

CITY OF ELDORA, IOWA

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

Table of Contents

		<u>Page</u>
Officials		1-2
Independent Auditor's Report		3-4
Management's Discussion and Analysis		5-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	12-14
Governmental Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	15-16
Proprietary Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	C	17
Notes to Financial Statements		18-30
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		31-32
Notes to Required Supplementary Information – Budgetary Reporting		33
Other Supplementary Information:	<u>Schedule</u>	
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Governmental Funds	1	34-37
Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Proprietary Funds	2	38
Schedule of Indebtedness	3	39-40
Bond and Note Maturities	4	41-44
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	5	45
Schedule of Expenditures of Federal Awards	6	46

Table of Contents (continued)

	<u>Page</u>
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 <u>Government Auditing Standards</u>	47-49
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	50-52
Schedule of Findings and Questioned Costs	53-57

City of Eldora, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Jeske	Mayor	Jan 2008
Kip Knutzon	Council Member	Jan 2008
Ken Reece (Appointed)	Council Member	Jan 2008
Denny Barnard	Council Member	Jan 2010
Bob Webb	Council Member	Jan 2010
Connie Jeske	Council Member	Jan 2010
Jerry Kramer	Council Member	Resigned
Jeff Horne	Administrator	Resigned
Joyce Lawler	Deputy City Clerk	Appointed
Ben Cutler	Attorney	Jan 2010

Library Board

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

Board of Adjustment

Ron Ziggafos	Member	May 2008
Roger Hansen	Member	May 2009
Ben Speck	Member	May 2010
Glen Gaede	Member	May 2011
David McCall	Member	May 2012

City of Eldora, Iowa

Officials (continued)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Planning and Zoning Commission</u>		
Bill Dagit	Member	Jun 2008
Steve Priske	Member	Jun 2008
Bruce Harvey	Member	Jun 2009
Larry Luiken	Member	Jun 2009
Frank Valde	Member	Jun 2010
Dan Dye	Member	Jun 2010
Mary Rubow	Member	Jun 2012
<u>Theater Board</u>		
Karen Miller	Member	Dec 2007
Dave Rubow	Member	Dec 2007
Judith Andrews	Member	Dec 2007
Dan Gehring	Member	Dec 2009
Linda Barcus	Member	Dec 2009

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldora, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Eldora's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldora as of June 30, 2007, 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 January 30, 2008 on our consideration of the City of Eldora's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 11 and 31 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eldora's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2006 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedule 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

January 30, 2008

CITY OF ELDORA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2007

This discussion and analysis is intended to be an easily readable analysis of the City of Eldora's financial activities for the fiscal year ended June 30, 2007 based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the City's financial statements.

Financial Highlights

The City has incurred extra expenses due to the aquatic center opening the end of May.

The City incurred extra expenses on the day care project due to a lawsuit.

Basis of Accounting

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

Report Layout

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

economic development, general government administration, debt service, and capital projects. Business-type activities are water, sewer, solid waste and theatre.

Statement of Activities

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

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

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

Fund Financial Statement

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

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

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

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

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

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

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

Government-wide Financial Analysis

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

The differences between the final budgeted expenditures and the final expenditures increased by \$846,674 and can be briefly summarized as follows:

1. The Local Option Sales Tax was more than what was budgeted for. Therefore, whatever revenues that are received are also an expense going out to the other funds.
2. The Wastewater Treatment Plant was over budget as it was still under construction.
3. Expenses incurred with the daycare lawsuit were not budgeted for.

Long-term debt – At the end of the current fiscal year, the City of Eldora had a debt outstanding of \$9,059,627. This consists of \$3,223,259 of general obligation debt, \$5,719,000 of revenue debt and \$117,368 in other debt.

Economic Factors and Next Year’s Budget and Rates

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

The City is looking at diverting additional local option sales tax revenue to the aquatic center project in the 2007-2008 budget.

These factors, if known, were considered in doing the City of Eldora City 2008 budget. If they were not known, then they will be considered with the 2008 amended budget.

Request for Information

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

Changes in Net Assets of Governmental Activities

	<u>Year Ended</u> <u>June 30, 2007</u>	<u>Year Ended</u> <u>June 30, 2006</u>
Receipt and Transfers		
Program Receipts:		
Charges for Service	\$ 309,356	\$ 256,726
Grants and Contributions	1,128,890	696,774
General Receipts:		
Property Taxes	1,063,662	783,591
Tax Increment Financing	98,798	70,248
Other City Taxes	299,630	251,236
Investment Earnings	43,780	78,214
Rent Received	53,522	53,540
Other General Receipts	177,611	234,953
Other Financing Sources	352,070	1,689,200
Transfers net	<u>124,905</u>	<u>146,978</u>
Total Receipts and Transfers	<u>3,622,224</u>	<u>4,261,460</u>
Disbursements		
Public Safety	631,384	771,471
Public Works	368,779	415,889
Health and Social Services	85,999	1,193,069
Culture and Recreation	248,622	248,565
Community and Economic Development	82,116	96,932
General Government	228,293	270,958
Debt Service	548,175	294,465
Capital Projects	<u>2,528,529</u>	<u>1,293,276</u>
Total Disbursements	<u>4,721,897</u>	<u>4,584,625</u>
Increase (decrease) in cash net assets	(1,099,673)	(323,165)
Cash Basis net Assets beginning of year	<u>1,635,996</u>	<u>1,959,161</u>
Cash Basis Net Assets end of year	536,323	1,635,996

As you can see, the City saw a net decrease in assets. This can somewhat be accounted for by the expenditure of the day care and aquatic center projects as well as a fall in property tax.

Changes in Net Assets of Business Type Activities

	<u>Year Ended June 30, 2007</u>	<u>Year Ended June 30, 2006</u>
Receipts and Transfers		
Program receipts:		
Charges for Service:		
Water	\$ 283,333	\$ 305,076
Sewer	568,334	559,540
Solid Waste	89,703	94,802
Other Charges	114,020	120,789
General Receipts		
Intergovernmental		318,266
Interest	63,826	76,421
Other General Receipts	24,570	24,196
Other Financing Sources	<u>2,000</u>	<u>2,920,642</u>
Total Receipts & Transfers	<u>1,145,786</u>	<u>4,419,732</u>
Disbursements		
Water	309,408	297,245
Sewer	434,521	206,578
Solid Waste	83,222	104,394
Other Business Type	114,791	114,595
Capital Projects	435,940	3,990,187
Transfers, net	<u>124,905</u>	<u>146,978</u>
Total Disbursements & Transfers	<u>1,502,787</u>	<u>4,859,977</u>
Increase (decrease) in cash basis net assets	(357,001)	(440,245)
Cash Basis net assets beginning of year	<u>1,782,798</u>	<u>2,223,041</u>
Cash basis net assets end of year	<u><u>1,425,797</u></u>	<u><u>1,782,796</u></u>

Individual Major Governmental Fund Analysis

As the City of Eldora completed its year, its governmental funds reported a combined cash balance of \$536,323, a decrease of \$1,099,673 from last year's total. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

Expenditures towards the new aquatic center account for the majority of the decrease.

