

**CITY OF EAGLE GROVE, IOWA**

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

**JUNE 30, 2008**

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

## Table of Contents

		<u>Page</u>
Officials		1
Independent Auditor’s Report		2-3
Management’s Discussion and Analysis		4-9
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statement:		
Statement of Activities and Net Assets – Cash Basis	A	10
Governmental Fund Financial Statements:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	B	11
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	C	12
Proprietary Fund Financial Statement:		
Statement of Cash Receipts, Disbursements and Changes in Cash Balances	D	13
Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Statement of Activities and Net Assets	E	14
Notes to Financial Statements		15-23
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds		24
Notes to Required Supplementary Information – Budgetary Reporting		25
Other Supplementary Information	<u>Schedule</u>	
Schedule of Cash Receipts, Disbursements and Changes in Cash Balances – Nonmajor Government Funds	1	26
Schedule of Indebtedness	2	27
Schedule of Bond and Note Maturities	3	28-29
Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds	4	30

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 <i>Government Auditing Standards</i>	31-33
Schedule of Findings	34-37

CITY OF EAGLE GROVE, IOWA  
OFFICIALS

June 30, 2007

<u>Title</u>	<u>Name of Official</u>	<u>Term Expires</u>
Mayor	Ray Kellog	January 2010
Council Person	Chuck Elberg	January 2010
Council Person	Carl Halverson	January 2010
Council Person	Matt Jergens	January 2010
Council Person	Sandy McGrath	January 2012
Council Person	Darrell Determann	January 2012
Council Person	Ron Jensen	January 2012
City Administrator	Jordan Fuller	
Finance Officer	Susan J. Maier, CPA	



T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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### 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, 2008, 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, 2008, 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 December 31, 2008, 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 24 through 25 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eagle Grove's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (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.*

December 31, 2008

## **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, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2008 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 12%, or approximately \$410,000, from fiscal 2007 to fiscal 2008. Sale of Assets increased approximately \$234,000 and bond proceeds decreased \$437,000.
- Disbursements decreased 42%, or approximately \$2,193,000, in fiscal 2008 from fiscal 2007. The decrease was mainly attributable to the decrease in capital projects.
- The City's total cash basis net assets increased 5%, or approximately \$109,000 from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities increased approximately \$83,000 and the assets of the business type activities increased by approximately \$26,000.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

### **BASIS OF ACCOUNTING**

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

## REPORTING THE CITY'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statement*

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

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

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

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

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

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

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

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

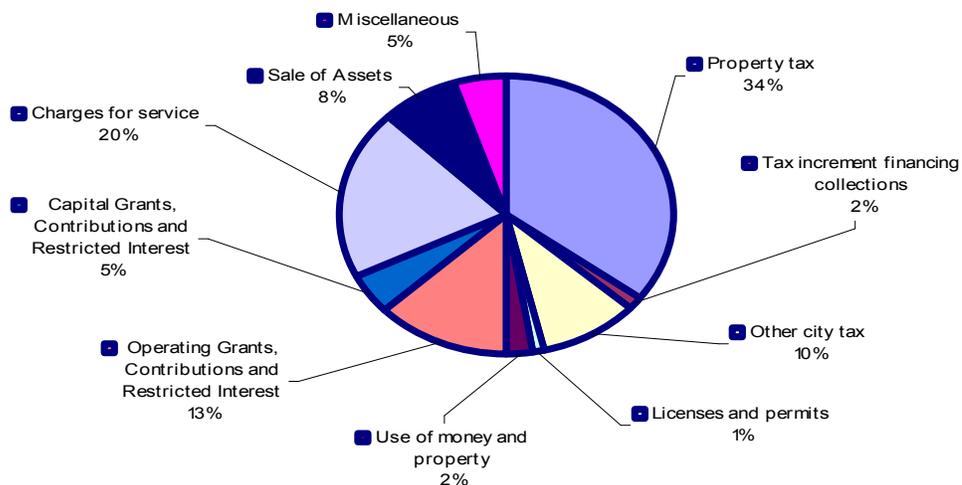
## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$1.4 million to \$1.5 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

