

CITY OF ELDORA, IOWA

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

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City of Eldora, Iowa

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Brown	Mayor	Jan 2010
Denny Barnard	Council Member	Jan 2010
Bob Webb	Council Member	Jan 2010
Connie Jeske	Council Member	Jan 2010
Myron Kosanke	Council Member	Jan 2012
Daryl Albertson	Council Member	Jan 2012
Patrick Ian Rigg	City Administrator	Appointed
Joyce Lawler	City Clerk	Appointed
Ben Cutler	Attorney	Jan 2010

Library Board

Mary Swartz	Member	Jul 2010
Dean Stickrod	Member	Jul 2010
Jan Dunn	Member	Jul 2010
Don Wilson	Member	Jul 2012
Howard Marsh	Member	Jul 2012
Kristin Gehrke	Member	Jul 2014
Jill Stanish	Member	Jul 2014

Board of Adjustment

Roger Hansen	Member	May 2009
Ben Speck	Member	May 2010
Glen Gaede	Member	May 2011
David McCall	Member	May 2012
Brent Ewoldt	Member	May 2013

City of Eldora, Iowa

Officials (continued)

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Planning and Zoning Commission</u>		
Bruce Harvey	Member	Jun 2009
Larry Luiken	Member	Jun 2009
Frank Valde	Member	Jun 2010
Dan Dye	Member	Jun 2010
Mary Rubow	Member	Jun 2012
Bill Dagit	Member	Jun 2013
Steve Priske	Member	Jun 2013
<u>Theater Board</u>		
Dan Gehring	Member	Dec 2009
Linda Barcus	Member	Dec 2009
Dave Rubow	Member	Dec 2011
Judith Andrews	Member	Dec 2011
Denny Barnard	Member	Dec 2011

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldora, Iowa, as of and for the year ended June 30, 2009, which along with the discretely presented component unit, collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Eldora's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statement of The Eldora Firefighters Association has not been audited, and we were not engaged to audit The Eldora Firefighters Association's financial statement as part of our audit of the City's basic financial statements. The Eldora Firefighter Association's financial activities are included in the City's basic financial statements as a discretely presented component unit and represents 100 percent of the receipts and disbursements of the City's aggregate discretely presented component units. We did not audit the financial statement of the City of Eldora's discretely presented component unit and do not express an opinion on such information.

However, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldora as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated October 15, 2009 on our consideration of the City of Eldora's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 11 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eldora's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2008 (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 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

October 15, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is intended to be an easily readable analysis of the City of Eldora's financial activities for the fiscal year ended June 30, 2009 based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the City's financial statements.

Financial Highlights

- The City has incurred extra expenses due to remodeling the YMCA Building after being awarded Historical Downtown designation from the State.
- The City incurred extra expenses due to work being done on the Water Treatment Plant.
- The City incurred extra expenses due to engineering fees for the old hospital/clinic building.
- The City is working on eliminating deficit funds such as the Pool Trust and Trust & Agency.

Basis of Accounting

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

Report Layout

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report. Besides the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules or non-major funds and supplemental information. The first several statements are highly condensed and present a government-wide view of the City's finances.

Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as public safety, public works, health and social services, culture and recreation, community and economic development, general government administration, debt service, and capital projects. Business-type activities are water, sewer, solid waste and theatre.

Statement of Activities

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

Government-wide Financial Analysis

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

The differences between the final budgeted expenditures and the final expenditures were \$445,000. Please review the Schedule of Findings for further explanation.

Long-term debt – At the end of the current fiscal year, the City of Eldora had a debt outstanding of \$8,164,445. This consists of \$2,500,025 of general obligation debt, \$5,604,420 of revenue debt and \$60,000 in other debt.

Economic Factors and Next Year's Budget and Rates

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

The City is looking at diverting additional local option sales tax revenue to the aquatic center project in the 2009-2010 budget.

Increase in IPERS contributions will affect levy over the foreseeable future.

Return on investments continues to be low and depleted revenues will reduce investment revenues.

These factors, if known, were considered in doing the City of Eldora City 2010 budget. If they were not known, then they will be considered with the 2010 amended budget.

Request for Information

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

Changes in Net Assets of Governmental Activities:

	<u>Year Ended June 30, 2008</u>	<u>Year Ended June 30, 2009</u>
Receipt and Transfers		
Program Receipts:		
Charges for Service	\$ 516,499	\$ 128,243
Grants and Contributions	654,919	410,466
General Receipts:		
Property Taxes	1,076,350	1,109,339
Tax Increment Financing	15,156	16,639
Other City Taxes	268,165	306,403
Investment Earnings	44,880	20,771
Rent Received	83,907	85,621
Other General Receipts	138,695	157,149
Other Financing Sources		
Transfers net	<u>151,210</u>	<u>148,343</u>
Total Receipts and Transfers	<u>2,949,781</u>	<u>2,382,974</u>
Disbursements		
Public Safety	684,411	368,762
Public Works	385,517	420,988
Health and Social Services	63,196	96,769
Culture and Recreation	358,105	286,841
Development	63,438	124,905
General Government	209,255	287,215
Debt Service	550,016	483,802
Capital Projects	<u>452,614</u>	<u>94,594</u>
Total Disbursements	<u>2,766,552</u>	<u>2,163,876</u>
Increase (decrease) in cash net assets	183,229	219,098
Cash basis net assets beginning of year	536,323	677,141
Reclassify ambulance	---	(184,701)
Reclassify component unit	<u>(42,411)</u>	<u>---</u>
Cash basis net assets end of year	<u>\$ 677,141</u>	<u>\$ 711,538</u>

As you can see, the City saw a net increase in assets. This can somewhat be accounted for by the completion of capital projects.