Individual Major Business Type Fund Analysis

The Sewer Fund cash balance decreased \$359,208 from the prior year to \$761,761. This is mainly due to additional expenses for construction of the wastewater treatment plant.

Budgetary Highlights

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

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

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

Health and Social Services – This category includes the medical clinic.

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

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

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

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

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

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

Basic Financial Statements

City of Eldora, Iowa

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2007

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts</u> Operating Grants, Contributions, and Restricted Interest
Functions/Programs:			
Governmental activities:			
Public safety	\$ 631,384	225,386	28,339
Public works	368,779	17,578	255,118
Health and social services	85,999	-	500
Culture and recreation	248,622	59,708	30,634
Community and economic development	82,116	350	52,506
General government	228,293	6,334	47,970
Debt service	548,175	-	-
Capital projects	<u>2,528,529</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>4,721,897</u>	<u>309,356</u>	<u>415,067</u>
Business type activities:			
Water	309,408	283,333	-
Sewer	870,461	568,334	-
Other nonmajor	<u>198,013</u>	<u>203,723</u>	<u>-</u>
Total business type activities	<u>1,377,882</u>	<u>1,055,390</u>	<u>-</u>
Total	<u>\$ 6,099,779</u>	<u>1,364,746</u>	<u>415,067</u>

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			
Capital Grants, Contributions, and Restricted <u>Interest</u>	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
-	(377,659)	-	(377,659)
-	(96,083)	-	(96,083)
-	(85,499)	-	(85,499)
265,879	107,599	-	107,599
-	(29,260)	-	(29,260)
-	(173,989)	-	(173,989)
-	(548,175)	-	(548,175)
<u>447,944</u>	<u>(2,080,585)</u>	<u>-</u>	<u>(2,080,585)</u>
<u>713,823</u>	<u>(3,283,651)</u>	<u>-</u>	<u>(3,283,651)</u>
-	-	(26,075)	(26,075)
-	-	(302,127)	(302,127)
<u>-</u>	<u>-</u>	<u>5,710</u>	<u>5,710</u>
<u>-</u>	<u>-</u>	<u>(322,492)</u>	<u>(322,492)</u>
<u>713,823</u>	<u>(3,283,651)</u>	<u>(322,492)</u>	<u>(3,606,143)</u>

(continued)

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2007

	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Governmental Activities	Business Type Activities	Total
General Receipts:			
Property tax and other city tax levied for:			
General purposes	\$ 726,861	-	726,861
Tax increment financing	68,798	-	68,798
Debt service	336,801	-	336,801
Local option sales tax	299,630	-	299,630
Unrestricted interest on investments	43,780	63,826	107,606
Rents received	53,522	-	53,522
Interfund loan repayment	39,681	-	39,681
Loan proceeds	350,000	2,000	352,000
Miscellaneous	137,930	24,570	162,500
Sale of assets	2,070	-	2,070
Transfers	124,905	(124,905)	-
Total general receipts and transfers	<u>2,183,978</u>	<u>(34,509)</u>	<u>2,149,469</u>
Change in cash basis net assets	(1,099,673)	(357,001)	(1,456,674)
Cash basis net assets beginning of year	<u>1,635,996</u>	<u>1,782,798</u>	<u>3,418,794</u>
Cash basis net assets end of year	<u>\$ 536,323</u>	<u>1,425,797</u>	<u>1,962,120</u>
Cash Basis Net Assets			
Restricted:			
Streets	\$ -	-	-
Cemetery perpetual care	65,872	-	65,872
Debt service	671	-	671
Other purposes	371,423	-	371,423
Unrestricted	<u>98,357</u>	<u>1,425,797</u>	<u>1,524,154</u>
Total cash basis net assets	<u>\$ 536,323</u>	<u>1,425,797</u>	<u>1,962,120</u>

See notes to financial statements.

City of Eldora, Iowa
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2007

	<u>General</u>
Receipts:	
Property tax	\$ 391,489
Tax increment financing	-
Other city tax	18,822
Licenses and permits	6,334
Use of money and property	77,263
Intergovernmental	17,544
Charges for service	298,997
Special assessments	-
Miscellaneous	117,723
Total receipts	<u>928,172</u>
Disbursements:	
Operating:	
Public safety	603,935
Public works	97,394
Health and social services	75,486
Culture and recreation	222,571
Community and economic development	887
General government	162,619
Debt service	-
Capital projects	-
Total disbursements	<u>1,162,892</u>
Excess (deficiency) of receipts over (under) disbursement:	<u>(234,720)</u>
Other financing sources (uses):	
Interfund loan repayment	-
Sale of capital assets	1,050
Operating transfers in	438,622
Operating transfers out	(1,280)
Loan Proceeds	-
Total other financing sources (uses)	<u>438,392</u>
Net change in cash balances	203,672
Cash balances beginning of year	<u>(191,509)</u>
Cash balances end of year	<u>\$ 12,163</u>
Cash Basis Fund Balances	
Reserved:	
Debt service	\$ -
Unreserved:	
General fund	12,163
Special revenue funds	-
Capital projects fund	-
Permanent fund	-
Total cash basis fund balances	<u>\$ 12,163</u>

See notes to financial statements.

