

**CITY OF EAGLE GROVE, IOWA**

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

**JUNE 30, 2006**

**T. P. ANDERSON & COMPANY, P.C.  
Certified Public Accountants**

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CITY OF EAGLE GROVE, IOWA  
OFFICIALS

June 30, 2006

| <u>Title</u>       | <u>Name of Official</u> | <u>Term Expires</u> |
|--------------------|-------------------------|---------------------|
| Mayor              | Ronald Berg             | January 2008        |
| Council Person     | Jim Seibert             | January 2010        |
| Council Person     | Carl Halverson          | January 2010        |
| Council Person     | Matt Jergens            | January 2010        |
| Council Person     | Sandy McGrath           | January 2008        |
| Council Person     | Ray Kellogg             | January 2008        |
| Council Person     | Ron Jensen              | January 2008        |
| City Administrator | Ryan Heiar              |                     |
| Finance Officer    | Susan J. Maier, CPA     |                     |

## 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 Eagle Grove, 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 Eagle Grove's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U. S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions 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 Eagle Grove 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 20, 2006, on our consideration of the City of Eagle Grove's internal control over financial reporting and our tests of 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 and 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 4 through 10 and 24 through 25 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 inquires of management regarding the methods of measurement and presentation of the 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 Eagle Grove'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 (none of which is 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 Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basis 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.

*T.P. Anderson & Company, P.C.*

October 20, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Eagle Grove, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 77%, or approximately \$2,406,000, from fiscal 2005 to fiscal 2006. Property tax increased approximately \$13,000, bond proceeds increased \$2,357,000.
- Disbursements increased 12%, or approximately \$384,000, in fiscal 2006 from fiscal 2005.
- The City's total cash basis net assets increased 94%, or approximately \$1,816,000 from June 30, 2005 to June 30, 2006. Of this amount, the assets of the governmental activities increased approximately \$1,902,000 and the assets of the business type activities decreased by approximately \$85,000.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

Other Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds.

### **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sanitary sewer system, and the related meter deposits. These activities are financed primarily by user charges. The city also maintains two internal service funds. They are used to account for the city's partial self-funding of employee health insurance and to recapture and set aside money to replace city equipment.

### *Fund Financial Statements*

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic service. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits, 3) the Debt Service Fund, 4) Capital Projects Funds and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sanitary sewer, and meter deposits. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

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

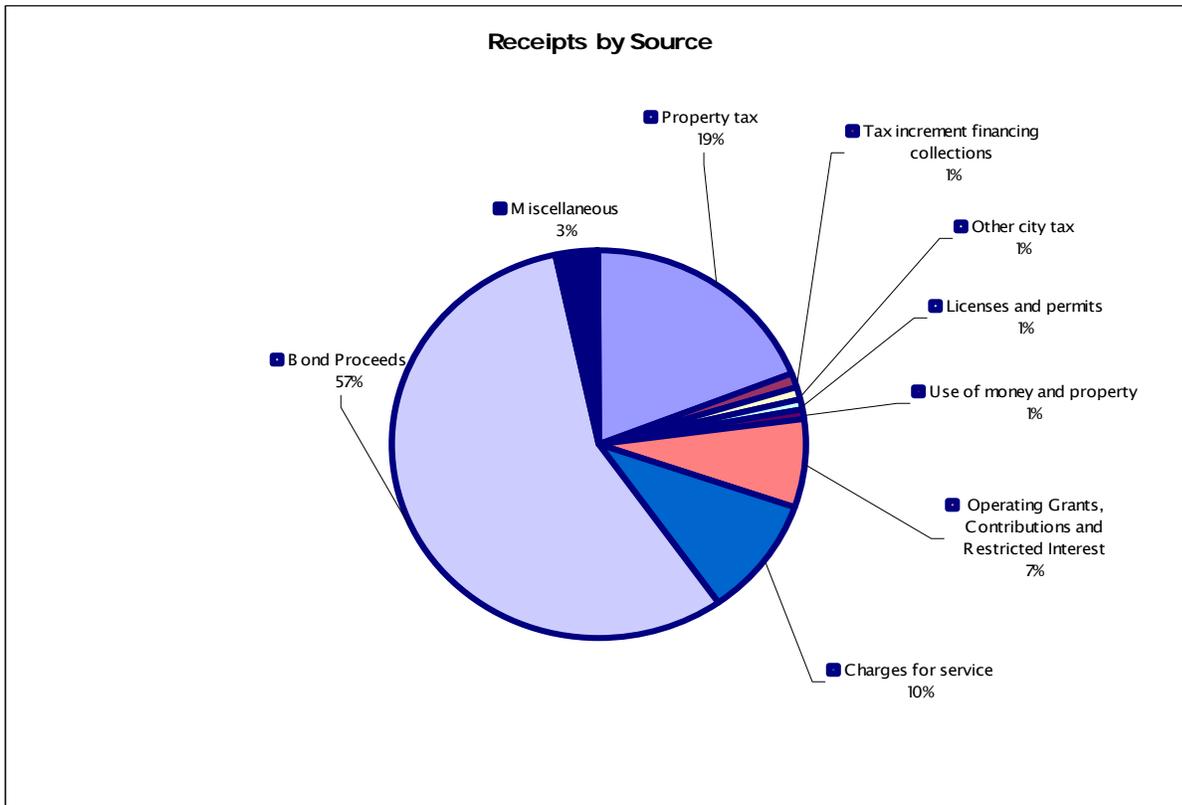
Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

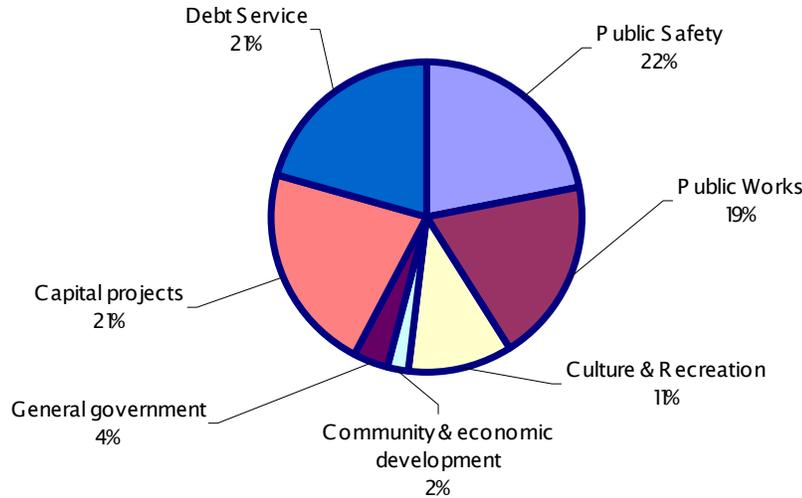
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$1.2 million to \$3.1 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities  
(Expressed in Thousands)

|   | Year ended June 30, |       |
|---|---------------------|-------|
|   | 2006                | 2005  |
| Receipts and transfers:                                 |                     |       |
| Program receipts:                                       |                     |       |
| Charges for service                                     | \$ 553              | 497   |
| Operating grants, contributions and restricted interest | 395                 | 397   |
| Capital grants, contributions and restricted interest   | -                   | 140   |
| General receipts:                                       |                     |       |
| Property tax  | 1,064               | 1,051 |
| Tax increment financing                                 | 56                  | 79    |
| Local option sales tax                                  | 69                  | 65    |
| Unrestricted investment earnings                        | 52                  | 28    |
| Bond proceeds   | 3,120               | 763   |
| Other general receipts                                  | 221                 | 192   |
| Total receipts and transfers                            | 5,530               | 3,124 |
| Disbursements:  |                     |       |
| Public safety   | 810                 | 798   |
| Public works  | 693                 | 715   |
| Culture and recreation                                  | 393                 | 395   |
| Community and economic development                      | 89                  | 89    |
| General government                                      | 136                 | 203   |
| Debt Service  | 827                 | 171   |
| Capital Projects  | 679                 | 874   |
| Transfers   | 2                   | -     |
| Total disbursements                                     | 3,629               | 3,245 |
| Increase in cash basis net assets                       | 1,901               | (121) |
| Cash basis net assets beginning of year                 | 1,190               | 1,311 |
| Cash basis net assets end of year                       | \$ 3,091            | 1,190 |



## Disbursements by Function



The City’s total receipts for governmental activities increased by 77%, or \$2,406,000. The total cost of all programs and services increased by approximately \$384,000, or 12%, with construction started on the the new aquatic center during the year. The significant increase in receipts was primarily the result of bond proceeds received from the issuance of general obligation bonds used to finance the aquatic center construction.

