

CITY OF EAGLE GROVE, IOWA

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

JUNE 30, 2007

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

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CITY OF EAGLE GROVE, IOWA
OFFICIALS

June 30, 2007

<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	

T.P. ANDERSON & COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

701 SUMNER, SUITE 200

HUMBOLDT, IOWA 50548

515-332-3466

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, 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 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, 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 November 13, 2007, 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 9 and 23 through 24 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, 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 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.

November 13, 2007

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, 2007. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2007 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 27%, or approximately \$2,039,000, from fiscal 2006 to fiscal 2007. Property tax increased approximately \$33,000, bond proceeds decreased \$2,683,000.
- Disbursements increased 43%, or approximately \$1,562,000, in fiscal 2007 from fiscal 2006. The increase was mainly attributable to the aquatic center construction.
- The City's total cash basis net assets decreased 46%, or approximately \$1,712,000 from June 30, 2006 to June 30, 2007. Of this amount, the assets of the governmental activities decreased approximately \$1,700,000 and the assets of the business type activities decreased by approximately \$12,000.

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.

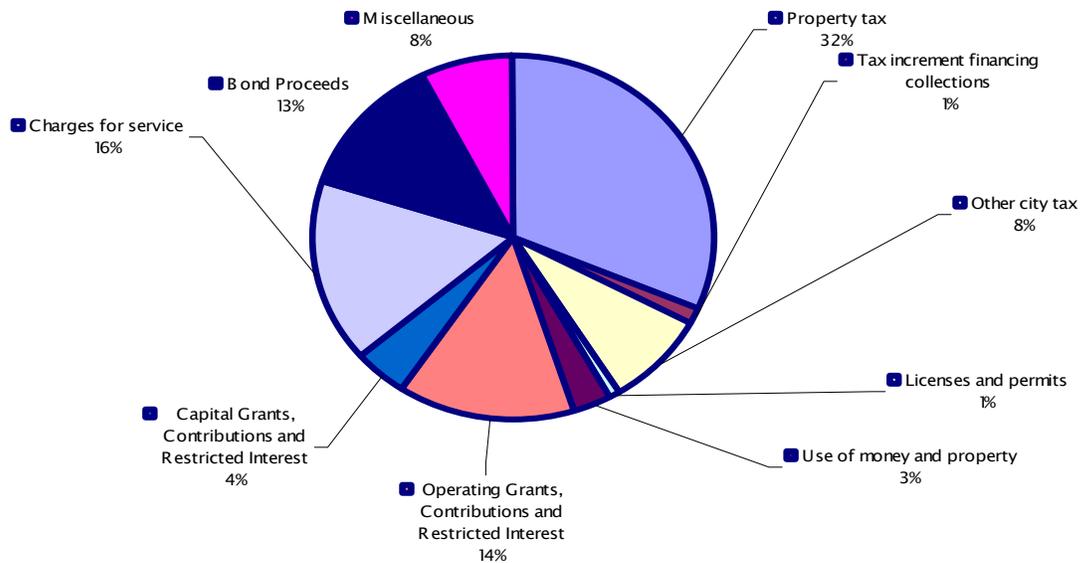
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$3.1 million to \$1.4 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

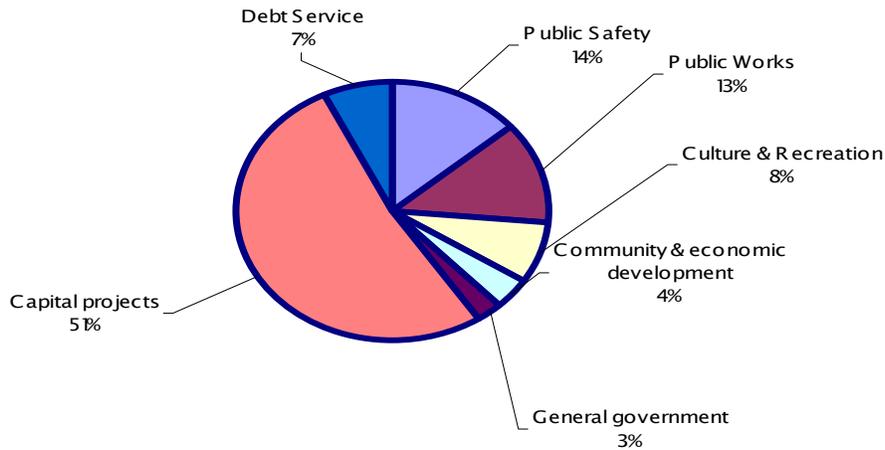
Changes in Cash Basis Net Assets of Governmental Activities
(Expressed in Thousands)