Exhibit B

<u>Debt Service</u>	<u>Capital Projects</u>		<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
	<u>Pool Trust</u>	<u>Early Childhood Facility</u>		
336,801	-	-	286,753	1,015,043
-	-	-	68,798	68,798
15,839	-	-	313,588	348,249
-	-	-	-	6,334
1,328	5,419	-	22,492	106,502
-	100,000	359,338	304,845	781,727
-	-	-	15,629	314,626
-	-	-	1,813	1,813
-	165,878	88,606	90,269	462,476
<u>353,968</u>	<u>271,297</u>	<u>447,944</u>	<u>1,104,187</u>	<u>3,105,568</u>
-	-	-	27,449	631,384
-	-	-	271,385	368,779
-	-	-	10,513	85,999
-	-	-	26,051	248,622
-	-	-	81,229	82,116
-	-	-	65,674	228,293
548,175	-	-	-	548,175
-	1,672,652	635,099	220,778	2,528,529
<u>548,175</u>	<u>1,672,652</u>	<u>635,099</u>	<u>703,079</u>	<u>4,721,897</u>
<u>(194,207)</u>	<u>(1,401,355)</u>	<u>(187,155)</u>	<u>401,108</u>	<u>(1,616,329)</u>
39,681	-	-	-	39,681
-	-	-	1,020	2,070
106,705	-	269,000	97,134	911,461
-	-	(54,000)	(731,276)	(786,556)
-	-	350,000	-	350,000
<u>146,386</u>	<u>-</u>	<u>565,000</u>	<u>(633,122)</u>	<u>516,656</u>
(47,821)	(1,401,355)	377,845	(232,014)	(1,099,673)
48,492	908,986	2,005	868,022	1,635,996
<u>671</u>	<u>(492,369)</u>	<u>379,850</u>	<u>636,008</u>	<u>536,323</u>
671	-	-	-	671
-	-	-	-	12,163
-	-	-	371,423	371,423
-	(492,369)	379,850	198,713	86,194
-	-	-	65,872	65,872
<u>671</u>	<u>(492,369)</u>	<u>379,850</u>	<u>636,008</u>	<u>536,323</u>

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

As of and for the year ended June 30, 2007

	Enterprise Funds			Total
	Water	Sewer	Other Nonmajor Funds	
Operating receipts:				
Charges for service	\$ 283,333	568,321	193,947	1,045,601
Miscellaneous	-	13	9,776	9,789
Total operating receipts	<u>283,333</u>	<u>568,334</u>	<u>203,723</u>	<u>1,055,390</u>
Operating disbursements:				
Business type activities	<u>309,408</u>	<u>870,461</u>	<u>198,013</u>	<u>1,377,882</u>
Total operating disbursements	<u>309,408</u>	<u>870,461</u>	<u>198,013</u>	<u>1,377,882</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(26,075)</u>	<u>(302,127)</u>	<u>5,710</u>	<u>(322,492)</u>
Non-operating receipts (disbursements):				
Interest on investments	18,195	41,769	3,862	63,826
Miscellaneous	<u>9,036</u>	<u>12,055</u>	<u>3,479</u>	<u>24,570</u>
Total non-operating receipts	<u>27,231</u>	<u>53,824</u>	<u>7,341</u>	<u>88,396</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,156</u>	<u>(248,303)</u>	<u>13,051</u>	<u>(234,096)</u>
Other financing sources (uses):				
Loan Proceeds	-	2,000	-	2,000
Operating transfers out	<u>(11,200)</u>	<u>(112,905)</u>	<u>(800)</u>	<u>(124,905)</u>
Total other financing sources (uses)	<u>(11,200)</u>	<u>(110,905)</u>	<u>(800)</u>	<u>(122,905)</u>
Net change in cash balances	(10,044)	(359,208)	12,251	(357,001)
Cash balances beginning of year	<u>456,074</u>	<u>1,120,969</u>	<u>205,755</u>	<u>1,782,798</u>
Cash balances end of year	<u>446,030</u>	<u>761,761</u>	<u>218,006</u>	<u>1,425,797</u>
Cash Basis Fund Balances				
Unreserved	<u>446,030</u>	<u>761,761</u>	<u>218,006</u>	<u>1,425,797</u>
Total cash basis fund balances	<u>\$ 446,030</u>	<u>761,761</u>	<u>218,006</u>	<u>1,425,797</u>

See notes to financial statements.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2007

(1) Summary of Significant Accounting Policies

The City of Eldora, Iowa is a political subdivision of the State of Iowa located in Hardin County. It was first incorporated in 1869 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water and sewer utilities for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

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

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2007

B. Basis of Presentation

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

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

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

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

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

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

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2007

The City reports the following major governmental funds:

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

Capital Projects:

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

The Early Childhood Facility Fund is used to account for the construction of a new day care.

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

The City reports the following major proprietary fund:

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

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

C. Measurement Focus and Basis of Accounting

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

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2007

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public safety, health and social services, capital projects, and business-type activities.

(2) Cash

The City's deposits in banks at June 30, 2007 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2007. During the year ended June 30, 2007, the City invested its excess funds in savings accounts.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2007

(3) Bonds and Notes Payable

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

Year Ending June 30,	General Obligation Bonds/Notes		Revenue Notes	
	Principal	Interest	Principal	Interest
2008	\$ 358,303	127,329	55,610	175,999
2009	364,931	114,021	60,979	182,183
2010	376,628	99,986	63,147	179,790
2011	328,397	84,844	65,322	177,312
2012	265,000	71,925	68,503	174,749
2013	275,000	61,899	327,693	172,059
2014	275,000	51,218	470,890	161,574
2015	290,000	40,284	625,095	146,782
2016	180,000	28,542	627,310	127,322
2017	120,000	21,050	630,532	107,777
2018	125,000	16,190	599,765	88,106
2019	130,000	11,065	587,008	69,317
2020	135,000	5,670	591,260	50,888
2021	-	-	493,523	32,414
2022	-	-	82,797	16,609
2023	-	-	57,083	14,043
2024	-	-	37,380	12,246
2025	-	-	17,691	11,035
2026	-	-	13,014	10,412
2027	-	-	8,351	9,925
2028	-	-	8,702	9,574
2029	-	-	9,068	9,208
2030	-	-	9,450	8,827
2031	-	-	9,847	8,429
2032	-	-	10,261	8,015
2033	-	-	10,692	7,584
2034	-	-	11,140	7,134
2035	-	-	11,610	6,666
2036	-	-	12,098	6,178
2037	-	-	12,606	5,670
2038	-	-	13,136	5,140
2039	-	-	13,689	4,587
2040	-	-	14,264	4,012
2041	-	-	14,864	3,413
2042	-	-	15,488	2,788
2043	-	-	16,139	2,137
2044	-	-	16,818	1,458
2045	-	-	17,525	751
2046	-	-	8,650	99
Total	\$ 3,223,259	734,023	5,719,000	2,022,212