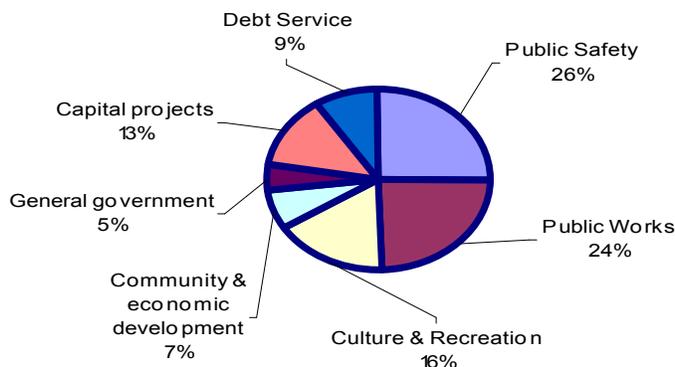
Changes in Cash Basis Net Assets of Governmental Activities  
(Expressed in Thousands)

	Year ended June 30,	
	2008	2007
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 601	\$ 569
Operating grants, contributions and restricted interest	402	498
Capital grants, contributions and restricted interest	150	153
General receipts:		
Property tax	1,085	1,097
Tax increment financing	47	44
Local option sales tax	300	290
Unrestricted investment earnings	75	88
Bond proceeds	0	437
Sale of assets	234	0
Other general receipts	187	315
Total receipts and transfers	3,081	3,491
Disbursements:		
Public safety	755	707
Public works	727	670
Culture and recreation	491	402
Community and economic development	205	194
General government	145	136
Debt Service	402	377
Capital Projects	273	2705
Transfers	-	-
Total disbursements	2,998	5,191
Increase (decrease) in cash basis net assets	83	(1,700)
Cash basis net assets beginning of year	1,391	3,091
Cash basis net assets end of year	\$1,474	\$ 1,391

### Receipts by Source



## Disbursements by Function



The City's total receipts for governmental activities decreased by 12%, or \$410,000. The total cost of all programs and services decreased by approximately \$2,193,000, or 42%, with construction on the the new aquatic center being completed during the prior year. The significant decrease in receipts was primarily the result of reduced bond proceeds.

The cost of all governmental activities this year was \$3.0 million compared to \$5.2 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 \$1.8 million because some of the cost was paid by those directly benefited from the programs (\$601,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$552,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2008 from approximately \$1,220,000 to approximately \$1,153,000. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1,433,000 in tax (some of which could only be used for certain programs), \$234,000 in sale of asset 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,	
	2008	2007
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 568	\$ 574
Sewer rental	525	434
Other	7	9
General receipts:		
Unrestricted interest on investments	17	22
Transfers	-	-
Total receipts	1,117	1,039

Disbursements and transfers:		
Water	568	536
Sewer rental	517	506
Other	6	9
Total disbursements and transfers	<u>1,091</u>	<u>1,051</u>
Increase (decrease) in cash balance	26	(12)
Cash basis net assets beginning of year	<u>649</u>	<u>661</u>
Cash basis net assets end of year	<u>\$ 675</u>	<u>\$ 649</u>

Total business type activities receipts for the fiscal year were \$1,117,000 compared to \$1,039,000 last year. The cash balance increased by approximately \$26,000 from the prior year. Total disbursements for the fiscal year increased \$40,000 compared to 2007.

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

As The City of Eagle Grove completed the year, its governmental funds reported a combined fund balance of \$1,379,298, an increase of approximately \$83,000 from last year's total of \$1,296,116. 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 \$228,000 from the prior year to approximately \$803,000. The increase was due in large part to the sale of property to the railroad, better than expected earnings on investments, and increased pool fees.
- The Road Use Tax Fund cash balance decreased by \$27,512 to \$112,956 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 decreased by \$8,310 to \$75,601 during the fiscal year. The city intends to continue using the accumulated fund balance to lower future property tax needs.
- The Solid Waste Fund increased by \$2,822 to \$9,051 during the fiscal year.
- The LOST Fund increased by \$90,990 to \$191,755 during the fiscal year. The increase was budgeted as part of a plan to establish a reserve for major projects in the future.

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

- The Water Fund cash balance increased by \$11,923 to \$309,095, due to the regular operations of the water system.
- The Sewer Fund cash balance increased by \$13,894 to \$285,289, 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 2008 and resulted in an increase in budgeted disbursements of \$361,100. The increase in budgeted expenditures was needed due to increased costs including the aquatic center construction and bond redemptions. The amendment increased budgeted receipts by \$288,500.

## DEBT ADMINISTRATION

At June 30, 2008, the City had approximately \$5,804,000 in bonds and other long-term debt, compared to approximately \$6,301,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30,	
	2008	2007
General obligation bonds	\$ 3,557	\$ 3,890
Urban renewal tax increment financing revenue bonds	11	22
Revenue notes	2,236	2,389
Total	\$ 5,804	\$ 6,301

Debt decreased as a result of 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 \$3,557,000 is within its constitutional debt limit of \$5.125 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 2009 budget, tax rates and fees that will be charged for various City activities.