The cost of all governmental activities this year was \$3.6 million compared to 3.2 million last year. However, as shown in the Statement of Activities and Net Assets on pages 11, the amount taxpayers ultimately financed for these activities was 2.8 million because some of the cost was paid by those directly benefited from the programs (\$553,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$395,000). Overall, the City’s governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2006 from approximately \$449,000 to approximately \$395,000. The City paid for the remaining “public benefit” portion of governmental activities with approximately \$1,195,000 in tax (some of which could only be used for certain programs), \$3,120,000 in bond proceeds and with other receipts, such as interest and general entitlements.

| Changes in Cash Basis Net Assets of Business Type Activities<br>(Expressed in Thousands) |                     |      |
|--|---------------------|------|
|  | Year ended June 30, |      |
|  | 2006                | 2005 |
| Receipts:  |                     |      |
| Program receipts:  |                     |      |
| Charges for service:   |                     |      |
| Water  | \$ 470              | 430  |
| Sewer rental   | 470                 | 438  |
| Other  | 8                   | 8    |
| General receipts:  |                     |      |
| Unrestricted interest on investments   | 16                  | 10   |
| Transfers  | 2                   | -    |
| Total receipts   | 966                 | 886  |

|   |               |            |
|---|---------------|------------|
| Disbursements and transfers:            |               |            |
| Water                                   | 521           | 446        |
| Sewer rental                            | 522           | 473        |
| Other                                   | 8             | 8          |
| Total disbursements and transfers       | <u>1,051</u>  | <u>927</u> |
| Increase (decrease) in cash balance     | (85)          | (41)       |
| Cash basis net assets beginning of year | <u>746</u>    | <u>787</u> |
| Cash basis net assets end of year       | <u>\$ 661</u> | <u>746</u> |

Total business type activities receipts for the fiscal year were \$966,000 compared to \$886,000 last year. The cash balance decreased by approximately \$85,000 from the prior year. Total disbursements for the fiscal year increased 13% to a total of \$1,051,000.

### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As The City of Eagle Grove completed the year, its governmental funds reported a combined fund balance of \$3,140,390, an increase of approximately \$2,062,000 above last year's total of \$1,078,307. 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 \$82,000 from the prior year to approximately \$480,000. The decrease was due in large part to increased public safety spending.
- The Road Use Tax Fund cash balance increased by \$18,164 to \$153,618 during the fiscal year. No street resurfacing or construction was completed during the fiscal year.
- The Employee Benefit Fund increased by \$3,928 to \$67,685 during the fiscal year. The city intends to use the accumulated fund balance to lower future property tax needs.
- The Solid Waste Fund cash balance increased by \$650 to \$3,965, due to the regular operations of the solid waste system.
- The Capital Projects Water Meter Project Fund is used to account for the receipts and disbursements related to replacing all of the water meters in Eagle Grove. All meters were replaced during the year ended June 30, 2005. The only activity in the fund in the current year was the refinancing of the short term notes issued to get the project started.
- The Capital Projects Aquatic Center Fund was used to account for the receipts and disbursements incurred to construct a new aquatic center for Eagle Grove.

### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance decreased by \$39,597 to \$248,98, due to the regular operations of the water system. The new water meters have already increased revenues from the water system and the rate increase in July 2006 is anticipated to improve the operating results even further.
- The Sewer Fund cash balance decreased by \$38,634 to \$332,500, due primarily to regular operations. Planned rate increases should improve operating results.

## BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The amendments were both approved in May 2006 and resulted in an increase in budgeted disbursements of \$1,450,000. The increases in budgeted expenditures were needed due to increased costs including the aquatic center construction and bond redemptions. The amendments also increased budgeted receipts by \$304,650.

## DEBT ADMINISTRATION

At June 30, 2006, the City had approximately \$6,319,000 in bonds and other long-term debt, compared to approximately \$4,094,000 last year, as shown below.

|   | Outstanding Debt at Year-End<br>(Expressed in Thousands) |       |
|---|--|-------|
|   | Year ended June 30,                                      |       |
|   | 2006   | 2005  |
| General obligation bonds                            | \$ 3,748   | 1,398 |
| Urban renewal tax increment financing revenue bonds | 33   | 44    |
| Revenue notes                                       | 2,538  | 2,652 |
| Total   | \$6,319  | 4,094 |

Debt increased as a result of issuing additional revenue bonds for the sewer improvement project and issuing \$2,500,000 in general obligation bonds to complete a new aquatic center.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,748,000 is within its constitutional debt limit of \$5.0 million.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Eagle Grove's elected and appointed officials and citizens considered many factors when setting the fiscal year 2007 budget, tax rates and fees that will be charged for various City activities.

Property valuations decreased by approximately \$1,770,000 after the rollback. This results in approximately \$14,000 less revenue available from taxes for the General Fund. It is always a difficult task trying to put the budget together not knowing what the State Legislature would do. Three years ago, after our budget was adopted, the State eliminated \$60 million dollars in reimbursements to cities. Eagle Grove lost close to \$70,000 due to this elimination.

The National Consumer Price Index (CPI) increase was 3.17%. Many of the City's expenditures such as health insurance and energy costs increased at a much higher rate than this. Health insurance rates have increased 10 to 15% per year recently. Fuel prices, especially diesel fuel have remained 25% higher than in previous years.

The City's budgeted expenditures will show an increase of approximately \$1,281,000. This substantial increase is attributable to the new Aquatic Center being constructed.

If adopted budget estimates are realized, the City's budgeted cash balance will decrease by \$2,411,000. The proceeds from the sale of \$2,500,000 of bonds to finance the Aquatic Center construction were received in June of 2006. The majority of the project expenses will be incurred during the fiscal year ending June 20, 2007.

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

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Eagle Grove's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Susan Maier, City Finance Officer, 210 East Broadway, PO Box 165, Eagle Grove, Iowa 50533.

## **Basic Financial Statements**

## CITY OF EAGLE GROVE, IOWA

Exhibit A

## STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

| Functions/Programs                    | Program Receipts |                        |                            |                            | Net(Disbursements)Receipts and<br>Changes in Cash Basis Net Assets |                             |                    |
|---------------------------------------|------------------|------------------------|----------------------------|----------------------------|--|-----------------------------|--------------------|
|                                       | Disbursements    | Charges for<br>Service | Operating Grants           |                            | Governmental<br>Activities   | Business type<br>Activities | Total              |
|                                       |                  |                        | Contributions              |                            |  |                             |                    |
|                                       |                  |                        | and Restricted<br>Interest | and Restricted<br>Interest |  |                             |                    |
| <b>Primary Government</b>             |                  |                        |                            |                            |  |                             |                    |
| Governmental activities:              |                  |                        |                            |                            |  |                             |                    |
| Public safety                         | \$ 810,266       | 260,733                | 41,635                     | -                          | (507,898)  | -                           | (507,898)          |
| Public works                          | 693,366          | 280,260                | 312,611                    | -                          | (100,495)  | -                           | (100,495)          |
| Culture and recreation                | 392,670          | 12,460                 | 40,747                     | -                          | (339,463)  | -                           | (339,463)          |
| Community and economic developmen     | 89,504           | -                      | -                          | -                          | (89,504)   | -                           | (89,504)           |
| General government                    | 135,944          | -                      | -                          | -                          | (135,944)  | -                           | (135,944)          |
| Debt Service                          | 827,126          | -                      | -                          | -                          | (827,126)  | -                           | (827,126)          |
| Capital Projects                      | 678,748          | -                      | -                          | -                          | (678,748)  | -                           | (678,748)          |
| <b>Total governmental activities</b>  | <b>3,627,624</b> | <b>553,453</b>         | <b>394,993</b>             | <b>-</b>                   | <b>(2,679,178)</b>   | <b>-</b>                    | <b>(2,679,178)</b> |
| Business type activities              |                  |                        |                            |                            |  |                             |                    |
| Water                                 | 521,073          | 470,014                | -                          | -                          | -  | (51,059)                    | (51,059)           |
| Sewer                                 | 521,890          | 469,520                | -                          | -                          | -  | (52,370)                    | (52,370)           |
| Other                                 | 8,175            | 8,265                  | -                          | -                          | -  | 90                          | 90                 |
| <b>Total business type activities</b> | <b>1,051,138</b> | <b>947,799</b>         | <b>-</b>                   | <b>-</b>                   | <b>-</b>   | <b>(103,339)</b>            | <b>(103,339)</b>   |
| <b>Total primary government</b>       | <b>4,678,762</b> | <b>1,501,252</b>       | <b>394,993</b>             | <b>-</b>                   | <b>(2,679,178)</b>   | <b>(103,339)</b>            | <b>(2,782,517)</b> |
| <b>General Receipts:</b>              |                  |                        |                            |                            |  |                             |                    |
| Property tax levied for:              |                  |                        |                            |                            |  |                             |                    |
| General purposes                      |                  |                        |                            |                            | \$ 1,064,063   | -                           | 1,064,063          |
| Tax increment financing               |                  |                        |                            |                            | 56,485   | -                           | 56,485             |
| Local option sales tax                |                  |                        |                            |                            | 68,777   | -                           | 68,777             |
| Unrestricted interest on investments  |                  |                        |                            |                            | 52,242   | 16,336                      | 68,578             |
| Bond Proceeds                         |                  |                        |                            |                            | 3,119,834  | -                           | 3,119,834          |
| Miscellaneous                         |                  |                        |                            |                            | 221,125  | -                           | 221,125            |
| Transfers                             |                  |                        |                            |                            | (1,776)  | 1,776                       | -                  |
| Total general receipts and transfers  |                  |                        |                            |                            | 4,580,750  | 18,112                      | 4,598,862          |
| Change in cash basis net assets       |                  |                        |                            |                            | 1,901,572  | (85,227)                    | 1,816,345          |
| Cash beginning of year                |                  |                        |                            |                            | 1,189,980  | 745,693                     | 1,935,673          |
| Cash end of year                      |                  |                        |                            |                            | 3,091,552  | 660,466                     | 3,752,018          |
| <b>Cash Basis Net Assets:</b>         |                  |                        |                            |                            |  |                             |                    |
| Restricted                            |                  |                        |                            |                            |  |                             |                    |
| Streets                               |                  |                        |                            |                            | 153,618  | -                           | 153,618            |
| Capital projects                      |                  |                        |                            |                            | 2,030,239  | -                           | 2,030,239          |
| Debt Service                          |                  |                        |                            |                            | 16,394   | 158,312                     | 174,706            |
| Other Purposes                        |                  |                        |                            |                            | 320,771  | -                           | 320,771            |
| Unrestricted                          |                  |                        |                            |                            | 570,530  | 502,154                     | 1,072,684          |
|                                       |                  |                        |                            |                            | \$ 3,091,552   | 660,466                     | 3,752,018          |