	Year ended June 30,	
	2007	2006
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 569	\$ 553
Operating grants, contributions and restricted interest	498	395
Capital grants, contributions and restricted interest	153	-
General receipts:		
Property tax	1097	1,064
Tax increment financing	44	56
Local option sales tax	290	69
Unrestricted investment earnings	88	52
Bond proceeds	437	3,120
Other general receipts	315	221
Total receipts and transfers	3,491	5,530
Disbursements:		
Public safety	707	810
Public works	670	693
Culture and recreation	402	393
Community and economic development	194	89
General government	136	136
Debt Service	377	827
Capital Projects	2705	679
Transfers	-	2
Total disbursements	5,191	3,629
Increase (decrease) in cash basis net assets	(1,700)	1,901
Cash basis net assets beginning of year	3,091	1,190
Cash basis net assets end of year	\$ 1,391	\$ 3,091

Receipts by Source



Disbursements by Function



The City's total receipts for governmental activities decreased by 27%, or \$2,039,000. The total cost of all programs and services increased by approximately \$1,562,000, or 43%, with construction on the the new aquatic center nearing completion during the year. The significant decrease in receipts was primarily the result of reduced bond proceeds.

The cost of all governmental activities this year was \$5.2 million compared to 3.6 million last year. However, as shown in the Statement of Activities and Net Assets on pages 10, the amount taxpayers ultimately financed for these activities was 4.0 million because some of the cost was paid by those directly benefited from the programs (\$570,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$651,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2007 from approximately \$948,000 to approximately \$1,220,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1,431,000 in tax (some of which could only be used for certain programs), \$436,500 in bond proceeds and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)			
		Year ended June 30,	
		2007	2006
Receipts:			
Program receipts:			
Charges for service:			
Water	\$	574	\$ 470
Sewer rental		434	470
Other		9	8
General receipts:			
Unrestricted interest on investments		22	16
Transfers		-	2
Total receipts		1,039	966

Disbursements and transfers:		
Water	536	521
Sewer rental	506	522
Other	9	8
Total disbursements and transfers	<u>1,051</u>	<u>1,051</u>
Increase (decrease) in cash balance	(12)	(85)
Cash basis net assets beginning of year	<u>661</u>	<u>746</u>
Cash basis net assets end of year	<u>\$ 649</u>	<u>\$ 661</u>

Total business type activities receipts for the fiscal year were \$1,039,000 compared to \$966,000 last year. The cash balance decreased by approximately \$12,000 from the prior year. Total disbursements for the fiscal year remained steady compared to 2006.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As The City of Eagle Grove completed the year, its governmental funds reported a combined fund balance of \$1,296,116, a decrease of approximately \$1,705,000 under last year's total of \$3,001,136. 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 increased \$95,000 from the prior year to approximately \$575,000. The increase was due in large part to not having a full time EMS director, better than expected earnings on investments, and increased ambulance fees.
- The Road Use Tax Fund cash balance decreased by \$13,150 to \$140,468 during the fiscal year. The decrease is due to higher snow removal costs, higher fuel costs, and equipment repairs incurred during the year.
- The Employee Benefit Fund increased by \$16,226 to \$83,911 during the fiscal year. The city intends to use the accumulated fund balance to lower future property tax needs.
- 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. As the project neared completion, the fund balance declined \$1,906,261 during the year.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$48,174 to \$297,172, due to the regular operations of the water system.
- The Sewer Fund cash balance decreased by \$61,105 to \$271,395, due primarily to regular operations. Further rate increases should improve operating results.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved in May 2007 and resulted in an increase in budgeted disbursements of \$253,000. The increase in budgeted expenditures was needed due to increased costs including the aquatic center construction and bond redemptions. The amendment reduced budgeted receipts by \$1,296,888.

DEBT ADMINISTRATION

At June 30, 2007, the City had approximately \$6,301,000 in bonds and other long-term debt, compared to approximately \$6,319,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30,	
	2007	2006
General obligation bonds	\$ 3,890	\$ 3,748
Urban renewal tax increment financing revenue bonds	22	33
Revenue notes	2,389	2,538
Total	\$ 6,301	\$ 6,319

Debt decreased as a result of issuing additional general obligation debt for various projects including the aquatic center and paying the outstanding bonds off in accordance with the maturity schedules as established when the debt was issued.