Property valuations decreased by approximately \$1,191,976 after the rollback. This results in approximately \$9,655 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. Five 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. In these uncertain economic times, it's a big concern again this year.

The National Consumer Price Index (CPI) increase was 2.4%. Many of the City's expenditures such as health insurance and energy costs increased at a much higher rate than this. The City's fuel costs nearly doubled.

The City's budgeted expenditures will show a decrease of approximately \$246,000. This substantial decrease is attributable to the timing of capital projects.

If adopted budget estimates are realized, the City's budgeted cash balance will decrease by \$380,000 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**

## CITY OF EAGLE GROVE, IOWA

Exhibit A

## STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Program Receipts				Net(Disbursements)Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
<b>Primary Government</b>							
Governmental activities:							
Public safety	\$ 755,017	211,980	21,660	-	(521,377)	-	(521,377)
Public works	726,482	66,665	341,917	-	(317,900)	-	(317,900)
Culture and recreation	490,999	322,630	38,813	-	(129,556)	-	(129,556)
Community and economic development	205,348	-	-	-	(205,348)	-	(205,348)
General government	145,332	-	-	-	(145,332)	-	(145,332)
Debt Service	401,932	-	-	-	(401,932)	-	(401,932)
Capital Projects	273,043	-	-	149,695	(123,348)	-	(123,348)
<b>Total governmental activities</b>	<b>2,998,153</b>	<b>601,275</b>	<b>402,390</b>	<b>149,695</b>	<b>(1,844,793)</b>	<b>-</b>	<b>(1,844,793)</b>
Business type activities							
Water	568,104	567,508	-	-	-	(596)	(596)
Sewer	516,924	525,457	-	-	-	8,533	8,533
Other	5,640	6,600	-	-	-	960	960
<b>Total business type activities</b>	<b>1,090,668</b>	<b>1,099,565</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,897</b>	<b>8,897</b>
<b>Total primary government</b>	<b>4,088,821</b>	<b>1,700,840</b>	<b>402,390</b>	<b>149,695</b>	<b>(1,844,793)</b>	<b>8,897</b>	<b>(1,835,896)</b>
<b>General Receipts:</b>							
Property tax levied for:							
General purposes					\$ 1,084,933	-	1,084,933
Tax increment financing					47,521	-	47,521
Local option sales tax					300,410	-	300,410
Unrestricted interest on investments					74,903	16,970	91,873
Sale of assets					233,655	-	233,655
Miscellaneous					186,724	-	186,724
<b>Total general receipts and transfers</b>					<b>1,928,146</b>	<b>16,970</b>	<b>1,945,116</b>
Change in cash basis net assets					83,353	25,867	109,220
Cash beginning of year					1,391,190	649,235	2,040,425
Cash end of year					<b>1,474,543</b>	<b>675,102</b>	<b>2,149,645</b>
<b>Cash Basis Net Assets:</b>							
Restricted							
Streets					112,956	-	112,956
Capital projects					26,550	-	26,550
Debt Service					7,471	244,112	251,583
Other Purposes					524,411	-	524,411
Unrestricted					803,155	430,990	1,234,145
					<b>\$ 1,474,543</b>	<b>675,102</b>	<b>2,149,645</b>