See Notes to Financial Statements

CITY OF EAGLE GROVE, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

|  | SPECIAL REVENUE   |                |                   |                |
|--|-------------------|----------------|-------------------|----------------|
|  | General           | Road Use Tax   | Employee Benefits | Solid Waste    |
| <b>Receipts:</b>   |                   |                |                   |                |
| Property tax   | \$ 573,405        | -              | 298,078           | -              |
| Tax increment financing collections                        | -                 | -              | -                 | -              |
| Other city tax   | -                 | -              | -                 | -              |
| Licenses and permits                                       | 38,656            | -              | -                 | -              |
| Use of money and property                                  | 49,993            | -              | -                 | -              |
| Intergovernmental  | 75,401            | 310,789        | -                 | -              |
| Charges for service  | 332,195           | -              | -                 | 221,258        |
| Special assessments  | -                 | -              | -                 | -              |
| Miscellaneous  | 54,904            | -              | 18,293            | -              |
| Total receipts   | <u>1,124,554</u>  | <u>310,789</u> | <u>316,371</u>    | <u>221,258</u> |
| <b>Disbursements:</b>                                      |                   |                |                   |                |
| <b>Operating:</b>  |                   |                |                   |                |
| Public Safety  | 612,933           | -              | 174,437           | -              |
| Public Works   | 147,222           | 292,625        | 40,605            | 212,914        |
| Culture & Recreation                                       | 317,033           | -              | 75,637            | -              |
| Community & economic development                           | 14,851            | -              | 508               | -              |
| General government   | 113,594           | -              | 21,256            | -              |
| Debt Service   | -                 | -              | -                 | -              |
| Capital projects   | -                 | -              | -                 | -              |
| Total Disbursements  | <u>1,205,633</u>  | <u>292,625</u> | <u>312,443</u>    | <u>212,914</u> |
| Excess (deficiency) of receipts over (under) disbursements | (81,079)          | 18,164         | 3,928             | 8,344          |
| <b>Other financing sources (uses):</b>                     |                   |                |                   |                |
| Bond proceeds  | -                 | -              | -                 | -              |
| Operating transfers in                                     | 49,486            | -              | -                 | -              |
| Operating transfers out                                    | (50,000)          | -              | -                 | (7,694)        |
| Total other financing sources (uses)                       | <u>(514)</u>      | <u>-</u>       | <u>-</u>          | <u>(7,694)</u> |
| Net change in cash balances                                | (81,593)          | 18,164         | 3,928             | 650            |
| Cash balances beginning of year                            | 561,707           | 135,454        | 63,757            | 3,315          |
| Cash balances end of year                                  | <u>\$ 480,114</u> | <u>153,618</u> | <u>67,685</u>     | <u>3,965</u>   |
| <b>Cash Basis Fund Balances</b>                            |                   |                |                   |                |
| <b>Unreserved:</b>   |                   |                |                   |                |
| General fund   | 480,114           | -              | -                 | -              |
| Special revenue funds                                      | -                 | 153,618        | 67,685            | 3,965          |
| Capital projects fund                                      | -                 | -              | -                 | -              |
| Debt service fund  | -                 | -              | -                 | -              |
| Permanent fund   | -                 | -              | -                 | -              |
| Total cash basis fund balances                             | <u>\$ 480,114</u> | <u>153,618</u> | <u>67,685</u>     | <u>3,965</u>   |

See Notes of Financial Statements

| Capital Projects       |                |   |              |
|------------------------|----------------|---|--------------|
| Water Meter<br>Project | Aquatic Center | Other Nonmajor<br>Governmental<br>Funds | Total        |
| -                      | -              | 192,580                                 | \$ 1,064,063 |
| -                      | -              | 56,485                                  | 56,485       |
| -                      | -              | 68,777                                  | 68,777       |
| -                      | -              | -                                       | 38,656       |
| -                      | -              | 610                                     | 50,603       |
| -                      | -              | 8,803                                   | 394,993      |
| -                      | -              | -                                       | 553,453      |
| -                      | -              | -                                       | -            |
| -                      | 80,130         | 29,142                                  | 182,469      |
| -                      | 80,130         | 356,397                                 | 2,409,499    |
| -                      | -              | -                                       | 787,370      |
| -                      | -              | -                                       | 693,366      |
| -                      | -              | -                                       | 392,670      |
| -                      | -              | 61,029                                  | 76,388       |
| -                      | -              | 1,094                                   | 135,944      |
| 315,000                | 253,071        | 176,716                                 | 744,787      |
| -                      | 502,032        | 272,171                                 | 774,203      |
| 315,000                | 755,103        | 511,010                                 | 3,604,728    |
| (315,000)              | (674,973)      | (154,613)                               | (1,195,229)  |
| 315,000                | 2,728,267      | 76,567                                  | 3,119,834    |
| -                      | -              | 58,803                                  | 108,289      |
| -                      | -              | (52,371)                                | (110,065)    |
| 315,000                | 2,728,267      | 82,999                                  | 3,118,058    |
| -                      | 2,053,294      | (71,614)                                | 1,922,829    |
| -                      | -              | 314,074                                 | 1,078,307    |
| -                      | 2,053,294      | 242,460                                 | \$ 3,001,136 |
| -                      | -              | -                                       | 480,114      |
| -                      | -              | 156,491                                 | 381,759      |
| -                      | 2,053,294      | (23,055)                                | 2,030,239    |
| -                      | -              | 16,394                                  | 16,394       |
| -                      | -              | 92,630                                  | 92,630       |
| -                      | 2,053,294      | 242,460                                 | \$ 3,001,136 |

CITY OF EAGLE GROVE, IOWA

Exhibit C

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets-  
Governmental Funds

As of and for the year ended June 30, 2006

**Total governmental funds cash balances** \$ 3,001,136

*Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individual funds and to charge the cost of using city equipment to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

90,416

**Cash basis net assets of governmental activities**

3,091,552

**Net change in cash balances**

1,922,829

*Amounts reported for governmental activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service fund is used by management to charge the costs of employee health benefits and the use of city equipment to individual funds. The change on net assets of the Internal Service Funds is reported with the governmental activities.