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 \$3,890,000 is within its constitutional debt limit of \$5.075 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 2008 budget, tax rates and fees that will be charged for various City activities.

Property valuations decreased by approximately \$208,600 after the rollback. This results in approximately \$1,700 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. Four 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 3.6%. 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.

The City's budgeted expenditures will show a decrease of approximately \$1,800,000. This substantial decrease is attributable to the completion of the new Aquatic Center.

If adopted budget estimates are realized, the City's budgeted cash balance will decrease by \$240,000 using up some excess reserves that have been built up.

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

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Program Receipts				Net(Disbursements)Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants	Capital Grants	Governmental Activities	Business type Activities	Total
			Contributions and Restricted Interest	Contributions and Restricted Interest			
Primary Government							
Governmental activities:							
Public safety	\$ 707,059	-	-	-	(707,059)	-	(707,059)
Public works	670,080	-	309,376	-	(360,704)	-	(360,704)
Culture and recreation	401,762	569,611	-	-	167,849	-	167,849
Community and economic developmen	193,934	-	-	-	(193,934)	-	(193,934)
General government	136,304	-	-	-	(136,304)	-	(136,304)
Debt Service	376,893	-	-	-	(376,893)	-	(376,893)
Capital Projects	2,704,985	-	189,052	152,717	(2,363,216)	-	(2,363,216)
Total governmental activities	5,191,017	569,611	498,428	152,717	(3,970,261)	-	(3,970,261)
Business type activities							
Water	536,017	574,443	-	-	-	38,426	38,426
Sewer	505,717	433,782	-	-	-	(71,935)	(71,935)
Other	8,797	8,895	-	-	-	98	98
Total business type activities	1,050,531	1,017,120	-	-	-	(33,411)	(33,411)
Total primary government	6,241,548	1,586,731	498,428	152,717	(3,970,261)	(33,411)	(4,003,672)
General Receipts:							
Property tax levied for:							
General purposes					\$ 1,097,062	-	1,097,062
Tax increment financing					44,294	-	44,294
Local option sales tax					289,533	-	289,533
Unrestricted interest on investments					88,000	22,180	110,180
Bond Proceeds					436,500	-	436,500
Miscellaneous					314,510	-	314,510
Total general receipts and transfers					2,269,899	22,180	2,292,079
Change in cash basis net assets					(1,700,362)	(11,231)	(1,711,593)
Cash beginning of year					3,091,552	660,466	3,752,018
Cash end of year					1,391,190	649,235	2,040,425
Cash Basis Net Assets:							
Restricted							
Streets					140,468	-	140,468
Capital projects					201,730	-	201,730
Debt Service					6,984	200,562	207,546
Other Purposes					466,640	-	466,640
Unrestricted					575,368	448,673	1,024,041
					\$ 1,391,190	649,235	2,040,425

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, 2007

	SPECIAL REVENUE			Capital Project
	General	Road Use Tax	Employee Benefits	Aquatic Center
Receipts:				
Property tax	\$ 568,104	-	316,700	-
Tax increment financing collections	-	-	-	-
Other city tax	-	-	-	-
Licenses and permits	30,796	-	-	-
Use of money and property	58,389	-	-	46,722
Intergovernmental	80,797	309,376	-	100,000
Charges for service	351,349	-	-	-
Special assessments	-	-	-	-
Miscellaneous	55,182	-	22,288	94,082
Total receipts	1,144,617	309,376	338,988	240,804
Disbursements:				
Operating:				
Public Safety	538,844	-	172,873	-
Public Works	97,349	322,526	41,816	-
Culture & Recreation	317,523	-	84,239	-
Community & economic development	9,136	-	594	-
General government	113,064	-	23,240	-
Debt Service	-	-	-	-
Capital projects	-	-	-	2,444,375
Total Disbursements	1,075,916	322,526	322,762	2,444,375
Excess (deficiency) of receipts over (under) disburse	68,701	(13,150)	16,226	(2,203,571)
Other financing sources (uses):				
Bond proceeds	-	-	-	300,000
Operating transfers in	36,710	-	-	-
Operating transfers out	(10,157)	-	-	(2,690)
Total other financing sources (uses)	26,553	-	-	297,310
Net change in cash balances	95,254	(13,150)	16,226	(1,906,261)
Cash balances beginning of year	480,114	153,618	67,685	2,053,294
Cash balances end of year	\$ 575,368	140,468	83,911	147,033
Cash Basis Fund Balances				
Unreserved:				
General fund	575,368	-	-	-
Special revenue funds	-	140,468	83,911	-
Capital projects fund	-	-	-	147,033
Debt service fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	\$ 575,368	140,468	83,911	147,033