Changes in Net Assets of Business Type Activities:

	<u>Year Ended</u> <u>June 30, 2008</u>	<u>Year Ended</u> <u>June 30, 2009</u>
Receipt and Transfers		
Program Receipts:		
Charges for Service:		
Water	\$ 275,667	\$ 269,064
Sewer	616,069	592,925
Solid Waste	89,315	88,931
Other Charges	104,852	104,981
Ambulance	---	382,324
General Receipts:		
Intergovernmental	---	25,997
Interest	53,268	21,594
Other General Receipts	<u>22,783</u>	<u>---</u>
Total Receipts and Transfers	<u>1,161,954</u>	<u>1,485,816</u>
Disbursements		
Water	316,001	460,984
Sewer	530,114	542,417
Solid Waste	92,443	112,141
Other Business Type	111,683	112,699
Ambulance	---	301,550
Transfers, net	<u>151,210</u>	<u>145,843</u>
Total Disbursements and Transfers	<u>1,201,451</u>	<u>1,675,634</u>
Increase (decrease) in cash basis net assets	(39,497)	(189,818)
Cash basis net assets beginning of year	1,425,797	1,386,300
Reclassify ambulance	<u>---</u>	<u>184,701</u>
Cash basis net assets end of year	<u>\$ 1,386,300</u>	<u>\$ 1,381,183</u>

Individual Major Governmental Fund Analysis

As the City of Eldora completed its year, its governmental funds reported a combined cash balance of \$711,538, an increase of \$219,098 from last year's total. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

Capital projects were completed in fiscal year 2008.

Individual Major Business Type Fund Analysis

Water Fund cash balance **decreased** \$185,567 from the prior year to \$238,138. This is mainly due to additional expenses for construction of the water plant upgrade.

Budgetary Highlights

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

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

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

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

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

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

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

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

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

Basic Financial Statements

City of Eldora, Iowa

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2009

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts</u> Operating Grants, Contributions, and Restricted <u>Interest</u>
Functions/Programs:			
Governmental activities:			
Public safety	\$ 368,762	25,496	-
Public works	420,988	18,943	251,813
Health and social services	96,769	-	-
Culture and recreation	286,841	72,312	64,348
Community and economic development	124,905	-	5,388
General government	287,215	11,492	-
Debt service	514,993	-	-
Capital projects	<u>63,403</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>2,163,876</u>	<u>128,243</u>	<u>321,549</u>
Business type activities:			
Water	460,984	269,064	-
Sewer	542,417	592,925	-
Ambulance	301,550	382,324	-
Other nonmajor	<u>224,840</u>	<u>193,912</u>	<u>-</u>
Total business type activities	<u>1,529,791</u>	<u>1,438,225</u>	<u>-</u>
Total primary government	<u>\$ 3,693,667</u>	<u>1,566,468</u>	<u>321,549</u>
Component Unit:			
Firefighters Association	<u>\$ 42,714</u>	<u>-</u>	<u>-</u>

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets				
Capital Grants, Contributions, and Restricted <u>Interest</u>	Primary Government			Component Unit
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	Eldora Firefighters <u>Association</u>
-	(343,266)	-	(343,266)	-
-	(150,232)	-	(150,232)	-
-	(96,769)	-	(96,769)	-
65,715	(84,466)	-	(84,466)	-
23,202	(96,315)	-	(96,315)	-
-	(275,723)	-	(275,723)	-
-	(514,993)	-	(514,993)	-
-	(63,403)	-	(63,403)	-
<u>88,917</u>	<u>(1,625,167)</u>	-	<u>(1,625,167)</u>	-
-	-	(191,920)	(191,920)	-
-	-	50,508	50,508	-
-	-	80,774	80,774	-
-	-	<u>(30,928)</u>	<u>(30,928)</u>	-
-	-	<u>(91,566)</u>	<u>(91,566)</u>	-
<u>88,917</u>	<u>(1,625,167)</u>	<u>(91,566)</u>	<u>(1,716,733)</u>	-
-	-	-	-	<u>(42,714)</u>

(continued)