(21,257)

**Change in cash balance of governmental activities**

\$ 1,901,572

See Notes to the Financial Statements

CITY OF EAGLE GROVE, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
 PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

|   | <b>Enterprise Funds</b> |            |                   |            |
|---|-------------------------|------------|-------------------|------------|
|   | Water                   | Sewer      | Meter<br>Deposits | Total      |
| Operating receipts:   |                         |            |                   |            |
| Charges for service   | \$ 470,014              | 469,520    | 8,265             | \$ 947,799 |
| Total operating receipts  | 470,014                 | 469,520    | 8,265             | 947,799    |
| Operating disbursements:  |                         |            |                   |            |
| Business type activities  | 517,260                 | 518,071    | 8,175             | 1,043,506  |
| Total operating disbursements   | 517,260                 | 518,071    | 8,175             | 1,043,506  |
| Excess of operating receipts<br>over operating disbursements  | (47,246)                | (48,551)   | 90                | (95,707)   |
| Non-operating receipts:   |                         |            |                   |            |
| Interest on investments   | 7,649                   | 8,141      | -                 | 15,790     |
| Sale of assets  | -                       | -          | -                 | -          |
| Total non-operating receipts  | 7,649                   | 8,141      | -                 | 15,790     |
| Excess of receipts and non-operating receipts<br>over disbursements                                   | (39,597)                | (40,410)   | 90                | (79,917)   |
| Other financing sources (uses):   |                         |            |                   |            |
| Operating transfers in  |                         |            |                   |            |
| Operating transfers out   |                         | 1,776      |                   | 1,776      |
| Total other financing sources (uses)  | -                       | 1,776      | -                 | 1,776      |
| Excess of receipts and other financing sources over<br>(under) disbursements and other financing uses | (39,597)                | (38,634)   | 90                | (78,141)   |
| Cash balances beginning of year   | 288,595                 | 371,134    | 54,191            | 713,920    |
| Cash balances end of year   | \$ 248,998              | \$ 332,500 | \$ 54,281         | \$ 635,779 |
| <b>Cash Basis Fund Balances</b>   |                         |            |                   |            |
| Reserved for debt service   | 50,000                  | 108,312    | -                 | 158,312    |
| Unreserved  | 198,998                 | 224,188    | 54,281            | 477,467    |
| Total cash basis fund balances  | \$ 248,998              | 332,500    | 54,281            | \$ 635,779 |

See Notes of Financial Statements

| <b>Internal Service Funds</b> |                 |                       |            |
|-------------------------------|-----------------|-----------------------|------------|
|                               | Employee Health | Equipment Replacement | Total      |
| \$                            | 6,500           | 19,500                | \$ 26,000  |
|                               | 6,500           | 19,500                | 26,000     |
|                               | 5,721           | 50,807                | 56,528     |
|                               | 5,721           | 50,807                | 56,528     |
|                               | 779             | (31,307)              | (30,528)   |
|                               | -               | 1,189                 | 1,189      |
|                               | -               | 996                   | 996        |
|                               | -               | 2,185                 | 2,185      |
|                               | 779             | (29,122)              | (28,343)   |
|                               | -               | -                     | -          |
|                               | 779             | (29,122)              | (28,343)   |
|                               | 217             | 143,229               | 143,446    |
| \$                            | 996             | 114,107               | \$ 115,103 |
|                               | -               | -                     | -          |
|                               | 996             | 114,107               | 115,103    |
| \$                            | 996             | 114,107               | \$ 115,103 |

CITY OF EAGLE GROVE, IOWA

Exhibit E

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Statement of Activities and Net Assets-  
Proprietary Funds

As of and for the year ended June 30, 2006

**Total enterprise funds cash balances** \$ 635,779

*Amounts reported for business-type activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service Fund is used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individual funds and to charge the cost of using city equipment to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

24,687

**Cash basis net assets of business type activities**

660,466

**Net change in cash balances**

(78,141)

*Amounts reported for business-type activities in the Statement of Activities  
and Net Assets are different because:*

The Internal Service fund is used by management to charge the costs of employee health benefits and the use of city equipment to individual funds. The change on net assets of the Internal Service Funds is reported with the governmental activities.

(7,086)

**Change in cash balance of business-type activities**

\$ (85,227)

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

(1) **Summary of Significant Accounting Policies**

The City of Eagle Grove is a political subdivision of the State of Iowa located in Wright County. It was first incorporated in 1882 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, culture and recreation, community and economic development and general government services. The City also provides water, sewer, solid waste and landfill utilities and services for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Eagle Grove has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all other 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 also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Wright County Conference Board, Wright County Emergency Management Commission, Wright County Joint E911 Service Board, Law Enforcement Center Commission, Wright County Landfill Authority, and MIDAS Council of Governments.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets – Cash Basis reports information on all 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.

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

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

(1) **Summary of Significant Accounting Policies – continued**

*Restricted net assets* result when constraints placed on net assets 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 funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

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

Special Revenue:

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

The Employee Benefits Fund is utilized to account for the property tax levied for the purpose of paying employee benefits for city employees.

The Solid Waste Fund accounts for the billings and collections made on behalf of the City's contracted garbage collector.

Capital Projects:

The Capital Projects Aquatic Center fund is being used to account for the receipts and expenditures related to the construction of a new aquatic center.

The Capital Projects Water Meter Project fund is being used to account for the receipts and disbursements realized in connection with replacing the water meters in the City.

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

(1) **Summary of Significant Accounting Policies - continued**

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water distribution system and account for the payment of interest and principal on the City's 2001 Water Revenue Capital Loan Notes and the reserve funds which have a balance of \$50,000 and are required by the loan. The funds may be utilized to pay for additional improvements to the Water distribution system.

The Sewer Fund accounts for operation and maintenance of the City's wastewater treatment and sanitary sewer system and account for the payment of interest and principal on the City's 2003 Wastewater Revenue Bonds and the reserve funds which have a balance of \$108,312 and are required by the SRF loan. The funds may be utilized to pay principal or interest on the SRF loan and for additional improvements, extensions or reports to the system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Eagle Grove 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 the U.S. generally accepted accounting principals.

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

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

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

(1) **Summary of Significant Accounting Policies - continued**

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Investments**

The City's deposits at June 30, 2006 (which include certificates of deposit totaling \$328,950) 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; and certain joint investment trusts and warrants or improvement certificates of a drainage district.

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$2,734,505 pursuant to Rule 2a-7 under the investment Company Act of 1940.

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

Credit risk – The City's investment in the Iowa Public Agency Investment Trust is unrated.

Interest received on cash balances of the City of Eagle Grove amounted to \$68,578 for the year ended June 30, 2006. These receipts are included under Use of Money and Property for Governmental Funds and Interest on Investments for proprietary activities.

(3) **Bonds and Notes Payable**

Annual debt service requirements to maturity for general obligation, urban renewal tax increment financing revenue bonds, revenue notes and other long-term debt are as follows:

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

**(3) Bonds and Notes Payable - continued**

| Year<br>Ending  | General Obligation |                  | Urban Renewal Tax |                 | Revenue Notes    |                 | Total Debt       |                  |
|-----------------|--------------------|------------------|-------------------|-----------------|------------------|-----------------|------------------|------------------|
|                 |                    |                  | Increment (TIF)   | Revenue Bonds   |                  |                 |                  |                  |
| <u>June 30,</u> | <u>Principal</u>   | <u>Interest</u>  | <u>Principal</u>  | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u>  |
| 2007            | 343,992            | 155,263          | 11,000            | 1,831           | 149,000          | 80,674          | 503,992          | 237,768          |
| 2008            | 299,804            | 140,863          | 11,000            | 1,221           | 152,000          | 75,461          | 462,804          | 217,545          |
| 2009            | 290,436            | 127,928          | 11,000            | 611             | 161,000          | 70,149          | 462,436          | 198,688          |
| 2010            | 196,098            | 115,756          | -                 | -               | 164,000          | 64,502          | 360,098          | 180,258          |
| 2011            | 201,792            | 107,708          | -                 | -               | 173,000          | 58,756          | 374,792          | 166,464          |
| 2012            | 212,518            | 99,426           | -                 | -               | 176,000          | 52,676          | 388,518          | 152,102          |
| 2013            | 153,279            | 90,705           | -                 | -               | 121,000          | 46,497          | 274,279          | 137,202          |
| 2014            | 159,076            | 84,343           | -                 | -               | 124,000          | 42,619          | 283,076          | 126,962          |
| 2015            | 164,911            | 77,739           | -                 | -               | 129,000          | 38,641          | 293,911          | 116,380          |
| 2016            | 139,285            | 71,699           | -                 | -               | 133,000          | 34,504          | 272,285          | 106,203          |
| 2017            | 140,201            | 66,553           | -                 | -               | 138,000          | 30,238          | 278,201          | 96,791           |
| 2018            | 151,161            | 61,243           | -                 | -               | 142,000          | 25,813          | 293,161          | 87,056           |
| 2019            | 157,166            | 55,338           | -                 | -               | 126,000          | 18,519          | 283,166          | 73,857           |
| 2020            | 163,397            | 49,038           | -                 | -               | 130,000          | 16,803          | 293,397          | 65,841           |
| 2021            | 145,000            | 42,900           | -                 | -               | 124,000          | 15,880          | 269,000          | 58,780           |
| 2022            | 150,000            | 36,935           | -                 | -               | 128,000          | 12,040          | 278,000          | 48,975           |
| 2023            | 160,000            | 30,600           | -                 | -               | 132,000          | 7,850           | 292,000          | 38,450           |
| 2024            | 165,000            | 23,660           | -                 | -               | 136,000          | 3,960           | 301,000          | 27,620           |
| 2025            | 175,000            | 16,330           | -                 | -               | -                | -               | 175,000          | 16,330           |
| 2026            | 180,000            | 8,370            | -                 | -               | -                | -               | 180,000          | 8,370            |
|                 | <u>3,748,116</u>   | <u>1,462,397</u> | <u>33,000</u>     | <u>3,663</u>    | <u>2,538,000</u> | <u>695,582</u>  | <u>6,319,116</u> | <u>2,161,642</u> |

The Urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment-financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however the debt is subject to the constitutional debt limitation of the City.