See Notes of Financial Statements

Exhibit B

Other Nonmajor Governmental		
Funds		Total
212,258	\$	1,097,062
44,294		44,294
289,533		289,533
-		30,796
836		105,947
160,972		651,145
218,262		569,611
-		-
94,215		265,767
<u>1,020,370</u>		<u>3,054,155</u>
-		711,717
208,389		670,080
-		401,762
184,204		193,934
-		136,304
376,893		376,893
260,610		2,704,985
<u>1,030,096</u>		<u>5,195,675</u>
(9,726)		(2,141,520)
136,500		436,500
214,005		250,715
(237,868)		(250,715)
<u>112,637</u>		<u>436,500</u>
102,911		(1,705,020)
<u>246,425</u>		<u>3,001,136</u>
<u>349,336</u>	\$	<u>1,296,116</u>
-		575,368
193,920		418,299
54,697		201,730
6,984		6,984
93,735		93,735
<u>349,336</u>	\$	<u>1,296,116</u>

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, 2007

Total governmental funds cash balances \$ 1,296,116

*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.

95,074

Cash basis net assets of governmental activities

1,391,190

Net change in cash balances

(1,705,020)

*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.

4,658

Change in cash balance of governmental activities

\$ (1,700,362)

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, 2007

	Enterprise Funds			
	Water	Sewer	Meter Deposits	Total
Operating receipts:				
Charges for service	\$ 574,443	433,782	8,895	\$ 1,017,120
Total operating receipts	574,443	433,782	8,895	1,017,120
Operating disbursements:				
Business type activities	537,619	505,717	8,797	1,052,133
Total operating disbursements	537,619	505,717	8,797	1,052,133
Excess of operating receipts over operating disbursements	36,824	(71,935)	98	(35,013)
Non-operating receipts:				
Interest on investments	11,350	10,830	-	22,180
Sale of assets	-	-	-	-
Total non-operating receipts	11,350	10,830	-	22,180
Excess of receipts and non-operating receipts over disbursements	48,174	(61,105)	98	(12,833)
Other financing sources (uses):				
Operating transfers in	65,180	215,804	-	280,984
Operating transfers out	(65,180)	(215,804)	-	(280,984)
Total other financing sources (uses)	-	-	-	-
Excess of receipts and other financing sources over (under) disbursements and other financing uses	48,174	(61,105)	98	(12,833)
Cash balances beginning of year	248,998	332,500	54,281	635,779
Cash balances end of year	\$ 297,172	\$ 271,395	\$ 54,379	\$ 622,946
Cash Basis Fund Balances				
Reserved for debt service	50,000	150,562	-	200,562
Unreserved	247,172	120,833	54,379	422,384
Total cash basis fund balances	\$ 297,172	271,395	54,379	\$ 622,946

See Notes of Financial Statements

Internal Service Funds			
	Employee Health	Equipment Replacement	Total
\$	7,400	46,500	\$ 53,900
	7,400	46,500	53,900
	7,554	62,905	70,459
	7,554	62,905	70,459
	(154)	(16,405)	(16,559)
	-	2,663	2,663
	-	20,156	20,156
	-	22,819	22,819
	(154)	6,414	6,260
	-	-	-
	-	-	-
	(154)	6,414	6,260
	996	114,107	115,103
\$	842	120,521	\$ 121,363
	-	-	-
	842	120,521	121,363
\$	842	120,521	\$ 121,363

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, 2007

Total enterprise funds cash balances \$ 622,946

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.

26,289

Cash basis net assets of business type activities

649,235

Net change in cash balances

(12,833)

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.

1,602

Change in cash balance of business-type activities

\$ (11,231)

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.

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.