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, 2008

	SPECIAL REVENUE				
	General	Road Use Tax	Employee Benefits	Solid Waste	LOST
<b>Receipts:</b>					
Property tax	\$ 565,648	-	302,736	-	-
Tax increment financing collections	-	-	-	-	-
Other city tax	-	-	-	-	300,410
Licenses and permits	32,469	-	-	-	-
Use of money and property	73,383	-	-	-	-
Intergovernmental	82,303	318,017	-	-	-
Charges for service	369,002	-	-	232,273	-
Miscellaneous	86,061	-	29,248	-	-
Total receipts	<u>1,208,866</u>	<u>318,017</u>	<u>331,984</u>	<u>232,273</u>	<u>300,410</u>
<b>Disbursements:</b>					
Operating:					
Public Safety	580,054	-	175,058	-	-
Public Works	110,687	345,529	48,363	221,942	-
Culture & Recreation	395,461	-	95,567	-	-
Community & economic development	27,867	-	556	-	-
General government	124,591	-	20,750	-	-
Debt Service	-	-	-	-	-
Capital projects	-	-	-	-	5,202
Total Disbursements	<u>1,238,660</u>	<u>345,529</u>	<u>340,294</u>	<u>221,942</u>	<u>5,202</u>
Excess (deficiency) of receipts over (under) disbursements	(29,794)	(27,512)	(8,310)	10,331	295,208
<b>Other financing sources (uses):</b>					
Sale of assets	233,655	-	-	-	-
Operating transfers in	23,926	-	-	-	-
Operating transfers out	-	-	-	(7,509)	(204,218)
Total other financing sources (uses)	<u>257,581</u>	<u>-</u>	<u>-</u>	<u>(7,509)</u>	<u>(204,218)</u>
Net change in cash balances	227,787	(27,512)	(8,310)	2,822	90,990
Cash balances beginning of year	<u>575,368</u>	<u>140,468</u>	<u>83,911</u>	<u>6,229</u>	<u>100,765</u>
Cash balances end of year	<u>\$ 803,155</u>	<u>112,956</u>	<u>75,601</u>	<u>9,051</u>	<u>191,755</u>
<b>Cash Basis Fund Balances</b>					
Unreserved:					
General fund	803,155	-	-	-	-
Special revenue funds	-	112,956	75,601	9,051	191,755
Capital projects fund	-	-	-	-	-
Debt service fund	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total cash basis fund balances	<u>\$ 803,155</u>	<u>112,956</u>	<u>75,601</u>	<u>9,051</u>	<u>191,755</u>

See Notes of Financial Statements

Exhibit B

Other Nonmajor Governmental	
Funds	Total
216,549	\$ 1,084,933
47,521	47,521
-	300,410
-	32,469
1,520	74,903
151,765	552,085
-	601,275
38,946	154,255
<u>456,301</u>	<u>2,847,851</u>
-	755,112
-	726,521
-	491,028
176,925	205,348
-	145,341
401,932	401,932
267,840	273,042
<u>846,697</u>	<u>2,998,324</u>
(390,396)	(150,473)
-	233,655
229,218	253,144
(41,417)	(253,144)
<u>187,801</u>	<u>233,655</u>
(202,595)	83,182
<u>389,375</u>	<u>1,296,116</u>
<u>186,780</u>	<u>\$ 1,379,298</u>
-	803,155
58,698	448,061
26,551	26,551
7,471	7,471
94,060	94,060
<u>186,780</u>	<u>\$ 1,379,298</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, 2008

<b>Total governmental funds cash balances</b>	\$ 1,379,298
 <i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>	
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.	95,245
<b>Cash basis net assets of governmental activities</b>	1,474,543
<b>Net change in cash balances</b>	83,182
 <i>Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:</i>	
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.	171
Change in cash balance of governmental activities	\$ 83,353

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, 2008

	<b>Enterprise Funds</b>			
	Water	Sewer	Meter Deposits	Total
Operating receipts:				
Charges for service	\$ 567,508	525,457	6,600	\$ 1,099,565
Total operating receipts	567,508	525,457	6,600	1,099,565
Operating disbursements:				
Business type activities	567,592	516,526	5,640	1,089,758
Total operating disbursements	567,592	516,526	5,640	1,089,758
Excess of operating receipts over operating disbursements	(84)	8,931	960	9,807
Non-operating receipts:				
Interest on investments	12,007	4,963	-	16,970
Sale of assets	-	-	-	-
Total non-operating receipts	12,007	4,963	-	16,970
Excess of receipts and non-operating receipts over disbursements	11,923	13,894	960	26,777
Cash balances beginning of year	297,172	271,395	54,379	622,946
Cash balances end of year	<u>\$ 309,095</u>	<u>\$ 285,289</u>	<u>\$ 55,339</u>	<u>\$ 649,723</u>
<b>Cash Basis Fund Balances</b>				
Reserved for debt service	50,000	194,112	-	244,112
Unreserved	259,095	91,177	55,339	405,611
Total cash basis fund balances	<u>\$ 309,095</u>	<u>285,289</u>	<u>55,339</u>	<u>\$ 649,723</u>

See Notes of Financial Statements

Exhibit D

<b>Internal Service Funds</b>			
	Employee Health	Equipment Replacement	Total
\$	11,500	42,500	\$ 54,000
	11,500	42,500	54,000
	7,447	61,195	68,642
	7,447	61,195	68,642
	4,053	(18,695)	(14,642)
	-	2,197	2,197
	-	11,706	11,706
	-	13,903	13,903
	4,053	(4,792)	(739)
	842	120,521	121,363
\$	4,895	115,729	\$ 120,624
	-	-	-
	4,895	115,729	120,624
\$	4,895	115,729	\$ 120,624

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, 2008

<b>Total enterprise funds cash balances</b>	\$ 649,723
 <i>Amounts reported for business-type activities in the Statement of Activities and Net Assets are different because:</i>	
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.	25,379
<b>Cash basis net assets of business type activities</b>	675,102
<b>Net change in cash balances</b>	26,777
 <i>Amounts reported for business-type activities in the Statement of Activities and Net Assets are different because:</i>	
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.	(910)
<b>Change in cash balance of business-type activities</b>	\$ 25,867

See Notes to the Financial Statements

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

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

The City of Eagle Grove is a political subdivision of the State of Iowa located in Wright County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer, solid waste and landfill utilities and services for its citizens.