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2009

	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Component Unit Eldora Firefighters Association
	Primary Government			
	Governmental Activities	Business Type Activities	Total	
General Receipts:				
Property tax and other city tax levied for:				
General purposes	\$ 767,678	-	767,678	-
Tax increment financing	16,639	-	16,639	-
Debt service	341,661	-	341,661	-
Local option sales tax	306,403	-	306,403	-
Unrestricted interest on investments	20,771	25,997	46,768	112
Rents received	85,621	-	85,621	-
Interfund loan repayment	2,850	-	2,850	-
Miscellaneous	153,849	21,594	175,443	45,893
Sale of assets	450	-	450	-
Transfers	148,343	(145,843)	2,500	(2,500)
Total general receipts and transfers	1,844,265	(98,252)	1,746,013	43,505
Change in cash basis net assets	219,098	(189,818)	29,280	791
Cash basis net assets beginning of year (as restated)	492,440	1,571,001	2,063,441	40,608
Cash basis net assets end of year	\$ 711,538	1,381,183	2,092,721	41,399
Cash Basis Net Assets				
Restricted:				
Streets	\$ 8,932	-	8,932	-
Cemetery perpetual care	123,739	-	123,739	-
Debt service	10,547	-	10,547	-
Other purposes	458,230	-	458,230	-
Unrestricted	110,090	1,381,183	1,491,273	41,399
Total cash basis net assets	\$ 711,538	1,381,183	2,092,721	41,399

See notes to financial statements.

City of Eldora, Iowa
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2009

	<u>General</u>
Receipts:	
Property tax	\$ 412,785
Tax increment financing	-
Other city tax	17,735
Licenses and permits	11,492
Use of money and property	73,360
Intergovernmental	31,119
Charges for service	97,088
Special assessments	-
Miscellaneous	65,524
Total receipts	<u>709,103</u>
Disbursements:	
Operating:	
Public safety	360,542
Public works	103,623
Health and social services	89,260
Culture and recreation	270,356
Community and economic development	73,340
General government	185,733
Debt service	-
Capital projects	-
Total disbursements	<u>1,082,854</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(373,751)</u>
Other financing sources (uses):	
Interfund loan repayment	-
Sale of capital assets	225
Operating transfers in	400,276
Operating transfers out	-
Total other financing sources (uses)	<u>400,501</u>
Net change in cash balances	26,750
Cash balances beginning of year (as restated)	<u>26,627</u>
Cash balances end of year	<u>\$ 53,377</u>
Cash Basis Fund Balances	
Reserved:	
Debt service	\$ -
Unreserved:	
General fund	53,377
Special revenue funds	-
Capital projects fund	-
Permanent fund	-
Total cash basis fund balances	<u>\$ 53,377</u>

See notes to financial statements.

Exhibit B

<u>Debt Service</u>	<u>Special Revenue</u>			<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
	<u>Trust & Agency</u>	<u>Local Option Tax</u>	<u>Road Use Tax Tax</u>		
341,661	260,540	-	-	47,613	1,062,599
-	-	-	-	16,639	16,639
15,177	11,690	306,403	-	2,138	353,143
-	-	-	-	-	11,492
954	-	-	-	114,680	188,994
-	-	-	253,295	40,870	325,284
-	-	-	17,385	2,415	116,888
-	-	-	-	-	-
-	-	-	8,811	81,957	156,292
<u>357,792</u>	<u>272,230</u>	<u>306,403</u>	<u>279,491</u>	<u>306,312</u>	<u>2,231,331</u>
-	-	-	-	8,220	368,762
-	-	-	317,365	-	420,988
-	-	2,985	-	4,524	96,769
-	-	2,000	-	14,485	286,841
-	-	-	-	51,565	124,905
-	-	-	-	101,482	287,215
483,802	-	-	-	31,191	514,993
-	-	-	-	63,403	63,403
<u>483,802</u>	<u>-</u>	<u>4,985</u>	<u>317,365</u>	<u>274,870</u>	<u>2,163,876</u>
<u>(126,010)</u>	<u>272,230</u>	<u>301,418</u>	<u>(37,874)</u>	<u>31,442</u>	<u>67,455</u>
2,850	-	-	-	-	2,850
-	-	-	-	225	450
122,520	2,523	-	-	182,824	708,143
-	(247,314)	(297,486)	(15,000)	-	(559,800)
<u>125,370</u>	<u>(244,791)</u>	<u>(297,486)</u>	<u>(15,000)</u>	<u>183,049</u>	<u>151,643</u>
(640)	27,439	3,932	(52,874)	214,491	219,098
4,414	(75,021)	5,000	220,289	311,131	492,440
<u>3,774</u>	<u>(47,582)</u>	<u>8,932</u>	<u>167,415</u>	<u>525,622</u>	<u>711,538</u>
3,774	-	-	-	6,773	10,547
-	-	-	-	-	53,377
-	(47,582)	8,932	167,415	338,397	467,162
-	-	-	-	56,713	56,713
-	-	-	-	123,739	123,739
<u>3,774</u>	<u>(47,582)</u>	<u>8,932</u>	<u>167,415</u>	<u>525,622</u>	<u>711,538</u>