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 \$150,562 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, 2007 (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 \$665,016 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 \$112,813 for the year ended June 30, 2007. 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 Ending	General Obligation		Urban Renewal Tax Increment (TIF) Revenue Bonds		Revenue Notes		Total Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2008	519,428	148,158	11,000	1,221	152,000	74,188	682,428	223,567
2009	323,769	127,306	11,000	611	161,000	68,875	495,769	196,792
2010	229,431	115,134	-	-	164,000	63,229	393,431	178,363
2011	235,125	107,086	-	-	173,000	57,483	408,125	164,569
2012	245,851	98,804	-	-	176,000	51,403	421,851	150,207
2013	186,612	90,083	-	-	121,000	45,224	307,612	135,307
2014	192,410	83,721	-	-	124,000	41,345	316,410	125,066
2015	198,245	77,117	-	-	129,000	37,368	327,245	114,485
2016	172,619	71,077	-	-	133,000	33,231	305,619	104,308
2017	140,201	65,931	-	-	138,000	28,965	278,201	94,896
2018	151,161	60,621	-	-	142,000	24,540	293,161	85,161
2019	157,166	54,716	-	-	126,000	17,246	283,166	71,962
2020	163,201	48,416	-	-	130,000	15,980	293,201	64,396
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
	3,890,219	1,306,965	22,000	1,832	2,389,000	598,807	6,301,219	1,907,604

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 was 100% funded as of June 30, 2007 and 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.

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 annual covered payroll. Certain employees in special risk occupations and the City contributes an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2007, 2006, and 2005 were \$64,051, \$66,039, and \$60,880 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 <u>6-30-07</u>
Sick pay & personal days	\$179,313
Vacation pay	<u>37,416</u>
TOTAL	<u>\$216,729</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 City has constructed a new Aquatic Center which is opened for use during the year ended June 30, 2007. The contract to construct the facility was for \$2,557,111 including two change orders to build the Aquatic Center. It was financed with general obligation bonds and donations from various supporters. As of June 30, 2007, the City had paid \$2,440,303 on the contract and had \$116,808 remaining to be completed and paid for.

(7) **Interfund Transfers**

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

<u>Transfer In</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue Fund	
	Emergency	16,601
	TIF	12,500
	Solid Waste	<u>7,609</u>
		36,710
Special Revenue Fund		
CDBG	General	10,000
Child Care Project	General	157
LOST	Debt Service	192,903
Capital Projects Funds	Special Revenue Fund	
Capital Improvements	SWWC EMS Fund	8,255
	Aquatic Center	<u>2,690</u>
		<u>10,945</u>
		<u>250,715</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, 2007, the City of Eagle Grove paid the Authority \$5,074 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, 2006 and are payable in September and March of the fiscal year. The valuation for the taxes was based on January 1, 2005 assessed property valuations, and are based on a certified budget from March of 2006.

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, 2007

	Governmental Funds Activity	Proprietary Funds Activity	Less Funds not Required to be Budgeted	Net
Receipts				
Property tax	\$ 1,097,062	-	-	1,097,062
Tax increment financing collection	44,294	-	-	44,294
Other city tax	289,533	-	-	289,533
Licenses and permits	30,796	-	-	30,796
Use of money and property	105,947	24,843	-	130,790
Intergovernmental	651,145	-	-	651,145
Charges for service	569,611	1,071,020	-	1,640,631
Miscellaneous	265,767	-	-	265,767
Total receipts	3,054,155	1,095,863	-	4,150,018
Disbursements:				
Program				
Public safety	711,717	-	-	711,717
Public works	670,080	-	-	670,080
Culture and recreation	401,762	-	-	401,762
Community and economic development	193,934	-	-	193,934
General government	136,304	-	-	136,304
Debt service	376,893	-	-	376,893
Capital projects	2,704,985	-	-	2,704,985
Business type activities	-	1,122,592	-	1,122,592
Total disbursements	5,195,675	1,122,592	-	6,318,267
Excess (deficiency) of receipts over disbursements	(2,141,520)	(26,729)	-	(2,168,249)
Other financing sources (uses)	436,500	20,156	-	456,656
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	(1,705,020)	(6,573)	-	(1,711,593)
Balance - beginning of year	3,001,136	750,882	-	3,752,018
Balance - end of year	\$ 1,296,116	744,309	-	2,040,425

See Accompanying Independent Auditor's Report

Budgeted Amounts

Original	Final	Final to Net Variance
1,039,391	1,039,391	\$ 57,671
43,250	43,250	1,044
266,764	307,764	(18,231)
32,228	31,628	(832)
54,700	124,100	6,690
1,052,400	1,157,400	(506,255)
1,439,711	1,569,911	70,720
82,800	273,800	(8,033)
<u>4,011,244</u>	<u>4,547,244</u>	<u>(397,226)</u>
718,776	719,776	8,059
673,845	696,045	25,965
370,420	410,220	8,458
328,145	254,845	60,911
134,245	137,745	1,441
176,246	377,617	724
2,729,778	2,773,878	68,893
1,129,932	1,144,432	21,840
<u>6,261,387</u>	<u>6,514,558</u>	<u>196,291</u>
(2,250,143)	(1,967,314)	(200,935)
<u>2,002,000</u>	<u>18,351</u>	<u>438,305</u>
(248,143)	(1,948,963)	237,370
<u>1,588,129</u>	<u>3,654,157</u>	<u>97,861</u>
<u><u>1,339,986</u></u>	<u><u>1,705,194</u></u>	<u><u>\$ 335,231</u></u>