A. Reporting Entity

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

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The Solid Waste Fund is utilized to account for the fees received and expenditures for solid waste removal.

The LOST Fund is used to account for local option sales tax receipts.

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 \$194,112 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, 2008 (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 \$628,315 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 \$62,483 for the year ended June 30, 2008. 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
2009	510,060	134,638	11,000	611	161,000	67,503	682,060	202,752
2010	229,431	114,512	-	-	164,000	61,856	393,431	176,368
2011	235,125	106,464	-	-	173,000	56,111	408,125	162,575
2012	245,851	98,183	-	-	176,000	50,031	421,851	148,214
2013	186,612	89,462	-	-	121,000	43,851	307,612	133,313
2014	192,409	83,100	-	-	124,000	39,973	316,409	123,073
2015	198,244	76,495	-	-	129,000	35,995	327,244	112,490
2016	172,616	70,455	-	-	133,000	31,859	305,616	102,314
2017	140,201	65,309	-	-	138,000	27,593	278,201	92,902
2018	151,161	60,000	-	-	142,000	23,167	293,161	83,167
2019	157,166	54,095	-	-	125,000	16,451	282,166	70,546
2020	163,310	47,795	-	-	130,000	15,118	293,310	62,913
2021	145,000	42,900	-	-	124,000	15,880	269,000	58,780
2022	150,000	36,935	-	-	128,000	12,040	278,000	48,975
2023	160,000	30,600	-	-	132,000	7,850	292,000	38,450
2024	165,000	23,660	-	-	136,000	3,960	301,000	27,620
2025	175,000	16,330	-	-	-	-	175,000	16,330
2026	180,000	8,370	-	-	-	-	180,000	8,370
	<u>3,557,186</u>	<u>1,159,303</u>	<u>11,000</u>	<u>611</u>	<u>2,236,000</u>	<u>509,238</u>	<u>5,804,186</u>	<u>1,669,152</u>

The Urban renewal tax increment financing revenue bonds were issued for the purpose of defraying a portion of the costs of carrying out an urban renewal project of the City. The bonds are payable solely from the income and proceeds of the Urban Renewal Tax Increment Fund and the taxes to be paid into the fund in accordance with Chapter 403.19 of the Code of Iowa. The proceeds of the urban renewal tax increment-financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City, however the debt is subject to the constitutional debt limitation of the City. Total principal and interest paid and total TIF receipts were \$11,611 and \$47,521, respectively.

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$500,000 in water revenue notes issued in September 1999. Proceeds from the notes provided financing for improvements made to the City's water system..

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

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

The notes are payable solely from water customer net receipts and are payable through 2012. The total principal and interest remaining to be paid on the notes is \$253,985. For the current year, principal and interest paid and total customer net receipts were \$62,880 and \$567,508, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,604,000 in sewer revenue notes issued starting in June of 2000 through August of 2004. Proceeds from the notes provided financing for improvements made to the City's wastewater treatment facilities.

The notes are payable solely from sewer customer net receipts and are payable through 2024. The total principal and interest remaining to be paid on the notes is \$2,491,253. For the current year, principal and interest paid and total customer net receipts were \$169,646 and \$525,457, respectively.

The resolutions providing for the issuance of the 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
- 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, 2008 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.

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

**(4) Pension and Retirement Benefits - continued**

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% 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, 2008, 2007, and 2006 were \$66,232, \$64,051, and \$66,039, and 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:

<u>Type of Benefit</u>	<u>Amount</u> <u>6-30-08</u>
Sick pay & personal days	\$203,057
Vacation pay	<u>45,404</u>
TOTAL	<u>\$248,461</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) Interfund Transfers**

The detail of interfund transfers, for the year ended June 30, 2008 is as follows:

<u>Transfer In</u>	<u>Transfer From</u>	<u>Amount</u>
General	Special Revenue Fund	
	Emergency	16,417
	Solid Waste	<u>7,509</u>
		<u>23,926</u>

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

**(6) Interfund Transfers - continued**

The detail of interfund transfers, for the year ended June 30, 2008 is as follows:

Capital Projects Fund			
Aquatic Center	Capital Improvements		25,000
	LOST		15,000
			<u>40,000</u>
Debt Service	LOST		<u>189,218</u>
			<u>253,144</u>

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

**(7) 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, 2008, the City of Eagle Grove paid the Authority \$5,852 for its share of the costs. Completed financial statements for the Authority can be obtained from the Wright County Landfill.