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

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

Installment Notes		Total	
Principal	Interest	Principal	Interest
57,368	5,370	471,281	308,698
30,000	2,850	455,910	299,054
30,000	1,425	469,775	281,201
-	-	393,719	262,156
-	-	333,503	246,674
-	-	602,693	233,958
-	-	745,890	212,792
-	-	915,095	187,066
-	-	807,310	155,864
-	-	750,532	128,827
-	-	724,765	104,296
-	-	717,008	80,382
-	-	726,260	56,558
-	-	493,523	32,414
-	-	82,797	16,609
-	-	57,083	14,043
-	-	37,380	12,246
-	-	17,691	11,035
-	-	13,014	10,412
-	-	8,351	9,925
-	-	8,702	9,574
-	-	9,068	9,208
-	-	9,450	8,827
-	-	9,847	8,429
-	-	10,261	8,015
-	-	10,692	7,584
-	-	11,140	7,134
-	-	11,610	6,666
-	-	12,098	6,178
-	-	12,606	5,670
-	-	13,136	5,140
-	-	13,689	4,587
-	-	14,264	4,012
-	-	14,864	3,413
-	-	15,488	2,788
-	-	16,139	2,137
-	-	16,818	1,458
-	-	17,525	751
-	-	8,650	99
<u>117,368</u>	<u>9,645</u>	<u>9,059,627</u>	<u>2,765,880</u>

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2007

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.70% of their annual covered salary and the City is required to contribute 5.75% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2007, 2006 and 2005 were \$57,464, \$60,759 and \$56,582, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time, and sick leave termination payments payable to employees at June 30, 2007, primarily relating to the General and Proprietary Funds, are as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 80,500
Sick leave	28,000
Compensatory time	<u>17,300</u>
Total	<u>\$ 125,800</u>

This liability has been computed based on rates of pay in effect at June 30, 2007.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2007

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2007 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local option sales tax	\$ 144,962
	Employee benefits	250,007
	Insurance	42,533
	Road use tax	1,120
Capital Projects	Special Revenue:	
	Local option sales tax	149,168
	TIF	96,000
	Day Care Trust	47,486
Special Revenue: Insurance	Enterprise:	
	Water	11,200
	Sewer	6,200
	Theater	800
Special Revenue: Library Trust	General	1,280
Debt Service	Enterprise: Sewer	106,705
Special Revenue: Day Care Trust	Capital Projects	<u>54,000</u>
Total		<u>\$ 911,461</u>

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

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2007

(7) Contingent Liabilities

- (A) The City of Eldora, Iowa is one of eleven cities in Hardin County that comprise the membership of the Hardin County Sanitary Solid Waste Disposal Commission. This Commission is responsible for providing solid waste disposal in Hardin County. The present site in use has a remaining estimated useful life of fourteen years according to a study done for the Hardin County Sanitary Solid Waste Disposal Commission by Fox Engineering. Fox Engineering has estimated the Commission will incur costs of \$531,000 for closure and continued monitoring of the site after closure. These costs will be incurred in segments over the remaining 14-year life of the facility. The City of Eldora will be responsible for its pro rata share of these expenses. In addition, the City of Eldora is contingently liable for any potential clean-up costs associated with complying with requirements of the federal government's Environmental Protection Agency or the State of Iowa's Department of Natural Resources.
- (B) The City of Eldora, Iowa is contingently liable for an old city dump which has been closed. The Department of Natural Resources investigated the site in 1989, but no orders or reports were issued. No determination of potential cost of cleanup efforts has been made.

(8) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 556 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2007

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

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2007 were \$70,529.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$100,000 each occurrence, each location, with excess coverage reinsured on an individual – member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2007, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2007

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

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

(9) Construction Commitments

The City entered into a commitment of approximately \$2.5 million to construct a new pool. As of June 30, 2007 there is approximately \$210,000 additional construction costs to disburse.

The City has also committed to a \$197,000 road project.

(10) Deficit Fund Balances

The Special Revenue Employee Benefits Account had a deficit balance of \$113,677 at June 30, 2007. The City plans to increase property taxes over the next few years to eliminate this deficit.

The Special Revenue Fund, Day Care Trust Account had a deficit balance of \$14,756 at June 30, 2007. This deficit will be eliminated in the future by combining with the construction fund.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2007

The Capital Project Pool Trust Account had a deficit balance of \$492,369 at June 30, 2007. There are still some pledges yet to be received which will eliminated part of this deficit, otherwise the City Council is reviewing the situation.

(11) Operating Lease

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

Years Ending	6-30-2008	2,160
	6-30-2009	2,160
	6-30-2010	<u>1,080</u>
	Total	<u>\$ 5,400</u>

(12) Capital Leases

The City of Eldora entered into a capital lease for the purchase of a police car. The lease expires February 2009. During the year ended June 30, 2007 the City disbursed \$5,798 for this lease.

Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2008	5,219	578	5,797
June 30, 2009	<u>5,500</u>	<u>297</u>	<u>5,797</u>
	<u>10,719</u>	<u>875</u>	<u>11,594</u>

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2007

The City has entered into a capital lease for the purchase of 2 defibrillators. This is a sixty month lease expiring in 2012. During the year ended June 30, 2007 the City disbursed \$5,906 for this lease. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2008	4,476	1,967	6,443
June 30, 2009	4,950	1,493	6,443
June 30, 2010	5,474	969	6,443
June 30, 2011	6,053	390	6,443
June 30, 2012	<u>532</u>	<u>5</u>	<u>537</u>
	<u>21,485</u>	<u>4,824</u>	<u>26,309</u>

(13) Interfund Loans

The City advanced funds to the Capital Projects- Day Care account until interim financing was received. The balance owed to various funds at June 30, 2007 was \$378,720.

These

interfund loans were paid back in July 2007.

(14) Lawsuit

The City is involved in a lawsuit concerning pay out of compensatory time. As of the date of the audit report the lawsuit has been settled. The amount discussed in footnote #5 is adequate to cover the amount owing on this lawsuit.

(15) Economic Development Loans Receivable

The City has various long-term loans receivable totaling \$130,112 as of June 30, 2007 due from various businesses in Eldora. The loans were financed with the loan proceeds of an USDA Rural Development Grant, matching contributions from the City and repayments from businesses. Interest rates on these loans vary from 2.5% to 5.0% with monthly payments varying from \$165 - \$660. There is one loan with a balance of \$19,693 that is in default. The City is investigating alternatives to collect this balance.