CITY OF EAGLE GROVE, 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 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, one budget amendment increased budgeted disbursements by \$253,171. The budget amendment is 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, 2007

	Special Revenue						
	SWWC EMS	Solid Waste	Emergency	LOST	TIF	Housing Rehab	CDBG
Receipts:							
Property tax	\$ -	\$ -	16,601	-	-	-	-
Tax increment financing collections	-	-	-	-	44,294	-	-
Other city tax	-	-	-	289,533	-	-	-
Use of money and property	-	-	-	-	-	89	-
Intergovernmental	8,255	-	-	-	-	-	152,717
Charges for service	-	218,262	-	-	-	-	-
Miscellaneous	-	-	-	-	-	900	8,279
Total receipts	8,255	218,262	16,601	289,533	44,294	989	160,996
Disbursements:							
Operating:							
Public Safety	-	-	-	-	-	-	-
Public Works	-	208,389	-	-	-	-	-
Culture & Recreation	-	-	-	-	-	-	-
Community & economic development	-	-	-	-	14,833	-	169,371
General government	-	-	-	-	-	-	-
Capital projects	-	-	-	64,642	94	-	-
Debt Service	-	-	-	-	20,426	-	-
Total Disbursements	-	208,389	-	64,642	35,353	-	169,371
Excess of receipts over disbursements	8,255	9,873	16,601	224,891	8,941	989	(8,375)
Other financing sources (uses):							
Bonds Issued	-	-	-	-	-	-	-
Operating transfers in	-	-	-	-	-	-	10,000
Operating transfers out	(8,255)	(7,609)	(16,601)	(192,903)	(12,500)	-	-
Total other financing sources (uses)	(8,255)	(7,609)	(16,601)	(192,903)	(12,500)	-	10,000
Net change in cash balances	-	2,264	-	31,988	(3,559)	989	1,625
Cash balances beginning of year	-	3,965	-	68,777	73,369	14,538	(36)
Cash balances end of year	\$ -	\$ 6,229	-	100,765	69,810	15,527	1,589
Cash Basis Fund Balances							
Unreserved:							
Special revenue funds	-	6,229	-	100,765	69,810	15,527	1,589
Capital projects fund	-	-	-	-	-	-	-
Debt service fund	-	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-	-
Total cash basis fund balances	\$ -	\$ 6,229	-	100,765	69,810	15,527	1,589

See Accompanying independent auditor's report.

Special Revenue	Capital Projects				Permanent			Total
	Capital Improvement	Three Rivers Trail	2001 Projects	2006 Projects	Library	Cemetery	Debt Service	
-	41,503	-	-	-	-	-	154,154	\$ 212,258
-	-	-	-	-	-	-	-	44,294
-	-	-	-	-	-	-	-	289,533
-	-	-	747	-	-	-	-	836
-	-	-	-	-	-	-	-	160,972
-	44,893	-	-	39,038	-	1,105	-	218,262
-	86,396	-	747	39,038	-	1,105	154,154	94,215
-	-	-	-	-	-	-	-	1,020,370
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	208,389
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	184,204
-	-	-	-	-	-	-	-	-
-	149,804	558	1,600	43,912	-	-	-	260,610
-	-	-	-	-	-	-	356,467	376,893
-	149,804	558	1,600	43,912	-	-	356,467	1,030,096
-	(63,408)	(558)	(853)	(4,874)	-	1,105	(202,313)	(9,726)
-	-	-	-	136,500	-	-	-	136,500
157	10,945	-	-	-	-	-	192,903	214,005
-	-	-	-	-	-	-	-	(237,868)
157	10,945	-	-	136,500	-	-	192,903	112,637
157	(52,463)	(558)	(853)	131,626	-	1,105	(9,410)	102,911
(157)	99,553	(3,973)	20,619	(139,254)	40,700	51,930	16,394	246,425
-	47,090	(4,531)	19,766	(7,628)	40,700	53,035	6,984	\$ 349,336
-	-	-	-	-	-	-	-	193,920
-	47,090	(4,531)	19,766	(7,628)	-	-	-	54,697
-	-	-	-	-	-	-	6,984	6,984
-	-	-	-	-	40,700	53,035	-	93,735
-	47,090	(4,531)	19,766	(7,628)	40,700	53,035	6,984	\$ 349,336