**(8) 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.

**(9) 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.

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

**(9) Property Taxes - continued**

Property taxes become liens on property as of July 1, 2007 and are payable in September and March of the fiscal year. The valuation for the taxes was based on January 1, 2006 assessed property valuations, and are based on a certified budget from March of 2007.

**(10) Deficit Balance**

The CDBG Fund, the Capital Projects Aquatic Center, Three Rivers Trail, and 2006 Projects Funds had deficit balances of \$36, \$5,363, \$7,714, and \$7,868 at June 20, 2008. The deficits resulted from projects costs being incurred prior to the funds being available. The City should look into alternatives to eliminate these deficits.

**(11) Litigation**

The City is subject to pending litigation seeking unspecified damages. The City plans to vigorously defend themselves and the probability of loss, if any, is undeterminable.

**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, 2008

	Governmental Funds Activity	Proprietary Funds Activity	Less Funds not Required to be Budgeted	Net
<b>Receipts</b>				
Property tax	\$ 1,084,933	-	-	1,084,933
Tax increment financing collection	47,521	-	-	47,521
Other city tax	300,410	-	-	300,410
Licenses and permits	32,469	-	-	32,469
Use of money and property	74,903	16,970	-	91,873
Intergovernmental	552,085	-	-	552,085
Charges for service	601,275	1,099,565	-	1,700,840
Miscellaneous	154,255	-	-	154,255
Total receipts	2,847,851	1,116,535	-	3,964,386
<b>Disbursements:</b>				
Program				
Public safety	755,112	-	-	755,112
Public works	726,521	-	-	726,521
Culture and recreation	491,028	-	-	491,028
Community and economic development	205,348	-	-	205,348
General government	145,341	-	-	145,341
Debt service	401,932	-	-	401,932
Capital projects	273,042	-	-	273,042
Business type activities	-	1,090,497	-	1,090,497
Total disbursements	2,998,324	1,090,497	-	4,088,821
Excess (deficiency) of receipts over disbursements	(150,473)	26,038	-	(124,435)
Other financing sources (uses)	233,655	-	-	233,655
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	83,182	26,038	-	109,220
Balance - beginning of year	1,296,116	744,309	-	2,040,425
Balance - end of year	\$ 1,379,298	770,347	-	2,149,645

Budgeted Amounts

Original	Final	Final to Net Variance
1,035,638	1,035,638	\$ 49,295
42,500	42,500	5,021
345,481	345,481	(45,071)
32,303	32,303	166
64,500	89,500	2,373
816,418	899,918	(347,833)
1,534,375	1,655,375	45,465
206,648	265,648	(111,393)
<u>4,077,863</u>	<u>4,366,363</u>	<u>(401,977)</u>
727,542	784,042	28,930
684,620	739,720	13,199
507,975	517,975	26,947
104,920	214,420	9,072
139,230	154,230	8,889
406,426	406,426	4,494
630,319	630,319	357,277
<u>1,116,641</u>	<u>1,231,641</u>	<u>141,144</u>
<u>4,317,673</u>	<u>4,678,773</u>	<u>589,952</u>
(239,810)	(312,410)	187,975
-	-	233,655
(239,810)	(312,410)	421,630
<u>1,980,150</u>	<u>2,042,550</u>	<u>(2,125)</u>
<u><u>1,740,340</u></u>	<u><u>1,730,140</u></u>	<u><u>\$ 419,505</u></u>

CITY OF EAGLE GROVE, IOWA

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2008

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 \$361,100. 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, 2008