City of Eldora, Iowa

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

As of and for the year ended June 30, 2009

	<u>Enterprise</u>	
	<u>Water</u>	<u>Sewer</u>
Operating receipts:		
Charges for service	\$ 269,064	592,856
Miscellaneous	-	69
Total operating receipts	<u>269,064</u>	<u>592,925</u>
Operating disbursements:		
Business type activities	<u>460,984</u>	<u>306,077</u>
Total operating disbursements	<u>460,984</u>	<u>306,077</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(191,920)</u>	<u>286,848</u>
Non-operating receipts (disbursements):		
Interest on investments	7,113	13,332
Miscellaneous	10,440	7,409
Debt service	-	(236,340)
Total non-operating receipts (disbursements)	<u>17,553</u>	<u>(215,599)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(174,367)</u>	<u>71,249</u>
Other financing sources (uses):		
Operating transfers out	<u>(11,200)</u>	<u>(128,720)</u>
Total other financing sources (uses)	<u>(11,200)</u>	<u>(128,720)</u>
Net change in cash balances	(185,567)	(57,471)
Cash balances beginning of year (as restated)	<u>423,705</u>	<u>758,231</u>
Cash balances end of year	<u>238,138</u>	<u>700,760</u>
Cash Basis Fund Balances		
Unreserved	<u>238,138</u>	<u>700,760</u>
Total cash basis fund balances	<u>\$ 238,138</u>	<u>700,760</u>

See notes to financial statements.

Exhibit C

<u>Funds</u>		
<u>Ambulance</u>	<u>Other Nonmajor Funds</u>	<u>Total</u>
378,238	183,960	1,424,118
<u>4,086</u>	<u>9,952</u>	<u>14,107</u>
<u>382,324</u>	<u>193,912</u>	<u>1,438,225</u>
<u>301,550</u>	<u>224,840</u>	<u>1,293,451</u>
<u>301,550</u>	<u>224,840</u>	<u>1,293,451</u>
<u>80,774</u>	<u>(30,928)</u>	<u>144,774</u>
3,193	2,359	25,997
-	3,745	21,594
-	-	<u>(236,340)</u>
<u>3,193</u>	<u>6,104</u>	<u>(188,749)</u>
<u>83,967</u>	<u>(24,824)</u>	<u>(43,975)</u>
<u>(5,123)</u>	<u>(800)</u>	<u>(145,843)</u>
<u>(5,123)</u>	<u>(800)</u>	<u>(145,843)</u>
78,844	(25,624)	(189,818)
<u>184,701</u>	<u>204,364</u>	<u>1,571,001</u>
<u>263,545</u>	<u>178,740</u>	<u>1,381,183</u>
<u>263,545</u>	<u>178,740</u>	<u>1,381,183</u>
<u>263,545</u>	<u>178,740</u>	<u>1,381,183</u>

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

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

A. Reporting Entity

For financial reporting purposes, City of Eldora, Iowa has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Eldora and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

Discretely Presented Component Unit

The Eldora Firefighters Association is a separate nonprofit organization whose purpose is to help raise funds for the City of Eldora's fire department. The records are maintained on the basis of cash receipts and disbursements. The Eldora Firefighters meets the definition of a component which should be discretely presented. The Association's financial statement has not been audited and we do not express any opinion on the financial statement.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2009

Jointly Governed Organizations

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

B. Basis of Presentation

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

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

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

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

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

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2009

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

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 not paid from other funds.

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

Special Revenue:

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

The Trust & Agency Fund is used to account for employee benefits.

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

The City reports the following major proprietary funds:

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

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

The Ambulance Fund is used to account for the operation of the ambulance service.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2009

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the health and social services, and business type activities.

E. Subsequent Events

Subsequent events have been evaluated through October 15, 2009, which is the date the financial statements were available to be issued.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2009

(2) Cash

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no investments at June 30, 2009. During the year ended June 30, 2009, the City invested its excess funds in savings accounts.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2009

(3) Bonds and Notes Payable

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

Year Ending <u>June 30,</u>	General Obligation Bonds/Notes		Revenue Notes/Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	376,628	99,986	63,063	179,790
2011	328,397	84,844	65,234	177,312
2012	265,000	71,925	68,411	174,749
2013	275,000	61,899	327,596	172,059
2014	275,000	51,218	470,789	161,574
2015	290,000	40,284	624,991	146,782
2016	180,000	28,542	627,201	127,322
2017	120,000	21,050	630,420	107,777
2018	125,000	16,190	599,647	88,106
2019	130,000	11,065	586,885	69,317
2020	135,000	5,670	591,132	50,888
2021	-	-	493,390	32,414
2022	-	-	82,659	16,609
2023	-	-	56,938	14,043
2024	-	-	37,231	12,246
2025	-	-	17,534	11,035
2026	-	-	12,851	10,412
2027	-	-	8,181	9,925
2028	-	-	8,525	9,574
2029	-	-	8,883	9,208
2030	-	-	9,257	8,827
2031	-	-	9,646	8,429
2032	-	-	10,051	8,015
2033	-	-	10,474	7,584
2034	-	-	10,915	7,134
2035	-	-	11,373	6,666
2036	-	-	11,851	6,178
2037	-	-	12,350	5,670
2038	-	-	12,869	5,140
2039	-	-	13,409	4,587
2040	-	-	13,973	4,012
2041	-	-	14,561	3,413
2042	-	-	15,173	2,788
2043	-	-	15,810	2,137
2044	-	-	16,476	1,458
2045	-	-	17,168	751
2046	-	-	17,503	99
Total	<u>\$ 2,500,025</u>	<u>492,673</u>	<u>5,604,420</u>	<u>1,664,030</u>