Required Supplementary Information

City of Eldora, Iowa

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

Required Supplementary Information

Year ended June 30, 2007

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 1,015,043	-
Tax increment financing	68,798	-
Other city tax	348,249	-
Licenses and permits	6,334	-
Use of money and property	106,502	-
Intergovernmental	781,727	-
Charges for service	314,626	1,055,390
Special assessments	1,813	-
Miscellaneous	462,476	88,396
Total receipts	<u>3,105,568</u>	<u>1,143,786</u>
Disbursements:		
Public safety	631,384	-
Public works	368,779	-
Health and social services	85,999	-
Culture and recreation	248,622	-
Community and economic development	82,116	-
General government	228,293	-
Debt service	548,175	-
Capital projects	2,528,529	-
Business type activities	-	1,377,882
Total disbursements	<u>4,721,897</u>	<u>1,377,882</u>
Excess (deficiency) of receipts over (under) disbursements	(1,616,329)	(234,096)
Other financing sources, net	<u>516,656</u>	<u>(122,905)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,099,673)	(357,001)
Balances beginning of year	<u>1,635,996</u>	<u>1,782,798</u>
Balances end of year	<u>\$ 536,323</u>	<u>1,425,797</u>
See accompanying independent auditor's report.		

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
1,015,043	1,015,629	1,015,629	(586)
68,798	-	-	68,798
348,249	234,087	234,087	114,162
6,334	8,620	8,620	(2,286)
106,502	51,500	51,500	55,002
781,727	260,000	480,000	301,727
1,370,016	1,614,516	1,764,516	(394,500)
1,813	-	-	1,813
550,872	68,719	288,719	262,153
<u>4,249,354</u>	<u>3,253,071</u>	<u>3,843,071</u>	<u>406,283</u>
631,384	562,041	627,041	(4,343)
368,779	495,485	495,485	126,706
85,999	74,786	74,786	(11,213)
248,622	328,532	353,532	104,910
82,116	31,000	131,000	48,884
228,293	237,558	237,558	9,265
548,175	545,836	585,836	37,661
2,528,529	617,000	1,817,000	(711,529)
1,377,882	930,867	930,867	(447,015)
<u>6,099,779</u>	<u>3,823,105</u>	<u>5,253,105</u>	<u>(846,674)</u>
(1,850,425)	(570,034)	(1,410,034)	(440,391)
<u>393,751</u>	<u>-</u>	<u>243,000</u>	<u>150,751</u>
(1,456,674)	(570,034)	(1,167,034)	(289,640)
<u>3,418,794</u>	<u>2,797,298</u>	<u>2,797,298</u>	<u>621,496</u>
<u>1,962,120</u>	<u>2,227,264</u>	<u>1,630,264</u>	<u>331,856</u>

City of Eldora, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2007

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. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2007 one budget amendment increasing revenues by \$837,000 and disbursements by \$1,430,000.

During the year ended June 30, 2007, disbursements exceeded the amounts budgeted in the public safety, health and social services, capital projects and business type activities.

Other Supplementary Information

City of Eldora, Iowa

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

As of and for the year ended June 30, 2007

	Special		
	<u>Insurance</u>	<u>Trees Forever</u>	<u>Trust and Agency</u>
Receipts:			
Property tax	\$ 41,288	-	245,465
Tax increment financing	-	-	-
Other city tax	2,004	-	11,954
Use of money and property	805	127	-
Intergovernmental	-	-	-
Charges for service	-	-	-
Special assessments	-	-	-
Miscellaneous	-	5,178	-
Total receipts	<u>44,097</u>	<u>5,305</u>	<u>257,419</u>
Disbursements:			
Operating:			
Public safety	-	-	-
Public works	-	-	-
Health and social services	-	-	-
Culture and recreation	-	-	-
Community and Economic Development	-	2,157	-
General government	27,996	-	-
Capital projects	-	-	-
Total disbursements	<u>27,996</u>	<u>2,157</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>16,101</u>	<u>3,148</u>	<u>257,419</u>
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers in	18,200	-	-
Operating transfers out	(42,533)	-	(250,007)
Total other financing sources (uses)	<u>(24,333)</u>	<u>-</u>	<u>(250,007)</u>
Net change in cash balances	(8,232)	3,148	7,412
Cash balances beginning of year	72,321	2,556	(121,089)
Cash balances end of year	<u>64,089</u>	<u>5,704</u>	<u>(113,677)</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	64,089	5,704	(113,677)
Capital project fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ 64,089</u>	<u>5,704</u>	<u>(113,677)</u>

See accompanying independent auditor's report.

Revenue						
Park Trust	Fire Department Trust	Library Trust	Police Trust	Day Care Trust	Road Use Tax	Local Option Tax
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	299,630
340	568	235	151	-	-	-
-	-	4,067	-	-	254,278	-
-	400	-	790	-	14,439	-
-	-	-	-	-	-	-
<u>3,031</u>	<u>26,164</u>	<u>2,877</u>	<u>3,943</u>	<u>500</u>	<u>6,369</u>	<u>-</u>
<u>3,371</u>	<u>27,132</u>	<u>7,179</u>	<u>4,884</u>	<u>500</u>	<u>275,086</u>	<u>299,630</u>
-	22,583	-	4,866	-	-	-
-	-	-	-	-	271,385	-
-	-	-	-	10,513	-	-
3,034	-	7,579	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	500
-	-	-	-	-	-	-
<u>3,034</u>	<u>22,583</u>	<u>7,579</u>	<u>4,866</u>	<u>10,513</u>	<u>271,385</u>	<u>500</u>
<u>337</u>	<u>4,549</u>	<u>(400)</u>	<u>18</u>	<u>(10,013)</u>	<u>3,701</u>	<u>299,130</u>
-	-	-	-	-	-	-
-	-	1,280	-	54,000	-	-
-	-	-	-	(47,486)	(1,120)	(294,130)
-	-	1,280	-	6,514	(1,120)	(294,130)
337	4,549	880	18	(3,499)	2,581	5,000
9,834	37,862	10,890	5,178	(11,257)	223,271	-
<u>10,171</u>	<u>42,411</u>	<u>11,770</u>	<u>5,196</u>	<u>(14,756)</u>	<u>225,852</u>	<u>5,000</u>
10,171	42,411	11,770	5,196	(14,756)	225,852	5,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>10,171</u>	<u>42,411</u>	<u>11,770</u>	<u>5,196</u>	<u>(14,756)</u>	<u>225,852</u>	<u>5,000</u>

(continued)