The resolutions providing for the issuance of the services tax revenue bonds 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 funds.

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

**(3) Bonds and Notes Payable - continued**

- b. Sufficient monthly transfers shall be made to separate Sewer and Water sinking funds for the purpose of making the notes' principal and interest payments when due.
- c. Transfers of 25% of the monthly sewer sinking fund deposit to sewer revenue reserve fund shall be made until the maximum principal and interest due in any year under the SRF loans has been accumulated, approximately \$148,000. This fund is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
- d. The city was also required to establish a water reserve fund and accumulate \$50,000 in the fund. This fund is restricted for the purpose of paying principal and interest on the water revenue bonds should there be insufficient funds in the Water Sinking Fund to make said payments.

**(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.

Plan members are required to contribute 3.70% of their annual 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. For the year ended June 30, 2005, the contribution rates for police employees and the City were 6.16% and 9.23%, respectively, and for the year ended June 30, 2004, and the contribution rates for police employees and the City were 5.93% and 8.90%, respectively. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$66,039, \$60,880, and \$57,053 respectively, equal to the required contributions for each year.

**(5) Compensated Absences**

City employees accumulate vacation and sick leave hours for subsequent use. Earned vacation is paid when used or when employment is terminated. Upon retirement, employees are paid on (1) day's pay for every four (4) days of sick time remaining on the employee's retirement day.

These accumulations are not recognized as expenditures by the City until they are paid. The City's approximate maximum liability for unrecognized accrued employee benefits, primarily relating to the General Fund, is as follows:

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

(5) **Compensated Absences - continued**

| <u>Type of Benefit</u>   | Amount<br><u>6-30-06</u> |
|--------------------------|--------------------------|
| Sick pay & personal days | \$180,833                |
| Vacation pay             | <u>40,519</u>            |
| TOTAL                    | <u>\$221,352</u>         |

The City by resolution sets the rules for sick pay as follows:

1 day per month with a maximum of 120 days accumulation.

The City by resolution sets the rules for vacation policy as follows:

|   |         |
|---|---------|
| After one calendar year of employment                 | 5 days  |
| After two consecutive calendar years of employment    | 10 days |
| After seven consecutive calendar years of employment  | 15 days |
| After twelve consecutive calendar years of employment | 20 days |

Vacation must be used in the year following the year earned except that no more than 10 days may be carried into the following year.

(6) **Capital Projects**

The Wastewater Treatment Facilities project started in the year ended June 30, 2004 has been completed as of June 30, 2006.

The City has started construction on a new Aquatic Center which is expected to open for use in 2007. The City has signed a contract with the general contractor for \$2,615,483 to build the Aquatic Center. It was financed with general obligation bonds and donations from various supporters. As of June 30, 2006, the City had paid \$175,197 on the contract and had \$2,440,286 remaining to be completed and pay for.

(7) **Interfund Transfers**

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

| <u>Transfer In</u>     | <u>Transfer From</u>                  | <u>Amount</u>  |
|------------------------|---------------------------------------|----------------|
| General                | Special Revenue Fund                  |                |
|                        | Emergency                             | \$ 16,792      |
|                        | TIF                                   | 25,000         |
|                        | Solid Waste                           | <u>7,694</u>   |
|                        |                                       | 49,486         |
| Special Revenue Fund   |                                       |                |
| TIF                    | General                               | 50,000         |
| Enterprise Fund        |                                       |                |
| Sewer Fund             | Sewer SRF Project                     | 1,776          |
| Capital Projects Funds |                                       |                |
| Capital Improvements   | Special Revenue Fund<br>SWWC EMS Fund | <u>8,803</u>   |
|                        |                                       | <u>110,065</u> |

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

**(7) Interfund Transfers - continued**

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

**(8) Wright County Landfill Authority**

The City, in conjunction with twelve other municipalities, is a member of the Wright County Landfill Authority. The Authority was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Landfill has been closed. On dissolution of the corporation, the net assets of the Authority will be prorated among municipalities. The Authority is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction.

The Authority, during its operation did not accumulate sufficient financial resources for its debt and its closing costs therefore the participating governments are obligated for a proportionate share of those costs. During the year ended June 30, 2006, the City of Eagle Grove paid the Authority \$4,348 for its share of the costs. Completed financial statements for the Authority can be obtained from the Wright County Landfill.

**(9) Risk Management**

The City of Eagle Grove 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. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Property Taxes**

Property taxes are recognized as income when received in accordance with the cash basis of accounting. The property tax calendar is as follows for the City of Eagle Grove. Property taxes become liens on property as of July 1, 2005 and are payable in September and March of the fiscal year. The valuation for the taxes was based on January 1, 2004 assessed property valuations, and are based on a certified budget from March of 2005.

**Required Supplementary Information**

CITY OF EAGLE GROVE, IOWA

Budgetary Comparison 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<br>Funds Activity | Proprietary<br>Funds Activity | Less Funds<br>not Required<br>to be<br>Budgeted | Net         |
|--|--------------------------------|-------------------------------|---|-------------|
| <b>Receipts</b>  |                                |                               |   |             |
| Property tax   | \$ 1,064,063                   | -                             | -   | 1,064,063   |
| Tax increment financing collection   | 56,485                         | -                             | -   | 56,485      |
| Other city tax   | 68,777                         | -                             | -   | 68,777      |
| Licenses and permits   | 38,656                         | -                             | -   | 38,656      |
| Use of money and property  | 50,603                         | 17,975                        | -   | 68,578      |
| Intergovernmental  | 394,993                        | -                             | -   | 394,993     |
| Charges for service  | 553,453                        | 965,534                       | -   | 1,518,987   |
| Miscellaneous  | 182,469                        | 8,265                         | -   | 190,734     |
| Total receipts   | 2,409,499                      | 991,774                       | -   | 3,401,273   |
| <b>Disbursements:</b>  |                                |                               |   |             |
| Program  |                                |                               |   |             |
| Public safety  | 787,370                        | -                             | -   | 787,370     |
| Public works   | 693,366                        | -                             | -   | 693,366     |
| Culture and recreation   | 392,670                        | -                             | -   | 392,670     |
| Community and economic development   | 76,388                         | -                             | -   | 76,388      |
| General government   | 135,944                        | -                             | -   | 135,944     |
| Debt service   | 744,787                        | -                             | -   | 744,787     |
| Capital projects   | 774,203                        | -                             | -   | 774,203     |
| Business type activities   | -                              | 1,100,034                     | -   | 1,100,034   |
| Total disbursements  | 3,604,728                      | 1,100,034                     | -   | 4,704,762   |
| Excess (deficiency) of receipts<br>over disbursements  | (1,195,229)                    | (108,260)                     | -   | (1,303,489) |
| Other financing sources (uses)   | 3,118,058                      | 1,776                         | -   | 3,119,834   |
| Excess (disbursements) of receipts and other financing<br>sources over (under) disbursements and other<br>financing uses | 1,922,829                      | (106,484)                     | -   | 1,816,345   |
| Balance - beginning of year  | 1,078,307                      | 857,366                       | -   | 1,935,673   |
| Balance - end of year  | \$ 3,001,136                   | 750,882                       | -   | 3,752,018   |

See Accompanying Independent Auditor's Report

Budgeted Amounts

| Original                | Final                   | Final to Net<br>Variance |
|-------------------------|-------------------------|--------------------------|
| 1,021,438               | 1,021,438               | \$ 42,625                |
| 51,000                  | 51,000                  | 5,485                    |
| 44,859                  | 106,009                 | (37,232)                 |
| 31,228                  | 31,228                  | 7,428                    |
| 44,650                  | 54,650                  | 13,928                   |
| 683,300                 | 699,300                 | (304,307)                |
| 1,381,200               | 1,425,700               | 93,287                   |
| 106,950                 | 279,950                 | (89,216)                 |
| <u>3,364,625</u>        | <u>3,669,275</u>        | <u>(268,002)</u>         |
| 742,753                 | 808,753                 | 21,383                   |
| 674,385                 | 731,885                 | 38,519                   |
| 385,580                 | 401,630                 | 8,960                    |
| 63,141                  | 83,641                  | 7,253                    |
| 134,220                 | 139,220                 | 3,276                    |
| 176,466                 | 751,466                 | 6,679                    |
| 694,413                 | 1,289,413               | 515,210                  |
| 1,005,197               | 1,120,197               | 20,163                   |
| <u>3,876,155</u>        | <u>5,326,205</u>        | <u>621,443</u>           |
| (511,530)               | (1,656,930)             | 353,441                  |
| <u>342,000</u>          | <u>3,157,000</u>        | <u>(37,166)</u>          |
| (169,530)               | 1,500,070               | 316,275                  |
| <u>1,656,903</u>        | <u>1,656,903</u>        | <u>278,770</u>           |
| <u><u>1,487,373</u></u> | <u><u>3,156,973</u></u> | <u><u>\$ 595,045</u></u> |

CITY OF EAGLE GROVE, 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. 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, two budget amendments increased budgeted disbursements by \$1,450,050. The budget amendments are reflected in the final budgeted amounts.