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

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

Installment Notes		Total	
<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
30,000	2,850	469,691	282,626
30,000	1,425	423,631	263,581
-	-	333,411	246,674
-	-	602,596	233,958
-	-	745,789	212,792
-	-	914,991	187,066
-	-	807,201	155,864
-	-	750,420	128,827
-	-	724,647	104,296
-	-	716,885	80,382
-	-	726,132	56,558
-	-	493,390	32,414
-	-	82,659	16,609
-	-	56,938	14,043
-	-	37,231	12,246
-	-	17,534	11,035
-	-	12,851	10,412
-	-	8,181	9,925
-	-	8,525	9,574
-	-	8,883	9,208
-	-	9,257	8,827
-	-	9,646	8,429
-	-	10,051	8,015
-	-	10,474	7,584
-	-	10,915	7,134
-	-	11,373	6,666
-	-	11,851	6,178
-	-	12,350	5,670
-	-	12,869	5,140
-	-	13,409	4,587
-	-	13,973	4,012
-	-	14,561	3,413
-	-	15,173	2,788
-	-	15,810	2,137
-	-	16,476	1,458
-	-	17,168	751
-	-	17,503	99
<u>60,000</u>	<u>4,275</u>	<u>8,164,445</u>	<u>2,160,978</u>

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2009

(3) Bonds and Notes Payable (continued)

Revenue Notes/Bonds

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,802,751 in sewer revenue bonds issued in 2000 and \$4,400,000 in sewer revenue bonds issued in 2005. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$6,592,627. For the current year, principal and interest paid and total customer net receipts were \$224,886 and \$321,865 respectively.

The City has pledged future building rentals to repay \$350,000 of child care revenue notes. Proceeds from the notes provided financing for the construction of a day care facility. The total principal and interest remaining to be paid on the notes is \$675,823. For the current year principal and interest paid on the notes was \$16,753.

(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 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were \$67,631, \$59,310 and \$57,464, respectively, equal to the required contributions for each year.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2009

(5) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation, compensatory time and sick hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation, compensatory time, and sick leave termination payments payable to employees at June 30, 2009, primarily relating to the General and Proprietary Funds, are as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 53,200
Sick leave	31,500
Compensatory time	<u>1,900</u>
Total	<u>\$ 86,600</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2009

(6) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2009 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local option sales tax	\$ 135,462
	Employee benefits	247,314
	Road use tax	15,000
	Fire trust	2,500
Capital Projects	Special Revenue:	
	Local option sales tax	154,000
Debt Service	Enterprise:	
	Sewer	122,520
Special Revenue:	Special Revenue:	
Insurance	Ambulance	2,600
	Enterprise:	
	Water	11,200
	Sewer	6,200
	Theater	800
Special Revenue:	Special Revenue:	
Park Trust	Local option sales tax	2,000
Special Revenue:	Enterprise:	
Trust & agency	Ambulance	2,523
Special Revenue:		
Day Care Trust	Local option sales tax	<u>6,024</u>
Total		<u>\$ 708,143</u>

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

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2009

(7) Joint Financing Agreement

The City is a member of the Hardin County Solid Waste Disposal Commission. The Hardin County Solid Waste Disposal Commission entered into a 28E Agreement with the Butler County Solid Waste Commission and the Wright County Area Landfill Authority which established the Rural Iowa Waste Management Association (Association). During the year ended June 30, 1996, the Rural Iowa Waste Management Association issued \$830,000 of Solid Waste Revenue Bonds pursuant to Chapter 28F.9 of the Code of Iowa. The principal and interest on the bonds are payable solely from and secured by the net revenues of the facilities operated by the Association. The balance outstanding at June 30, 2009 is \$355,000.

(8) Risk Management

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 577 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2009

administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2009 were \$85,680.

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

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2009, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

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

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2009

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

(9) Construction Commitments

The City entered into a commitment of approximately \$450,000 for a water systems improvement. This project will be financed from state revolving loan funds and cash reserves.

The City has also entered into commitments of approximately \$36,000 for purchasing computer equipment and land improvements to be paid with cash on hand.

The City has also committed to street patching work for approximately \$500,000 to be paid with cash on hand.

(10) Deficit Fund Balances

The Special Revenue Employee Benefits Account had a deficit balance of \$47,582 at June 30, 2009. The City plans to keep the total property tax levy the same over the next few years and pay the debt down through accurate distribution of costs for benefits and insurance by the departments that are enterprise funds. This debt should be eliminated over the next three to four years.

The Capital Projects Fund has a positive balance of \$63,486. However, included in this account is a deficit of \$435,150 related to the construction of a new pool. The council plans to eliminate part of this deficit with contributions yet to be received and transfers of the local option sales tax. The City Council is continuing to monitor this situation.