City of Eldora, Iowa

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

As of and for the year ended June 30, 2007

	Special Revenue		
	Theater Trust	TIF	Economic Development
Receipts:			
Property tax	\$ -	-	-
Tax increment financing collections	-	68,798	-
Other city tax	-	-	-
Use of money and property	1	3,194	6,006
Intergovernmental	-	-	46,500
Charges for service	-	-	-
Special assessments	-	-	-
Miscellaneous	1,805	-	17,081
Total receipts	<u>1,806</u>	<u>71,992</u>	<u>69,587</u>
Disbursements:			
Operating:			
Public safety	-	-	-
Public works	-	-	-
Health and social services	-	-	-
Culture and recreation	5,373	-	-
Community and economic development	-	-	79,072
General government	-	37,178	-
Capital projects	-	-	-
Total disbursements	<u>5,373</u>	<u>37,178</u>	<u>79,072</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(3,567)</u>	<u>34,814</u>	<u>(9,485)</u>
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	-	(96,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(96,000)</u>	<u>-</u>
Net change in cash balances	(3,567)	(61,186)	(9,485)
Cash balances beginning of year	4,825	134,031	65,045
Cash balances end of year	<u>1,258</u>	<u>72,845</u>	<u>55,560</u>
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	1,258	72,845	55,560
Capital project fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ 1,258</u>	<u>72,845</u>	<u>55,560</u>

See accompanying independent auditor's report.

Schedule 1

<u>Capital Projects</u> Non-Major Capital Projects	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
-	-	286,753
-	-	68,798
-	-	313,588
11,065	-	22,492
-	-	304,845
-	-	15,629
1,813	-	1,813
<u>23,321</u>	<u>-</u>	<u>90,269</u>
<u>36,199</u>	<u>-</u>	<u>1,104,187</u>
-	-	27,449
-	-	271,385
-	-	10,513
-	10,065	26,051
-	-	81,229
-	-	65,674
<u>220,778</u>	<u>-</u>	<u>220,778</u>
<u>220,778</u>	<u>10,065</u>	<u>703,079</u>
<u>(184,579)</u>	<u>(10,065)</u>	<u>401,108</u>
-	1,020	1,020
23,654	-	97,134
-	-	(731,276)
<u>23,654</u>	<u>1,020</u>	<u>(633,122)</u>
(160,925)	(9,045)	(232,014)
<u>359,638</u>	<u>74,917</u>	<u>868,022</u>
<u>198,713</u>	<u>65,872</u>	<u>636,008</u>
-	-	371,423
198,713	-	198,713
<u>-</u>	<u>65,872</u>	<u>65,872</u>
<u>198,713</u>	<u>65,872</u>	<u>636,008</u>

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

As of and for the year ended June 30, 2007

	<u>Theater</u>	<u>Utility Deposit</u>	<u>Solid Waste</u>	<u>Total</u>
Operating receipts:				
Charges for service	\$ 104,244	-	89,703	193,947
Miscellaneous	<u>1</u>	<u>9,775</u>	<u>-</u>	<u>9,776</u>
Total operating receipts	<u>104,245</u>	<u>9,775</u>	<u>89,703</u>	<u>203,723</u>
Operating disbursements:				
Business type activities	<u>105,746</u>	<u>9,045</u>	<u>83,222</u>	<u>198,013</u>
Total operating disbursements	<u>105,746</u>	<u>9,045</u>	<u>83,222</u>	<u>198,013</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(1,501)</u>	<u>730</u>	<u>6,481</u>	<u>5,710</u>
Non-operating receipts:				
Interest on investments	1,618	1,220	1,024	3,862
Miscellaneous	<u>3,479</u>	<u>-</u>	<u>-</u>	<u>3,479</u>
Total non-operating receipts	<u>5,097</u>	<u>1,220</u>	<u>1,024</u>	<u>7,341</u>
Excess of receipts over disbursements	3,596	1,950	7,505	13,051
Operating transfers out	<u>(800)</u>	<u>-</u>	<u>-</u>	<u>(800)</u>
Net change in cash balances	2,796	1,950	7,505	12,251
Cash balances beginning of year	<u>68,985</u>	<u>32,779</u>	<u>103,991</u>	<u>205,755</u>
Cash balances end of year	<u>71,781</u>	<u>34,729</u>	<u>111,496</u>	<u>218,006</u>
Cash Basis Fund Balances				
Unreserved	<u>71,781</u>	<u>34,729</u>	<u>111,496</u>	<u>218,006</u>
Total cash basis fund balances	<u>\$ 71,781</u>	<u>34,729</u>	<u>111,496</u>	<u>218,006</u>

See accompanying independent auditor's report.

City of Eldora, Iowa

Schedule of Indebtedness

Year ended June 30, 2007

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Sewer improvement note	4-01-05	2.75-4.05%	\$ 995,000
Storm sewer note	11-01-01	5.00-5.50%	280,000
Corporate purpose and refunding note	10-01-03	1.40-4.45%	795,000
Aquatic Center	11-7-2005	3.45-4.20%	1,500,000
Demolition	7-21-05	4.25%	200,000
Total			
General obligation bonds:			
Corporate purpose	10-01-99	4.30-5.20%	\$ 410,000
Revenue bonds:			
Sewer - Series A	4-18-00	3.92%	\$ 1,743,725
Sewer - Series B	4-18-00	3.92%	901,275
Sewer - Series D	4-18-00	3.92%	157,751
Sewer - Series 2005	5-02-05	3.00%	4,400,000
Child Care Revenue Note 1	5-05-07	4.125%	100,000
Child Care Revenue Note 2	5-05-07	4.125%	250,000
Total			
Other debt:			
Hardin County Savings Bank Note	11-08-04	4.75%	\$ 150,000
Hardin County Savings Bank Note	11-02-04	4.00%	\$ 80,000

See accompanying independent auditor's report.

Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
915,000	-	90,000	825,000	33,010	-
160,000	-	30,000	130,000	8,648	-
605,000	-	55,000	550,000	22,185	-
1,500,000	-	85,000	1,415,000	87,041	-
200,000	-	36,741	163,259	8,499	-
<u>\$ 3,380,000</u>	<u>-</u>	<u>296,741</u>	<u>3,083,259</u>	<u>159,383</u>	<u>-</u>
<u>185,000</u>	<u>-</u>	<u>45,000</u>	<u>140,000</u>	<u>9,350</u>	<u>-</u>
157,000	-	8,000	149,000	6,154	-
736,000	-	37,000	699,000	28,851	-
128,000	-	6,000	122,000	5,018	-
4,398,000	2,000	1,000	4,399,000	131,940	-
-	100,000	-	100,000	-	-
-	250,000	-	250,000	-	-
<u>5,419,000</u>	<u>352,000</u>	<u>52,000</u>	<u>5,719,000</u>	<u>171,963</u>	<u>-</u>
120,000	-	30,000	90,000	8,550	-
54,200	-	26,832	27,368	2,168	-
<u>174,200</u>	<u>-</u>	<u>56,832</u>	<u>117,368</u>	<u>10,718</u>	<u>-</u>