## **Other Supplementary Information**

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES  
NONMAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2006

|                                       | SPECIAL REVENUE |           |        |          |                  |      |                      |
|---------------------------------------|-----------------|-----------|--------|----------|------------------|------|----------------------|
|                                       | SWWC EMS        | Emergency | LOST   | TIF      | Housing<br>Rehab | CDBG | Childcare<br>Project |
| Receipts:                             |                 |           |        |          |                  |      |                      |
| Property tax                          | \$ -            | 16,792    | -      | -        | -                | -    | -                    |
| Tax increment financing collections   | -               | -         | -      | 56,485   | -                | -    | -                    |
| Other city tax                        | -               | -         | 68,777 | -        | -                | -    | -                    |
| Use of money and property             | -               | -         | -      | -        | 83               | -    | -                    |
| Intergovernmental                     | 8,803           | -         | -      | -        | -                | -    | -                    |
| Miscellaneous                         | -               | -         | -      | -        | 1,381            | -    | -                    |
| Total receipts                        | 8,803           | 16,792    | 68,777 | 56,485   | 1,464            | -    | -                    |
| Disbursements:                        |                 |           |        |          |                  |      |                      |
| Operating:                            |                 |           |        |          |                  |      |                      |
| Public Safety                         | -               | -         | -      | -        | -                | -    | -                    |
| Culture & Recreation                  | -               | -         | -      | -        | -                | -    | -                    |
| Community & economic development      | -               | -         | -      | 61,029   | -                | -    | -                    |
| General government                    | -               | -         | -      | -        | -                | 61   | 1,033                |
| Capital projects                      | -               | -         | -      | -        | -                | -    | -                    |
| Debt Service                          | -               | -         | -      | 13,442   | -                | -    | -                    |
| Total Disbursements                   | -               | -         | -      | 74,471   | -                | 61   | 1,033                |
| Excess of receipts over disbursements | 8,803           | 16,792    | 68,777 | (17,986) | 1,464            | (61) | (1,033)              |
| Other financing sources (uses):       |                 |           |        |          |                  |      |                      |
| Bonds Issued                          | -               | -         | -      | -        | -                | -    | -                    |
| Operating transfers in                | -               | -         | -      | 50,000   | -                | -    | -                    |
| Operating transfers out               | (8,803)         | (16,792)  | -      | (25,000) | -                | -    | -                    |
| Total other financing sources (uses)  | (8,803)         | (16,792)  | -      | 25,000   | -                | -    | -                    |
| Net change in cash balances           | -               | -         | 68,777 | 7,014    | 1,464            | (61) | (1,033)              |
| Cash balances beginning of year       | -               | -         | -      | 66,355   | 13,074           | 25   | 876                  |
| Cash balances end of year             | \$ -            | -         | 68,777 | 73,369   | 14,538           | (36) | (157)                |
| <b>Cash Basis Fund Balances</b>       |                 |           |        |          |                  |      |                      |
| Unreserved:                           |                 |           |        |          |                  |      |                      |
| Special revenue funds                 | -               | -         | 68,777 | 73,369   | 14,538           | (36) | (157)                |
| Capital projects fund                 | -               | -         | -      | -        | -                | -    | -                    |
| Debt service fund                     | -               | -         | -      | -        | -                | -    | -                    |
| Permanent fund                        | -               | -         | -      | -        | -                | -    | -                    |
| Total cash basis fund balances        | \$ -            | -         | 68,777 | 73,369   | 14,538           | (36) | (157)                |

See Accompanying independent auditor's report.

| Capital Improvement | Capital Projects   |               |               |                   | Permanent |          |              | Total      |
|---------------------|--------------------|---------------|---------------|-------------------|-----------|----------|--------------|------------|
|                     | Three Rivers Trail | 2001 Projects | 2006 Projects | Sewer SRF Project | Library   | Cemetery | Debt Service |            |
| 41,982              | -                  | -             | -             | -                 | -         | -        | 133,806      | \$ 192,580 |
| -                   | -                  | -             | -             | -                 | -         | -        | -            | 56,485     |
| -                   | -                  | -             | -             | -                 | -         | -        | -            | 68,777     |
| -                   | -                  | 527           | -             | -                 | -         | -        | -            | 610        |
| -                   | -                  | -             | -             | -                 | -         | -        | -            | 8,803      |
| 4,823               | -                  | -             | 20,648        | -                 | -         | 2,290    | -            | 29,142     |
| 46,805              | -                  | 527           | 20,648        | -                 | -         | 2,290    | 133,806      | 356,397    |
| -                   | -                  | -             | -             | -                 | -         | -        | -            | -          |
| -                   | -                  | -             | -             | -                 | -         | -        | -            | -          |
| -                   | -                  | -             | -             | -                 | -         | -        | -            | 61,029     |
| -                   | -                  | -             | -             | -                 | -         | -        | -            | 1,094      |
| 5,865               | 7,251              | -             | 209,693       | 49,362            | -         | -        | -            | 272,171    |
| -                   | -                  | -             | -             | -                 | -         | -        | 163,274      | 176,716    |
| 5,865               | 7,251              | -             | 209,693       | 49,362            | -         | -        | 163,274      | 511,010    |
| 40,940              | (7,251)            | 527           | (189,045)     | (49,362)          | -         | 2,290    | (29,468)     | (154,613)  |
| -                   | -                  | -             | 49,791        | 26,776            | -         | -        | -            | 76,567     |
| 8,803               | -                  | -             | -             | -                 | -         | -        | -            | 58,803     |
| -                   | -                  | -             | -             | (1,776)           | -         | -        | -            | (52,371)   |
| 8,803               | -                  | -             | 49,791        | 25,000            | -         | -        | -            | 82,999     |
| 49,743              | (7,251)            | 527           | (139,254)     | (24,362)          | -         | 2,290    | (29,468)     | (71,614)   |
| 49,810              | 3,278              | 20,092        | -             | 24,362            | 40,700    | 49,640   | 45,862       | 314,074    |
| 99,553              | (3,973)            | 20,619        | (139,254)     | -                 | 40,700    | 51,930   | 16,394       | \$ 242,460 |
| -                   | -                  | -             | -             | -                 | -         | -        | -            | 156,491    |
| 99,553              | (3,973)            | 20,619        | (139,254)     | -                 | -         | -        | -            | (23,055)   |
| -                   | -                  | -             | -             | -                 | -         | -        | 16,394       | 16,394     |
| -                   | -                  | -             | -             | -                 | 40,700    | 51,930   | -            | 92,630     |
| 99,553              | (3,973)            | 20,619        | (139,254)     | -                 | 40,700    | 51,930   | 16,394       | \$ 242,460 |