(11) Operating Lease

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

Year Ending	6-30-2010	\$ <u>1,080</u>
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City of Eldora, Iowa

Notes to Financial Statements

June 30, 2009

(12) Capital Leases

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

The City of Eldora entered into a second capital lease for the purchase of a police car. The lease expires June 2011. During the year ended June 30, 2009 the City disbursed \$6,875 for this lease.

Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2010	\$ 5,863	1,012	6,875
June 30, 2011	<u>6,348</u>	<u>527</u>	<u>6,875</u>
	\$ <u>12,211</u>	<u>1,539</u>	<u>13,750</u>

The City has entered into a capital lease for the purchase of 2 defibrillators. This is a sixty month lease expiring in 2012. During the year ended June 30, 2009 the City disbursed \$6,443 for this lease. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2010	\$ 5,474	969	6,443
June 30, 2011	6,053	390	6,443
June 30, 2012	<u>532</u>	<u>5</u>	<u>537</u>
	\$ <u>12,059</u>	<u>1,364</u>	<u>13,423</u>

(13) Economic Development Loans Receivable

The City has various long-term loans receivable totaling \$87,307 as of June 30, 2009 due from various businesses in Eldora. The loans were financed with the loan proceeds of an USDA Rural Development Grant, matching contributions from the City and repayments from businesses. Interest rates on these loans vary from 2.5% to 5.0% with monthly payments varying from \$165 - \$660.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2009

(14) Subsequent Event

The City had a major storm disaster in August of 2009. The extent of damage to City owned property that is not covered by insurance is not known as of the audit report date.

(15) Restatement of Beginning Fund Balances

The beginning balances of the governmental and proprietary funds have been restated to reclassify the Ambulance Fund from Special Revenue to Enterprise. This more clearly reflects the purpose of the fund.

	<u>Governmental</u>	<u>Proprietary</u>
Balance as originally stated	\$ 677,141	\$ 1,386,300
Adjustment	<u>(184,701)</u>	<u>184,701</u>
Restated beginning balance	<u>\$ 492,440</u>	<u>\$ 1,571,001</u>

Required Supplementary Information

City of Eldora, Iowa

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

Required Supplementary Information

Year ended June 30, 2009

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 1,062,599	-
Tax increment financing	16,639	-
Other city tax	353,143	-
Licenses and permits	11,492	-
Use of money and property	188,994	-
Intergovernmental	325,284	-
Charges for service	116,888	1,438,225
Special assessments	-	-
Miscellaneous	156,292	47,591
Total receipts	<u>2,231,331</u>	<u>1,485,816</u>
Disbursements:		
Public safety	368,762	-
Public works	420,988	-
Health and social services	96,769	-
Culture and recreation	286,841	-
Community and economic development	124,905	-
General government	287,215	-
Debt service	514,993	-
Capital projects	63,403	-
Business type activities	-	1,529,791
Total disbursements	<u>2,163,876</u>	<u>1,529,791</u>
Excess (deficiency) of receipts over (under) disbursements	67,455	(43,975)
Other financing sources, net	<u>151,643</u>	<u>(145,843)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	219,098	(189,818)
Balances beginning of year	<u>492,440</u>	<u>1,571,001</u>
Balances end of year	<u>\$ 711,538</u>	<u>1,381,183</u>

See accompanying independent auditor's report.

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
1,062,599	1,069,613	1,069,613	(7,014)
16,639	15,000	15,000	1,639
353,143	198,869	198,869	154,274
11,492	8,045	8,045	3,447
188,994	78,100	78,100	110,894
325,284	290,040	290,040	35,244
1,555,113	1,470,810	1,559,810	(4,697)
-	200	200	(200)
203,883	195,823	459,808	(255,925)
<u>3,717,147</u>	<u>3,326,500</u>	<u>3,679,485</u>	<u>37,662</u>
368,762	656,492	678,192	309,430
420,988	530,764	545,764	124,776
96,769	38,668	89,668	(7,101)
286,841	406,376	416,376	129,535
124,905	114,516	238,516	113,611
287,215	228,354	296,854	9,639
514,993	515,408	548,408	33,415
63,403	303,000	343,700	280,297
1,529,791	978,757	980,757	(549,034)
<u>3,693,667</u>	<u>3,772,335</u>	<u>4,138,235</u>	<u>444,568</u>
23,480	(445,835)	(458,750)	482,230
5,800	-	98,000	(92,200)
29,280	(445,835)	(360,750)	390,030
<u>2,063,441</u>	<u>1,689,500</u>	<u>1,689,500</u>	<u>373,941</u>
<u>2,092,721</u>	<u>1,243,665</u>	<u>1,328,750</u>	<u>763,971</u>

City of Eldora, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2009

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 nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2009 one budget amendment increasing budgeted disbursements by \$365,900, budgeted receipts by \$352,985 and other financing sources by \$98,000.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in health and social services and business type activities.