CITY OF EAGLE GROVE, IOWA

Schedule 2

SCHEDULE OF INDEBTNESS

Year Ended June 30, 200

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	\$ 80,000	\$ -	\$ 25,000	\$ 55,000	\$ 3,600	\$ -
Sewer Project - Capital Loan Note	December 1, 2000	5.46%	250,000	55,000	-	25,000	30,000	3,003	-
Essential Corporate Purpose	July 1, 1998	4.20-4.45%	560,000	200,000	-	65,000	135,000	8,868	-
Child Care Facility Capital Loan Note	November 1, 1999	4.75%	300,000	244,825	-	12,897	231,928	11,424	-
Essential Corporate Purpose	September 1, 2001	3.80-4.80%	515,000	335,000	-	50,000	285,000	14,625	-
GO Water Improvement Bonds	September 1, 2005	4.00%	315,000	283,500	-	31,500	252,000	11,340	-
General Obligation LOST Bonds	June 1, 2006	4.10-4.65%	2,500,000	2,500,000	-	85,000	2,415,000	107,703	-
Essential Corporate Purpose	November 21, 2005	3.55%	475,000	49,791	136,500	-	186,291	7,595	-
General Obligation Aquatic Center	November 20, 2006	0.00%	300,000	-	300,000	-	300,000	-	-
				<u>3,748,116</u>	<u>436,500</u>	<u>294,397</u>	<u>3,890,219</u>	<u>168,158</u>	<u>-</u>
Tax Increment Financing Notes									
Tax Increment Financing	November 1, 1999	5.55%	110,000	<u>33,000</u>		<u>11,000</u>	<u>22,000</u>	<u>1,832</u>	<u>-</u>
Revenue bonds and notes									
Water Revenue Capital Loan Notes	September 1, 2001	3.80-4.80%	500,000	\$ 330,000	\$ -	\$ 50,000	\$ 280,000	\$ 14,980	\$ -
SRF Loan	June 1, 2000	3.92%	500,000	214,000	-	15,000	199,000	6,956	-
SRF Loan	June 17, 2003	3.00%	1,725,000	388,000	-	21,000	367,000	15,403	-
SRF Loan	August 25, 2004	3.00%	379,000	<u>1,606,000</u>	<u>-</u>	<u>63,000</u>	<u>1,543,000</u>	<u>52,195</u>	<u>-</u>
				<u>2,538,000</u>	<u>-</u>	<u>149,000</u>	<u>2,389,000</u>	<u>89,534</u>	<u>-</u>

See Accompanying Independent Auditor's Report

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF BOND & NOTE MATURITIES

June 30, 2007

General Obligation Bonds and Notes

Year Ending June 30,	Wright Street Sewer Issued 11-1-93		Capital Loan Note Issued 12-1-00		Essential Corporate Purpose Issued 7-1-98		Capital Loan Note Issued 11-1-99		Essential Corporate Purpose Issued 9-1-01		Water Meter Improvement Bonds Issued 9-1-05		General Obligation LOST Bonds Issued 3-1-06		Essential Corporate Purpose Issued 11-21-05		General Obligation Aquatic Center Issued 11-20-06		Total
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	
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	4.25	186,291	0.00	33,333	519,428
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	-	-	0.00	33,333	323,769
2010	-	-	-	-	-	-	4.75	14,598	4.40	55,000	4.00	31,500	4.10	95,000	-	-	0.00	33,333	229,431
2011	-	-	-	-	-	-	4.75	15,292	4.50	60,000	4.00	31,500	4.10	95,000	-	-	0.00	33,333	235,125
2012	-	-	-	-	-	-	4.75	16,018	4.60	65,000	4.00	31,500	4.10	100,000	-	-	0.00	33,333	245,851
2013	-	-	-	-	-	-	4.75	16,779	-	-	4.00	31,500	4.10	105,000	-	-	0.00	33,333	186,612
2014	-	-	-	-	-	-	4.75	17,576	-	-	4.00	31,500	4.10	110,000	-	-	0.00	33,334	192,410
2015	-	-	-	-	-	-	4.75	18,411	-	-	4.00	31,500	4.10	115,000	-	-	0.00	33,334	198,245
2016	-	-	-	-	-	-	4.75	19,285	-	-	-	-	4.15	120,000	-	-	0.00	33,334	172,619
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	23,201	-	-	-	-	4.35	140,000	-	-	-	-	163,201
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>\$ 55,000</u>		<u>\$ 30,000</u>		<u>\$ 135,000</u>		<u>\$ 231,928</u>		<u>\$ 285,000</u>		<u>\$ 252,000</u>		<u>\$ 2,415,000</u>		<u>\$ 186,291</u>		<u>\$ 300,000</u>	<u>\$ 3,890,219</u>