City of Eldora, Iowa

Bond and Note Maturities

June 30, 2007

General Obligation Notes/Bonds				
Year	Corporate Purpose Bonds		Demolition	
	Issued Oct 1, 1999		Issued July 21, 2005	
Ending	Interest		Interest	
<u>June 30,</u>	<u>Rates</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2008	5.00	45,000	4.25	38,303
2009	5.10	45,000	4.25	39,931
2010	5.20	50,000	4.25	41,628
2011		-	4.25	43,397
Total		<u>\$ 140,000</u>		<u>163,259</u>

General Obligation Notes/Bonds						
Year	Storm Sewer Note		Corporate Purpose and Refunding Note		Storm Sewer Improvement Note	
	Issued Nov 1, 2000		Issued Oct 1, 2003		Issued Apr 1, 2005	
Ending	Interest		Interest		Interest	
<u>June 30,</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2008	5.35	30,000	2.90	65,000	3.10	90,000
2009	5.40	30,000	3.15	65,000	3.30	95,000
2010	5.45	35,000	3.45	55,000	3.50	100,000
2011	5.50	35,000	3.70	55,000	3.60	100,000
2012		-	3.90	60,000	3.75	105,000
2013		-	4.00	60,000	3.90	110,000
2014		-	4.15	60,000	4.00	110,000
2015		-	4.30	65,000	4.05	115,000
2016		-	4.45	65,000		-
2017		-		-		-
2018		-		-		-
2019		-		-		-
2020		-		-		-
Total		<u>\$ 130,000</u>		<u>\$ 550,000</u>		<u>\$ 825,000</u>

Aquatic Center		
Note		
Issued Nov. 7, 2005		
Interest		
<u>Rates</u>	Amount	<u>Total</u>
3.50	90,000	358,303
3.60	90,000	364,931
3.65	95,000	376,628
3.70	95,000	328,397
3.75	100,000	265,000
3.80	105,000	275,000
3.85	105,000	275,000
3.90	110,000	290,000
4.00	115,000	180,000
4.05	120,000	120,000
4.10	125,000	125,000
4.15	130,000	130,000
4.20	<u>135,000</u>	<u>135,000</u>
	<u>1,415,000</u>	<u>\$ 3,223,259</u>

(continued)

City of Eldora, Iowa
 Bond and Note Maturities
 June 30, 2007

Year Ending <u>June 30.</u>	Revenue					
	Sewer Bond - Series A		Sewer Bond - Series B		Sewer Bond - Series D	
	Issued Apr 18, 2000		Issued Apr 18, 2000		Issued Apr 18, 2000	
	Interest		Interest		Interest	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2008	3.92	8,000	3.92	38,000	3.92	7,000
2009	3.92	9,000	3.92	40,000	3.92	7,000
2010	3.92	9,000	3.92	42,000	3.92	7,000
2011	3.92	9,000	3.92	43,000	3.92	8,000
2012	3.92	10,000	3.92	45,000	3.92	8,000
2013	3.92	10,000	3.92	47,000	3.92	8,000
2014	3.92	10,000	3.92	48,000	3.92	8,000
2015	3.92	11,000	3.92	50,000	3.92	9,000
2016	3.92	11,000	3.92	52,000	3.92	9,000
2017	3.92	12,000	3.92	54,000	3.92	9,000
2018	3.92	12,000	3.92	57,000	3.92	10,000
2019	3.92	12,000	3.92	59,000	3.92	10,000
2020	3.92	13,000	3.92	61,000	3.92	11,000
2021	3.92	13,000	3.92	63,000	3.92	11,000
2022		-		-		-
2023		-		-		-
2024		-		-		-
2025		-		-		-
2026		-		-		-
2027		-		-		-
2028		-		-		-
2029		-		-		-
2030		-		-		-
2031		-		-		-
2032		-		-		-
2033		-		-		-
2034		-		-		-
2035		-		-		-
2036		-		-		-
2037		-		-		-
2038		-		-		-
2039		-		-		-
2040		-		-		-
2041		-		-		-
2042		-		-		-
2043		-		-		-
2044		-		-		-
2045		-		-		-
2046		-		-		-
Total		149,000		699,000		122,000

See accompanying independent auditor's report.

Bonds

Sewer Bond Issued Jun 13, 2005		Child Care Note 1 Issued May 5, 2007		Child Care Note 2 Issued May 5, 2007		Total
Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
3.00	1,000	4.125	459	4.125	1,151	55,610
3.00	1,000	4.125	1,135	4.125	2,844	60,979
3.00	1,000	4.125	1,183	4.125	2,964	63,147
3.00	1,000	4.125	1,233	4.125	3,089	65,322
3.00	1,000	4.125	1,285	4.125	3,218	68,503
3.00	258,000	4.125	1,339	4.125	3,354	327,693
3.00	400,000	4.125	1,395	4.125	3,495	470,890
3.00	550,000	4.125	1,453	4.125	3,642	625,095
3.00	550,000	4.125	1,515	4.125	3,795	627,310
3.00	550,000	4.125	1,578	4.125	3,954	630,532
3.00	515,000	4.125	1,645	4.125	4,120	599,765
3.00	500,000	4.125	1,714	4.125	4,294	587,008
3.00	500,000	4.125	1,786	4.125	4,474	591,260
3.00	400,000	4.125	1,861	4.125	4,662	493,523
3.00	76,000	4.125	1,939	4.125	4,858	82,797
3.00	50,000	4.125	2,021	4.125	5,062	57,083
3.00	30,000	4.125	2,105	4.125	5,275	37,380
3.00	10,000	4.125	2,194	4.125	5,497	17,691
3.00	5,000	4.125	2,286	4.125	5,728	13,014
-	-	4.125	2,382	4.125	5,969	8,351
-	-	4.125	2,482	4.125	6,220	8,702
-	-	4.125	2,587	4.125	6,481	9,068
-	-	4.125	2,696	4.125	6,754	9,450
-	-	4.125	2,809	4.125	7,038	9,847
-	-	4.125	2,927	4.125	7,334	10,261
-	-	4.125	3,050	4.125	7,642	10,692
-	-	4.125	3,178	4.125	7,962	11,140
-	-	4.125	3,312	4.125	8,298	11,610
-	-	4.125	3,451	4.125	8,647	12,098
-	-	4.125	3,596	4.125	9,010	12,606
-	-	4.125	3,747	4.125	9,389	13,136
-	-	4.125	3,905	4.125	9,784	13,689
-	-	4.125	4,069	4.125	10,195	14,264
-	-	4.125	4,240	4.125	10,624	14,864
-	-	4.125	4,418	4.125	11,070	15,488
-	-	4.125	4,604	4.125	11,535	16,139
-	-	4.125	4,798	4.125	12,020	16,818
-	-	4.125	4,999	4.125	12,526	17,525
-	-	4.125	2,624	4.125	6,026	8,650
	<u>4,399,000</u>		<u>100,000</u>		<u>250,000</u>	<u>5,719,000</u>