Other Supplementary Information

City of Eldora, Iowa

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

As of and for the year ended June 30, 2009

	Special	
	<u>Insurance</u>	<u>Trees Forever</u>
Receipts:		
Property tax	\$ 47,613	-
Tax increment financing	-	-
Other city tax	2,138	-
Use of money and property	992	13
Intergovernmental	-	-
Charges for service	-	-
Special assessments	-	-
Miscellaneous	689	-
Total receipts	51,432	13
Disbursements:		
Operating:		
Public safety	-	-
Public works	-	-
Health and social services	-	-
Culture and recreation	-	-
Community and Economic Development	-	-
General government	79,157	-
Debt service	-	-
Capital projects	-	-
Total disbursements	79,157	-
Excess (deficiency) of receipts over (under) disbursements	(27,725)	13
Other financing sources (uses):		
Sale of capital assets	-	-
Operating transfers in	20,800	-
Operating transfers out	-	-
Total other financing sources (uses)	20,800	-
Net change in cash balances	(6,925)	13
Cash balances beginning of year	52,546	6,025
Cash balances end of year	45,621	6,038
Cash Basis Fund Balances		
Reserved:		
Debt service	-	-
Unreserved:		
Special revenue funds	45,621	6,038
Capital project fund	-	-
Permanent fund	-	-
Total cash basis fund balances	\$ 45,621	6,038

See accompanying independent auditor's report.

Schedule 1

Revenue				
<u>Park Trust</u>	<u>Library Trust</u>	<u>Special Library Trust</u>	<u>Police Trust</u>	<u>Day Care Trust</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
101	1,059	-	-	-
29,735	3,635	-	-	-
-	-	-	720	-
-	-	-	-	-
<u>1,000</u>	<u>4,686</u>	<u>-</u>	<u>6,653</u>	<u>-</u>
<u>30,836</u>	<u>9,380</u>	<u>-</u>	<u>7,373</u>	<u>-</u>
-	-	-	6,510	-
-	-	-	-	-
-	-	-	-	4,524
3,367	11,118	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>3,367</u>	<u>11,118</u>	<u>-</u>	<u>6,510</u>	<u>4,524</u>
<u>27,469</u>	<u>(1,738)</u>	<u>-</u>	<u>863</u>	<u>(4,524)</u>
-	-	-	-	-
2,000	-	-	-	6,024
-	-	-	-	-
<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,024</u>
29,469	(1,738)	-	863	1,500
<u>(18,656)</u>	<u>12,621</u>	<u>60,000</u>	<u>5,068</u>	<u>-</u>
<u>10,813</u>	<u>10,883</u>	<u>60,000</u>	<u>5,931</u>	<u>1,500</u>
-	-	-	-	-
10,813	10,883	60,000	5,931	1,500
-	-	-	-	-
<u>10,813</u>	<u>10,883</u>	<u>60,000</u>	<u>5,931</u>	<u>1,500</u>

(continued)

City of Eldora, Iowa

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

As of and for the year ended June 30, 2009

	Special		
	Theater Trust	Ambulance Trust	TIF
Receipts:			
Property tax	\$ -	-	-
Tax increment financing collections	-	-	16,639
Other city tax	-	-	-
Use of money and property	-	52	-
Intergovernmental	-	-	7,500
Charges for service	-	1,695	-
Special assessments	-	-	-
Miscellaneous	334	-	-
Total receipts	<u>334</u>	<u>1,747</u>	<u>24,139</u>
Disbursements:			
Operating:			
Public safety	-	1,710	-
Public works	-	-	-
Health and social services	-	-	-
Culture and recreation	-	-	-
Community and economic development	-	-	-
General government	-	-	22,325
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>-</u>	<u>1,710</u>	<u>22,325</u>
Excess (deficiency) of receipts over (under) disbursements	<u>334</u>	<u>37</u>	<u>1,814</u>
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash balances	334	37	1,814
Cash balances beginning of year	<u>1,005</u>	<u>16,396</u>	<u>73,460</u>
Cash balances end of year	<u><u>1,339</u></u>	<u><u>16,433</u></u>	<u><u>75,274</u></u>
Cash Basis Fund Balances			
Reserved:			
Debt service	-	-	-
Unreserved:			
Special revenue funds	1,339	16,433	75,274
Capital project fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ 1,339</u>	<u>16,433</u>	<u>75,274</u>

See accompanying independent auditor's report.

Schedule 1

<u>Revenue</u>	<u>Capital Projects</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
Economic Development	Non-Major Capital Projects		
-	-	-	47,613
-	-	-	16,639
-	-	-	2,138
82,602	29,861	-	114,680
-	-	-	40,870
-	-	-	2,415
-	-	-	-
<u>1,230</u>	<u>67,365</u>	<u>-</u>	<u>81,957</u>
<u>83,832</u>	<u>97,226</u>	<u>-</u>	<u>306,312</u>
-	-	-	8,220
-	-	-	-
-	-	-	4,524
-	-	-	14,485
51,565	-	-	51,565
-	-	-	101,482
-	31,191	-	31,191
-	63,403	-	63,403
<u>51,565</u>	<u>94,594</u>	<u>-</u>	<u>274,870</u>
<u>32,267</u>	<u>2,632</u>	<u>-</u>	<u>31,442</u>
-	-	225	225
-	154,000	-	182,824
-	-	-	-
-	154,000	225	183,049
32,267	156,632	225	214,491
72,298	(93,146)	123,514	311,131
<u>104,565</u>	<u>63,486</u>	<u>123,739</u>	<u>525,622</u>
-	6,773	-	6,773
104,565	-	-	338,397
-	56,713	-	56,713
-	-	123,739	123,739
<u>104,565</u>	<u>63,486</u>	<u>123,739</u>	<u>525,622</u>