CITY OF EAGLE GROVE, IOWA

Schedule 2

SCHEDULE OF INDEBTNESS

Year Ended June 30, 2006

| Obligation                            | Date Issued       | Interest Rate | Amount Original Issue | Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid | Interest Due and Unpaid |
|---------------------------------------|-------------------|---------------|-----------------------|---------------------------|--------------------|----------------------|---------------------|---------------|-------------------------|
| General Obligation bonds              |                   |               |                       |                           |                    |                      |                     |               |                         |
| Wright Street Sewer                   | September 1, 2003 | 4.40-4.50%    | 315,000               | \$ 105,000                | \$ -               | \$ 25,000            | \$ 80,000           | \$ 4,725      | \$ -                    |
| Sewer Project - Capital Loan Note     | December 1, 2000  | 5.46%         | 250,000               | 80,000                    | -                  | 25,000               | 55,000              | 4,368         | -                       |
| Essential Corporate Purpose           | July 1, 1998      | 4.20-4.45%    | 560,000               | 260,000                   | -                  | 60,000               | 200,000             | 11,478        | -                       |
| GO Water Meter Improvement Note       | December 6, 2004  | 2.75%         | 320,000               | 311,025                   | -                  | 311,025              | -                   | 3,975         | -                       |
| Child Care Facility Capital Loan Note | November 1, 1999  | 4.75%         | 300,000               | 256,950                   | -                  | 12,125               | 244,825             | 12,196        | -                       |
| Essential Corporate Purpose           | September 1, 2001 | 3.80-4.80%    | 515,000               | 385,000                   | -                  | 50,000               | 335,000             | 16,625        | -                       |
| GO Water Improvement Bonds            | September 1, 2005 | 4.00%         | 315,000               | -                         | 315,000            | 31,500               | 283,500             | 9,424         | -                       |
| General Obligation LOST Bonds         | March 1, 2006     | 3.75%         | 250,000               | -                         | 250,000            | 250,000              | -                   | 3,071         | -                       |
| General Obligation LOST Bonds         | June 1, 2006      | 4.10-4.65%    | 2,500,000             | -                         | 2,500,000          | -                    | 2,500,000           | -             | -                       |
| Essential Corporate Purpose           | November 21, 2005 | 3.55%         | 475,000               | -                         | 49,791             | -                    | 49,791              | -             | -                       |
|                                       |                   |               |                       | <u>1,397,975</u>          | <u>3,114,791</u>   | <u>764,650</u>       | <u>3,748,116</u>    | <u>65,862</u> | <u>-</u>                |
| Tax Increment Financing Notes         |                   |               |                       |                           |                    |                      |                     |               |                         |
| Tax Increment Financing               | November 1, 1999  | 5.55%         | 110,000               | <u>44,000</u>             | <u>-</u>           | <u>11,000</u>        | <u>33,000</u>       | <u>2,442</u>  | <u>-</u>                |
| Revenue bonds and notes               |                   |               |                       |                           |                    |                      |                     |               |                         |
| Water Revenue Capital Loan Notes      | September 1, 2001 | 3.80-4.80%    | 500,000               | \$ 375,000                | \$ -               | \$ 45,000            | \$ 330,000          | \$ 17,025     | \$ -                    |
| SRF Loan                              | June 1, 2000      | 3.92%         | 500,000               | 408,000                   | -                  | 20,000               | 388,000             | 15,994        | -                       |
| SRF Loan                              | June 17, 2003     | 3.00%         | 1,725,000             | 1,667,000                 | -                  | 61,000               | 1,606,000           | 50,010        | -                       |
| SRF Loan                              | August 25, 2004   | 3.00%         | 379,000               | <u>202,224</u>            | <u>26,776</u>      | <u>15,000</u>        | <u>214,000</u>      | <u>6,607</u>  | <u>-</u>                |
|                                       |                   |               |                       | <u>2,652,224</u>          | <u>26,776</u>      | <u>141,000</u>       | <u>2,538,000</u>    | <u>89,636</u> | <u>-</u>                |

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CITY OF EAGLE GROVE, IOWA

Schedule 3

SCHEDULE OF BOND & NOTE MATURITIES

June 30, 2005

General Obligation Bonds and Notes

| Year<br>Ending<br>June 30, | Wright Street<br>Sewer<br>Issued 11-1-93 |                  | Capital Loan Note<br>Issued 12-1-00 |                  | Essential<br>Corporate Purpose<br>Issued 7-1-98 |                   | Capital Loan Note<br>Issued 11-1-99 |                   | Essential<br>Corporate Purpose<br>Issued 9-1-01 |                   | Water Meter<br>Improvement<br>Bonds Issued 9-1-<br>05 |                   | General Obligation<br>LOST Bonds Issued 3-<br>1-06 |                     | Essential<br>Corporate Purpose<br>Issued 11-21-05 |                  | Total               |
|----------------------------|--|------------------|-------------------------------------|------------------|---|-------------------|-------------------------------------|-------------------|---|-------------------|---|-------------------|--|---------------------|---|------------------|---------------------|
|                            | Rate                                     | Amount           | Rate                                | Amount           | Rate  | Amount            | Rate                                | Amount            | Rate  | Amount            | Rate  | Amount            | Rate   | Amount              | Rate  | Amount           |                     |
| 2007                       | 4.50                                     | 25,000           | 5.46                                | 25,000           | 4.35  | 65,000            | 4.75                                | 12,701            | 4.10  | 50,000            | 4.00  | 31,500            | 4.10   | 85,000              | 3.55  | 49,791           | 343,992             |
| 2008                       | 4.50                                     | 25,000           | 5.46                                | 30,000           | 4.40  | 65,000            | 4.75                                | 13,304            | 4.20  | 50,000            | 4.00  | 31,500            | 4.10   | 85,000              | -   | -                | 299,804             |
| 2009                       | 4.50                                     | 30,000           | -                                   | -                | 4.45  | 70,000            | 4.75                                | 13,936            | 4.30  | 55,000            | 4.00  | 31,500            | 4.10   | 90,000              | -   | -                | 290,436             |
| 2010                       | -  | -                | -                                   | -                | -   | -                 | 4.75                                | 14,598            | 4.40  | 55,000            | 4.00  | 31,500            | 4.10   | 95,000              | -   | -                | 196,098             |
| 2011                       | -  | -                | -                                   | -                | -   | -                 | 4.75                                | 15,292            | 4.50  | 60,000            | 4.00  | 31,500            | 4.10   | 95,000              | -   | -                | 201,792             |
| 2012                       | -  | -                | -                                   | -                | -   | -                 | 4.75                                | 16,018            | 4.60  | 65,000            | 4.00  | 31,500            | 4.10   | 100,000             | -   | -                | 212,518             |
| 2013                       | -  | -                | -                                   | -                | -   | -                 | 4.75                                | 16,779            | -   | -                 | 4.00  | 31,500            | 4.10   | 105,000             | -   | -                | 153,279             |
| 2014                       | -  | -                | -                                   | -                | -   | -                 | 4.75                                | 17,576            | -   | -                 | 4.00  | 31,500            | 4.10   | 110,000             | -   | -                | 159,076             |
| 2015                       | -  | -                | -                                   | -                | -   | -                 | 4.75                                | 18,411            | -   | -                 | 4.00  | 31,500            | 4.10   | 115,000             | -   | -                | 164,911             |
| 2016                       | -  | -                | -                                   | -                | -   | -                 | 4.75                                | 19,285            | -   | -                 | -   | -                 | 4.15   | 120,000             | -   | -                | 139,285             |
| 2017                       | -  | -                | -                                   | -                | -   | -                 | 4.75                                | 20,201            | -   | -                 | -   | -                 | 4.20   | 120,000             | -   | -                | 140,201             |
| 2018                       | -  | -                | -                                   | -                | -   | -                 | 4.75                                | 21,161            | -   | -                 | -   | -                 | 4.25   | 130,000             | -   | -                | 151,161             |
| 2019                       | -  | -                | -                                   | -                | -   | -                 | 4.75                                | 22,166            | -   | -                 | -   | -                 | 4.30   | 135,000             | -   | -                | 157,166             |
| 2020                       | -  | -                | -                                   | -                | -   | -                 | 4.75                                | 23,397            | -   | -                 | -   | -                 | 4.35   | 140,000             | -   | -                | 163,397             |
| 2021                       | -  | -                | -                                   | -                | -   | -                 | -                                   | -                 | -   | -                 | -   | -                 | 4.40   | 145,000             | -   | -                | 145,000             |
| 2022                       | -  | -                | -                                   | -                | -   | -                 | -                                   | -                 | -   | -                 | -   | -                 | 4.45   | 150,000             | -   | -                | 150,000             |
| 2023                       | -  | -                | -                                   | -                | -   | -                 | -                                   | -                 | -   | -                 | -   | -                 | 4.50   | 160,000             | -   | -                | 160,000             |
| 2024                       | -  | -                | -                                   | -                | -   | -                 | -                                   | -                 | -   | -                 | -   | -                 | 4.55   | 165,000             | -   | -                | 165,000             |
| 2025                       | -  | -                | -                                   | -                | -   | -                 | -                                   | -                 | -   | -                 | -   | -                 | 4.60   | 175,000             | -   | -                | 175,000             |
| 2026                       | -  | -                | -                                   | -                | -   | -                 | -                                   | -                 | -   | -                 | -   | -                 | 4.65   | 180,000             | -   | -                | 180,000             |
|                            |  | <u>\$ 80,000</u> |                                     | <u>\$ 55,000</u> |   | <u>\$ 200,000</u> |                                     | <u>\$ 244,825</u> |   | <u>\$ 335,000</u> |   | <u>\$ 283,500</u> |  | <u>\$ 2,500,000</u> |   | <u>\$ 49,791</u> | <u>\$ 3,748,116</u> |