	Special Revenue					
	SWWC EMS	Emergency	TIF	Housing Rehab	CDBG	Capital Improvement
<b>Receipts:</b>						
Property tax	\$ -	16,417	-	-	-	41,042
Tax increment financing collections	-	-	47,521	-	-	-
Use of money and property	-	-	-	91	-	-
Intergovernmental	2,070	-	-	-	149,695	-
Miscellaneous	-	-	445	86	2,300	1,746
<b>Total receipts</b>	<b>2,070</b>	<b>16,417</b>	<b>47,966</b>	<b>177</b>	<b>151,995</b>	<b>42,788</b>
<b>Disbursements:</b>						
<b>Operating:</b>						
Community & economic development	-	-	23,305	-	153,620	-
Capital projects	-	-	-	-	-	18,128
Debt Service	-	-	53,511	-	-	-
<b>Total Disbursements</b>	<b>-</b>	<b>-</b>	<b>76,816</b>	<b>-</b>	<b>153,620</b>	<b>18,128</b>
Excess of receipts over disbursements	2,070	16,417	(28,850)	177	(1,625)	24,660
<b>Other financing sources (uses):</b>						
Operating transfers in	-	-	-	-	-	-
Operating transfers out	-	(16,417)	-	-	-	(25,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(16,417)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(25,000)</b>
Net change in cash balances	2,070	-	(28,850)	177	(1,625)	(340)
Cash balances beginning of year	-	-	69,810	15,527	1,589	47,090
Cash balances end of year	\$ 2,070	-	40,960	15,704	(36)	46,750
<b>Cash Basis Fund Balances</b>						
<b>Unreserved:</b>						
Special revenue funds	2,070	-	40,960	15,704	(36)	-
Capital projects fund	-	-	-	-	-	46,750
Debt service fund	-	-	-	-	-	-
Permanent fund	-	-	-	-	-	-
<b>Total cash basis fund balances</b>	<b>\$ 2,070</b>	<b>-</b>	<b>40,960</b>	<b>15,704</b>	<b>(36)</b>	<b>46,750</b>

See Accompanying independent auditor's report.

Aquatic Center	Three Rivers Trail	2001 Projects	2006 Projects	Permanent		Debt Service	Total
				Library	Cemetery		
-	-	-	-	-	-	159,090	\$ 216,549
-	-	-	-	-	-	-	47,521
921	-	508	-	-	-	-	1,520
-	-	-	-	-	-	-	151,765
33,444	-	-	-	-	325	600	38,946
34,365	-	508	-	-	325	159,690	456,301
							176,925
226,761	3,183	19,528	240	-	-	-	267,840
						348,421	401,932
226,761	3,183	19,528	240	-	-	348,421	846,697
(192,396)	(3,183)	(19,020)	(240)	-	325	(188,731)	(390,396)
40,000	-	-	-	-	-	189,218	229,218
-	-	-	-	-	-	-	(41,417)
40,000	-	-	-	-	-	189,218	187,801
(152,396)	(3,183)	(19,020)	(240)	-	325	487	(202,595)
147,033	(4,531)	19,766	(7,628)	40,700	53,035	6,984	389,375
(5,363)	(7,714)	746	(7,868)	40,700	53,360	7,471	\$ 186,780
							58,698
(5,363)	(7,714)	746	(7,868)	-	-	-	26,551
						7,471	7,471
				40,700	53,360	-	94,060
(5,363)	(7,714)	746	(7,868)	40,700	53,360	7,471	\$ 186,780

CITY OF EAGLE GROVE, IOWA

Schedule 2

SCHEDULE OF INDEBTNESS

Year Ended June 30, 2008

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	\$ 55,000	\$ -	\$ 25,000	\$ 30,000	\$ 2,475	\$ -
Sewer Project - Capital Loan Note	December 1, 2000	5.46%	250,000	30,000	-	30,000	-	1,638	-
Essential Corporate Purpose	July 1, 1998	4.20-4.45%	560,000	135,000	-	65,000	70,000	6,008	-
Child Care Facility Capital Loan Note	November 1, 1999	4.75%	300,000	231,928	-	13,198	218,730	11,123	-
Essential Corporate Purpose	September 1, 2001	3.80-4.80%	515,000	285,000	-	50,000	235,000	12,575	-
GO Water Improvement Bonds	September 1, 2005	4.00%	315,000	252,000	-	31,500	220,500	10,108	-
General Obligation LOST Bonds	June 1, 2006	4.10-4.65%	2,500,000	2,415,000	-	85,000	2,330,000	104,218	-
Essential Corporate Purpose	November 21, 2005	3.55%	475,000	186,291	-	-	186,291	7,955	-
General Obligation Aquatic Center	November 20, 2006	0.00%	300,000	300,000	-	33,335	266,665	-	-
				<u>3,890,219</u>	<u>-</u>	<u>333,033</u>	<u>3,557,186</u>	<u>156,100</u>	<u>-</u>
Tax Increment Financing Notes									
Tax Increment Financing	November 1, 1999	5.55%	110,000	<u>22,000</u>	<u>-</u>	<u>11,000</u>	<u>11,000</u>	<u>1,221</u>	<u>-</u>
Revenue bonds and notes									
Water Revenue Capital Loan Notes	September 1, 2001	3.80-4.80%	500,000	\$ 280,000	\$ -	\$ 50,000	\$ 230,000	\$ 12,880	\$ -
SRF Loan	June 1, 2000	3.92%	500,000	199,000	-	16,000	183,000	5,970	-
SRF Loan	June 17, 2003	3.00%	1,725,000	367,000	-	22,000	345,000	14,386	-
SRF Loan	August 25, 2004	3.00%	379,000	<u>1,543,000</u>	<u>-</u>	<u>65,000</u>	<u>1,478,000</u>	<u>46,290</u>	<u>-</u>
				<u>2,389,000</u>	<u>-</u>	<u>153,000</u>	<u>2,236,000</u>	<u>79,526</u>	<u>-</u>