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Revenue Bonds and Notes

Year Ending June 30,	Urban Renewal Tax Increment Financing (TIF) Revenue Bonds Issued 11-1-99		Water Revenue Capital Loan Notes Issued 9-1-01		Sewer Revenue Capital Loan Note Issued 6-1-00		SRF Loan Funds Issued 6/17/03		SRF Loan Funds Issued 8/25/04		Total
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	
	2008	5.55	11,000	4.30	50,000	3.92	22,000	3.00	65,000	3.00	
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>\$ 22,000</u>		<u>\$ 280,000</u>		<u>\$ 367,000</u>		<u>\$ 1,543,000</u>		<u>\$ 199,000</u>	<u>\$ 2,389,000</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 Four Years

	2007	2006	2005	2004
Receipts				
Property tax	\$ 1,097,062	\$ 1,064,063	\$ 1,050,882	\$ 1,150,736
Tax increment financing collection	44294	56,485	78,500	61,724
Other city tax	289533	68,777	64,892	251,652
Licenses and permits	30796	38,656	38,378	32,054
Use of money and property	105947	50,603	47,470	41,314
Intergovernmental	651145	394,993	449,111	409,818
Charges for service	569611	553,453	497,300	411,863
Miscellaneous	265767	182,469	134,041	55,482
Total receipts	<u>3,054,155</u>	<u>2,409,499</u>	<u>2,360,574</u>	<u>2,414,643</u>
Disbursements:				
Operating:				
Public safety	711,717	787,370	811,948	599,609
Public works	670,080	693,366	714,875	607,209
Culture and recreation	401,762	392,670	394,812	381,035
Community and economic development	193,934	76,388	89,238	32,707
General government	136,304	135,944	202,889	376,832
Debt service	376,893	744,787	171,146	223,397
Capital projects	2,704,985	774,203	874,038	1,462,683
Total disbursements	<u>\$ 5,195,675</u>	<u>\$ 3,604,728</u>	<u>\$ 3,258,946</u>	<u>\$ 3,683,472</u>

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T.P. ANDERSON & COMPANY P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

701 SUMNER, SUITE 200

HUMBOLDT, IOWA 50548

515-332-3466

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, 2007, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated November 13, 2007. 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 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 Eagle Grove's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Eagle Grove's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting 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 Eagle Grove'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 Eagle Grove's financial statements that is more than inconsequential will not be prevented or detected by the City of Eagle Grove's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency 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 Eagle Grove'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, we believe item II-A-07 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eagle Grove'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 of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Eagle Grove's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Eagle Grove'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 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.

November 13, 2007

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

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) 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.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part II: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

II-A-07 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.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

Part III: Other Findings Related to Statutory Reporting:

III-A-07 Certified Budget – Disbursements were within budgeted limits for all programs for the year ended June 30, 2007. However, expenditures for the Debt Service function 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-07 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-07 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

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

III-E-07 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-07 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2007

III-G-07 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-07 Revenue Bonds and Notes – The city has complied with all revenue bond and note resolutions.

III-I-07 Financial Condition – The Capital Projects, 2006 Projects Fund and Three Rivers Trail Fund had deficit fund balances at June 30, 2007 of \$7,628 and \$4,531 respectively.

Recommendations – The City should 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.

III-J-07 Payment of General Obligation Bonds – Certain general obligation bonds were paid from the Water and Sewer enterprise funds during the year. 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 consider transferring funds from the enterprise funds to the debt service fund in order to comply with Chapter 384.4 of the Code of Iowa.

Response – We issued GO bonds rather than revenue bonds in certain circumstances to finance improvements to our water and sewer infrastructure in order to receive better interest rates on the debt. We have set our water and sewer rates in order to generate sufficient cash receipts to pay the interest and principal on these debt instruments rather than relying on property taxes. We will consider your recommendation and make transfers when necessary.

Conclusion – Response accepted.