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| Revenue Bonds and Notes    |   |                  |  |                   |   |                   |                                  |                     |                                  |                   |                     |
|----------------------------|---|------------------|--|-------------------|---|-------------------|----------------------------------|---------------------|----------------------------------|-------------------|---------------------|
| Year<br>Ending<br>June 30, | Urban Renewal Tax<br>Increment Financing (TIF)<br>Revenue Bonds<br>Issued 11-1-99 |                  | Water Revenue Capital<br>Loan Notes<br>Issued 9-1-01 |                   | Sewer Revenue Capital<br>Loan Note<br>Issued 6-1-00 |                   | SRF Loan Funds Issued<br>6/17/03 |                     | SRF Loan Funds Issued<br>8/25/04 |                   | Total               |
|                            | Rate  | Amount           | Rate   | Amount            | Rate  | Amount            | Rate                             | Amount              | Rate                             | Amount            |                     |
|                            | 2007  | 5.55             | 11,000   | 4.20              | 50,000  | 3.92              | 21,000                           | 3.00%               | 63,000                           | 3.00%             |                     |
| 2008                       | 5.55  | 11,000           | 4.30   | 50,000            | 3.92  | 22,000            | 3.00                             | 65,000              | 3.00                             | 15,000            | 152,000             |
| 2009                       | 5.55  | 11,000           | 4.50   | 55,000            | 3.92  | 23,000            | 3.00                             | 67,000              | 3.00                             | 16,000            | 161,000             |
| 2010                       | -   | -                | 4.60   | 55,000            | 3.92  | 24,000            | 3.00                             | 69,000              | 3.00                             | 16,000            | 164,000             |
| 2011                       | -   | -                | 4.70   | 60,000            | 3.92  | 25,000            | 3.00                             | 71,000              | 3.00                             | 17,000            | 173,000             |
| 2012                       | -   | -                | 4.80   | 60,000            | 3.92  | 26,000            | 3.00                             | 73,000              | 3.00                             | 17,000            | 176,000             |
| 2013                       | -   | -                | -  | -                 | 3.92  | 27,000            | 3.00                             | 76,000              | 3.00                             | 18,000            | 121,000             |
| 2014                       | -   | -                | -  | -                 | 3.92  | 28,000            | 3.00                             | 78,000              | 3.00                             | 18,000            | 124,000             |
| 2015                       | -   | -                | -  | -                 | 3.92  | 29,000            | 3.00                             | 81,000              | 3.00                             | 19,000            | 129,000             |
| 2016                       | -   | -                | -  | -                 | 3.92  | 30,000            | 3.00                             | 83,000              | 3.00                             | 20,000            | 133,000             |
| 2017                       | -   | -                | -  | -                 | 3.92  | 31,000            | 3.00                             | 86,000              | 3.00                             | 21,000            | 138,000             |
| 2018                       | -   | -                | -  | -                 | 3.92  | 33,000            | 3.00                             | 88,000              | 3.00                             | 21,000            | 142,000             |
| 2019                       | -   | -                | -  | -                 | 3.92  | 34,000            | 3.00                             | 91,000              | 3.00                             | 1,000             | 126,000             |
| 2020                       | -   | -                | -  | -                 | 3.92  | 35,000            | 3.00                             | 95,000              | -                                | -                 | 130,000             |
| 2021                       | -   | -                | -  | -                 | -   | -                 | 3.00                             | 124,000             | -                                | -                 | 124,000             |
| 2022                       | -   | -                | -  | -                 | -   | -                 | 3.00                             | 128,000             | -                                | -                 | 128,000             |
| 2023                       | -   | -                | -  | -                 | -   | -                 | 3.00                             | 132,000             | -                                | -                 | 132,000             |
| 2024                       | -   | -                | -  | -                 | -   | -                 | 3.00                             | 136,000             | -                                | -                 | 136,000             |
| 2025                       | -   | -                | -  | -                 | -   | -                 | -                                | -                   | -                                | -                 | -                   |
| 2026                       | -   | -                | -  | -                 | -   | -                 | -                                | -                   | -                                | -                 | -                   |
|                            |   | <u>\$ 33,000</u> |  | <u>\$ 330,000</u> |   | <u>\$ 388,000</u> |                                  | <u>\$ 1,606,000</u> |                                  | <u>\$ 214,000</u> | <u>\$ 2,538,000</u> |

See Accompanying Independent Auditor's Report

CITY OF EAGLE GROVE, IOWA

Schedule 4

Schedule of Receipts by Source and Disbursements by Function  
 All Governmental Funds  
 For the Last Three Years

|                                    | 2006         | 2005         | 2004      | 2003      |
|------------------------------------|--------------|--------------|-----------|-----------|
| <b>Receipts</b>                    |              |              |           |           |
| Property tax                       | \$ 1,064,063 | \$ 1,050,882 | 1,150,736 | 1,147,983 |
| Tax increment financing collection | 56,485       | 78,500       | 61,724    | 54,245    |
| Other city tax                     | 68,777       | 64,892       | 251,652   | 224,559   |
| Licenses and permits               | 38,656       | 38,378       | 32,054    | 31,136    |
| Use of money and property          | 50,603       | 47,470       | 41,314    | 34,662    |
| Intergovernmental                  | 394,993      | 449,111      | 409,818   | 526,388   |
| Charges for service                | 553,453      | 497,300      | 411,863   | 396,339   |
| Miscellaneous                      | 182,469      | 134,041      | 55,482    | 89,126    |
| Total receipts                     | \$ 2,409,499 | \$ 2,360,574 | 2,414,643 | 2,504,438 |
| <br><b>Disbursements:</b>          |              |              |           |           |
| Operating:                         |              |              |           |           |
| Public safety                      | \$ 787,370   | \$ 811,948   | 599,609   | 630,035   |
| Public works                       | 693,366      | 714,875      | 607,209   | 685,998   |
| Culture and recreation             | 392,670      | 394,812      | 381,035   | 397,855   |
| Community and economic development | 76,388       | 89,238       | 32,707    | 92,771    |
| General government                 | 135,944      | 202,889      | 376,832   | 379,905   |
| Debt service                       | 744,787      | 171,146      | 223,397   | 214,938   |
| Capital projects                   | 774,203      | 874,038      | 1,462,683 | 202,646   |
| Total disbursements                | \$ 3,604,728 | \$ 3,258,946 | 3,683,472 | 2,604,148 |

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 Eagle Grove, 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 20, 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 Eagle Grove'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 Eagle Grove'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 above, we believe item II-A-06 is a material weakness. Prior year reportable conditions have been resolved except for II-A-06.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eagle Grove's financial statements are 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 III of the accompanying Schedule of Findings. Prior year compliance matters have been resolved except for III-A-06.

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 Eagle Grove and other parties to whom the City of Eagle Grove 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 Eagle Grove 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.

*T.P. Anderson & Company, P.C.*

October 20, 2006

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

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

- (a) An unqualified opinion was issued on 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.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

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 - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

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

Response - We believe that we are close to the maximum degree of segregation of duties possible with the limited number of office employees. We will investigate additional procedures to cost effectively improve internal control.

Conclusion - The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

**Part III: Other Findings Related to Statutory Reporting:**

III-A-06 Certified Budget – Disbursements were within budgeted limits for all programs for the year ended June 30, 2006. However, expenditures for the Community and Economic Development, Debt Service, and the Business Type functions exceeded budgeted limits prior to the budget being amended.

Recommendations – 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.” The City should amend its budget prior to exceeding budgeted limitations in the future.

Response – We will amend the budget in compliance with the Code of Iowa if necessary.

Conclusion – Response accepted.

III-B-06 Questionable Disbursement - We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

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

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

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

III-F-06 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. We noted however in one instance the Council went into closed session without an affirmative roll call vote.

Recommendations – Chapter 21.5 of the Code of Iowa requires that the city have an affirmative vote of at least two-thirds of the council to enter a closed session.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

Response – We did have an affirmative vote of two-thirds of the council members to enter a closed session, however it was not documented accurately. We will document the affirmative vote of the council in the future.

Conclusion – Response accepted.

III-G-06 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

III-H-06 Revenue Bonds and Notes – The city has complied with all revenue bond and note resolutions.

III-I-06 Payment of General Obligation Bonds – Certain general obligation bonds were paid from the Capital Projects, Aquatic Center Fund. Chapter 384.4 of the Code of Iowa states in part “Money’s pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the Debt Service Fund.”

Recommendations – The City should transfer from the Capital Projects, Aquatic Center Fund and the Special Revenue, LOST Fund for future funding contributions. Payments of the bonds should then be disbursed from the Debt Service Fund.

Response – We will transfer in the future as recommended.

Conclusion – Response accepted.

III-I-06 Financial Condition – The Capital Projects, 2006 Projects Fund and Three Rivers Trail Fund had deficit fund balances at June 30, 2006 of \$139,254 and \$3,973 respectively. The Special Revenue CDBG Fund and Childcare Project Fund had deficit fund balances as of June 30, 2006 of \$36 and \$157 respectively.

Recommendations – The City should transfer investigate alternatives to eliminate these deficits in order to return these funds to sound financial position.

Response – The deficits were due to various costs incurred prior to receipt of bond proceeds and other anticipated receipts. We will review our options and eliminate the deficits as soon as possible.

Conclusion – Response accepted.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2006

III-J-06 Police Reserve, Drug Forfeiture, and Gun Club Funds – We noted three bank accounts identified as city funds that were not included in the City’s accounting records. Chapter 80D.11 classifies the Police Reserves as employees of the governing body and as such, their funds should be accounted for by the City. The Drug Forfeiture and Gun Club funds should also be accounted for by the City to provide adequate control over receipts and disbursements in these accounts.

Recommendations – As the funds in the accounts are specified as to their use, they should be accounted for in Special Revenue funds of the City.

Response – We will bring the accounting for these funds under the centralized accounting control of the city.

Conclusion – Response accepted.