See Accompanying Independent Auditor's Report

CITY OF EAGLE GROVE, IOWA

Schedule 3

SCHEDULE OF BOND & NOTE MATURITIES

June 30, 2008

General Obligation Bonds and Notes

Year Ending June 30,	Wright Street Sewer Issued 11-1-93		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	
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	4.25	186,291	0.00	33,333	510,060
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	33,332	172,617
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	23,307	-	-	-	-	4.35	140,000	-	-	-	-	163,307
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>\$ 30,000</u>		<u>\$ 70,000</u>		<u>\$ 218,730</u>		<u>\$ 235,000</u>		<u>\$ 220,500</u>		<u>\$ 2,330,000</u>		<u>\$ 186,291</u>		<u>\$ 266,665</u>	<u>\$ 3,557,186</u>

See Accompanying Independent Auditor's Report

Year Ending June 30,	Revenue Bonds and Notes										Total
	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		
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	
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	-	-	125,000
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>\$ 11,000</u>		<u>\$ 230,000</u>		<u>\$ 345,000</u>		<u>\$ 1,478,000</u>		<u>\$ 183,000</u>	<u>\$ 2,236,000</u>

CITY OF EAGLE GROVE, IOWA

Schedule 4

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

	2008	2007	2006	2005
<b>Receipts</b>				
Property tax	\$ 1,084,933	\$ 1,097,062	\$ 1,064,063	\$ 1,050,882
Tax increment financing collection	47,521	44,294	56,485	78,500
Other city tax	300,410	289,533	68,777	64,892
Licenses and permits	32,469	30,796	38,656	38,378
Use of money and property	74,903	105,947	50,603	47,470
Intergovernmental	552,085	651,145	394,993	449,111
Charges for service	601,275	569,611	553,453	497,300
Miscellaneous	154,255	265,767	182,469	134,041
<b>Total receipts</b>	<b>2,847,851</b>	<b>3,054,155</b>	<b>2,409,499</b>	<b>2,360,574</b>
<b>Disbursements:</b>				
<b>Operating:</b>				
Public safety	755,112	711,717	787,370	811,948
Public works	726,521	670,080	693,366	714,875
Culture and recreation	491,028	401,762	392,670	394,812
Community and economic development	205,348	193,934	76,388	89,238
General government	145,341	136,304	135,944	202,889
Debt service	401,932	376,893	744,787	171,146
Capital projects	273,042	2,704,985	774,203	874,038
<b>Total disbursements</b>	<b>\$ 2,998,324</b>	<b>\$ 5,195,675</b>	<b>\$ 3,604,728</b>	<b>\$ 3,258,946</b>

See Accompanying Independent Auditor's Report



T.P. ANDERSON & COMPANY, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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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, 2008, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 31, 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 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 another 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-08 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, 2008 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.*

December 31, 2008

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2008

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

- (a) Unqualified opinions were 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, 2008

**Part II: Findings Related to the Financial Statements**

**SIGNIFICANT DEFICIENCIES:**

II-A-08      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, 2008

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

III-A-08 Certified Budget – Disbursements were within budgeted limits for all programs for the year ended June 30, 2008. However, expenditures for the Community and Economic Development 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-08 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-08 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

III-D-08 Business Transactions - No business transactions between the City and its officials or employees were noted.

III-E-08 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-08 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-08 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-08 Revenue Bonds and Notes – The city has complied with all revenue bond and note resolutions.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2008

III-I-08 Financial Condition – The CDGB Fund, 2006 Projects Fund, Three Rivers Trail Fund and Aquatic Center Fund had deficit fund balances at June 30, 2008 of \$36, 7,867, 7,715 and \$5,363 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-08 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.