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

For the Last Four Years

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Receipts:				
Property tax	\$ 1,015,043	764,623	744,318	770,492
Tax increment financing	68,798	70,248	64,767	19,895
Other city tax	348,249	270,204	260,178	276,684
Licenses and permits	6,334	8,544	7,297	10,619
Use of money and property	106,502	139,391	106,756	92,909
Intergovernmental	781,727	364,980	281,632	283,345
Charges for service	314,626	255,622	176,694	217,612
Special assessments	1,813	2,861	2,329	3,702
Miscellaneous	<u>462,476</u>	<u>503,640</u>	<u>151,479</u>	<u>69,658</u>
 Total	 <u>\$ 3,105,568</u>	 <u>\$ 2,380,113</u>	 <u>\$ 1,795,450</u>	 <u>1,744,916</u>
Disbursements:				
Operating				
Public safety	631,384	\$ 771,471	\$ 688,577	628,097
Public works	368,779	415,889	386,063	396,145
Health and social services	85,999	1,193,069	302,315	352,073
Culture and recreation	248,622	248,565	241,505	251,924
Community and economic development	82,116	96,932	760	760
Geneneral government	228,293	270,958	385,351	259,135
Debt service	548,175	294,465	194,393	1,429,516
Capital projects	<u>2,528,529</u>	<u>1,293,276</u>	<u>35,989</u>	<u>273,150</u>
 Total	 <u>\$ 4,721,897</u>	 <u>\$ 4,584,625</u>	 <u>\$ 2,234,953</u>	 <u>3,590,800</u>

See accompanying independent auditor's report.

Schedule of Expenditures of Federal Awards

Year ended June 30, 2007

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass-Through Number</u>	<u>Program Expenditures</u>
Direct:			
United States Department of Agriculture			
Rural Business Enterprise Grants	10.769	---	\$ 46,500
Community Facilities Loans and Grants	10.766	---	<u>399,891</u>
			<u>446,391</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant/State's Program	14.228	04-CF-013	<u>219,355</u>
Total			<u>\$ 665,746</u>

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

See accompanying independent auditor's report.

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldora, Iowa, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 30, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe items II-A-07 is a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eldora's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2007 are based exclusively on knowledge obtained from procedures performed during our audit on the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Eldora and other parties to whom the City of Eldora may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Eldora during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

January 30, 2008

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

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Eldora, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. The City of Eldora's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Eldora's management. Our responsibility is to express an opinion on the City of Eldora's compliance based on our audit.

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

In our opinion, the City of Eldora complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item III-A-07.

Internal Control Over Compliance

The management of the City of Eldora is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Eldora's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion of the effectiveness of the City of Eldora's internal control over compliance.

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

A control deficiency in an City's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is a more than a remote likelihood that non-compliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-07 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. We consider the significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, as item III-B-07 to be a material weakness.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Eldora and other parties to whom the City of Eldora may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

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

January 30, 2008

City of Eldora, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

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

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A significant deficiency in internal control over the major program was disclosed by the audit of the financial statements, including a material weakness.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 10.766 – USDA Rural Development.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Eldora did not qualify as a low-risk auditee.

City of Eldora, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-07 Segregation of Duties - During our review of internal control the existing procedures were evaluated in order to determine that incompatible duties are not performed by the same employee. Segregation of duties helps to prevent loss from employee error or dishonesty and therefore maximizes the accuracy of the City's financial statements. We noted that one employee handles almost all of the financial duties, including reconciling accounts and recording financial data.

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

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

Conclusion - Response accepted.

City of Eldora, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part III: Findings and Questioned Costs for Federal Awards

INSTANCES OF NON-COMPLIANCE

CDFA Number 10.769: Rural Business Enterprise Grants

Federal Award Year: 2007

United States Department of Agriculture

III-A-07 Matching Fund Requirements – The City transferred matching funds to their Development Revolving Loan Fund as required. However, the City transferred some of the matching funds back to the City’s general accounts.

Recommendation – The City should keep the required matching funds in the Revolving Loan fund until this fund is disbanded.

Response – We will transfer the monies back.

Conclusion – Response accepted.

SIGNIFICANT DEFICIENCIES:

CFDA Number 14.228: Community Development Block Grants/States Program

Pass-through Agency Number: 04-CF-013

Federal Award Year: 2007

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

CFDA Number 10.766: Community Facilities Loans and Grants

Federal Award Year: 2007

United States Department of Agriculture

III-B-07 – Segregation of Duties – The City has one employee handling most of the financial duties, including reconciling accounts and recording financial data. See II-A-07.

City of Eldora, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

Part IV: Other Findings Related to Statutory Reporting:

IV-A-07 Certified Budget - Disbursements during the year ended June 30, 2007 exceeded the amounts budgeted in the public safety, health and social services, capital projects and business type activities. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

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

Conclusion - Response accepted.

IV-B-07 Questionable Disbursements - No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

IV-C-07 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-07 Business Transactions - No business transactions between the City and City officials or employees were noted.

IV-E-07 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.

IV-F-07 Council Minutes – No transactions were found that we believe should have been approved in the council minutes, but were not.

City of Eldora, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2007

IV-G-07 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

IV-H-07 Financial Condition – The Special Revenue Fund, Employee Benefit Account and Day Care Trust Account had deficit balances of \$113,677 and \$14,756 respectively. In addition, the Capital Project, Pool Trust Account had a deficit balance of \$492,369 as of June 30, 2007.

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

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

Conclusion – Response accepted.

IV-I-07 Revenue Bonds – No violations of the revenue bond resolutions were noted.

IV-J-07 Excess Balance – It was noted that the Special Revenue Fund, TIF account had a balance in excess of one years expenditures at June 30, 2007.

Recommendation – City Officials should review this balance with their City Attorney.

Response – We will do this.

Conclusion – Response accepted.