained in their appropriate funds.

Response and Corrective Action Planned: The City accepts the recommendation of the independent auditors.

Conclusion: Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

06-III-A Certified Budget

Finding: Disbursements during the year ended June 30, 2006 exceeded the amount budgeted in the public safety, community economic development and the debt service functions. However, total expenditures did not exceed budget. 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 be amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements are allowed to exceed the budget. In addition, correct classifications within appropriate functions should be used for budgeted expenditures.

CITY OF ELDRIDGE, IOWA

Schedule of Findings

Year Ended June 30, 2006

Part III: Other Findings Related to Required Statutory Reporting, continued

06-III-A Certified Budget, continued

Response: The 2005-2006 budget was amended in May of 2006. In the instance of community/economic development, the amendment was insufficient to keep the program under budget. In the instances of debt service and public safety, we believe that differences in the classification of various expenditures between the City's recorded amounts and the amounts arrived at by the independent auditors while performing their audit procedures resulted in these programs exceeding budget. Internal records do not show public safety and debt service as exceeding budget.

Conclusion: Response accepted.

06-III-B Questionable Expenditures

Finding: No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

06-III-C Travel Expense

Finding: No expenditures of City money for travel expenses of spouses of city officials or employees were noted.

06-III-D Business Transactions

Finding: No business transactions between the City and City officials or employees were noted.

06-III-E Bond Coverage

Finding: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

06-III-F Council Minutes

Finding: No transactions were found that we believe should have been approved in the Council or Utility Boards minutes but were not.

06-III-G Deposits and Investments

Finding: 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 (see also finding 06-11-C).

06-III-H Revenue Notes

Finding: The City has established the sinking and reserve accounts required by revenue note provisions.

CITY OF ELDRIDGE, IOWA

Schedule of Findings

Year Ended June 30, 2006

Part V: Summary of Prior Findings

05-II-A Segregation of Duties (Reportable Condition/Material Weakness)

Comment still valid. Refer to current year finding 06-II-A.

05-II-B Reconciliation of General Ledger Accounts

Comment still valid. Refer to current year finding 06-II-B.

05-II-C Authorized Signatories

Corrective action taken. Comment no longer valid.

05-II-D Unbalanced Funds

Corrective action taken. Comment no longer valid.

05-II-E Transfers

Comment still valid. Refer to current year finding 06-II-E.