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

As of and for the year ended June 30, 2009

	<u>Theater</u>	<u>Utility Deposit</u>	<u>Solid Waste</u>	<u>Total</u>
Operating receipts:				
Charges for service	\$ 95,029	-	88,931	183,960
Miscellaneous	<u>-</u>	<u>9,952</u>	<u>-</u>	<u>9,952</u>
Total operating receipts	<u>95,029</u>	<u>9,952</u>	<u>88,931</u>	<u>193,912</u>
Operating disbursements:				
Business type activities	<u>103,031</u>	<u>9,668</u>	<u>112,141</u>	<u>224,840</u>
Total operating disbursements	<u>103,031</u>	<u>9,668</u>	<u>112,141</u>	<u>224,840</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(8,002)</u>	<u>284</u>	<u>(23,210)</u>	<u>(30,928)</u>
Non-operating receipts:				
Interest on investments	886	310	1,163	2,359
Miscellaneous	<u>3,745</u>	<u>-</u>	<u>-</u>	<u>3,745</u>
Total non-operating receipts	<u>4,631</u>	<u>310</u>	<u>1,163</u>	<u>6,104</u>
Excess (deficiency) of receipts over (under) disbursements	(3,371)	594	(22,047)	(24,824)
Operating transfers out	<u>(800)</u>	<u>-</u>	<u>-</u>	<u>(800)</u>
Net change in cash balances	(4,171)	594	(22,047)	(25,624)
Cash balances beginning of year	<u>55,032</u>	<u>39,048</u>	<u>110,284</u>	<u>204,364</u>
Cash balances end of year	<u>50,861</u>	<u>39,642</u>	<u>88,237</u>	<u>178,740</u>
Cash Basis Fund Balances				
Unreserved	<u>50,861</u>	<u>39,642</u>	<u>88,237</u>	<u>178,740</u>
Total cash basis fund balances	<u>\$ 50,861</u>	<u>39,642</u>	<u>88,237</u>	<u>178,740</u>

See accompanying independent auditor's report.

City of Eldora, Iowa

Schedule of Indebtedness

Year ended June 30, 2009

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

See accompanying independent auditor's report.

Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
735,000	-	95,000	640,000	27,520	-
100,000	-	30,000	70,000	5,453	-
485,000	-	65,000	420,000	18,897	-
1,325,000	-	90,000	1,235,000	51,945	-
124,956	-	39,931	85,025	5,311	-
<u>\$ 2,769,956</u>	<u>-</u>	<u>319,931</u>	<u>2,450,025</u>	<u>109,126</u>	<u>-</u>
<u>95,000</u>	<u>-</u>	<u>45,000</u>	<u>50,000</u>	<u>4,895</u>	<u>-</u>
141,000	-	9,000	132,000	5,527	-
661,000	-	40,000	621,000	25,911	-
115,000	-	7,000	108,000	4,508	-
4,398,000	-	1,000	4,397,000	131,940	-
100,000	-	1,021	98,979	3,764	-
250,000	-	2,559	247,441	9,409	-
<u>\$ 5,665,000</u>	<u>-</u>	<u>60,580</u>	<u>5,604,420</u>	<u>181,059</u>	<u>-</u>
<u>60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>2,850</u>	<u>-</u>
<u>\$ 60,000</u>	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>2,850</u>	<u>-</u>

City of Eldora, Iowa

Bond and Note Maturities

June 30, 2009

General Obligation Notes/Bonds						
Year	Corporate Purpose Bonds			Demolition		
	Issued Oct 1, 1999			Issued July 21, 2005		
Ending	Interest			Interest		
<u>June 30,</u>	<u>Rates</u>	<u>Amount</u>		<u>Rate</u>	<u>Amount</u>	
2010	5.20 %	\$ 50,000		4.25 %	\$ 41,628	
2011		-		4.25	43,397	
Total		<u>\$ 50,000</u>			<u>\$ 85,025</u>	

General Obligation Notes/Bonds									
Year	Storm Sewer			Corporate Purpose and			Sanitary Sewer		
	Note			Refunding Note			Improvement Note		
Ending	Issued Nov 1, 2000			Issued Oct 1, 2003			Issued Apr 1, 2005		
<u>June 30,</u>	Interest			Interest			Interest		
	<u>Rates</u>	<u>Amount</u>		<u>Rates</u>	<u>Amount</u>		<u>Rates</u>	<u>Amount</u>	
2010	5.45 %	\$ 35,000		3.45 %	\$ 55,000		3.50 %	\$ 100,000	
2011	5.50	35,000		3.70	55,000		3.60	100,000	
2012		-		3.90	60,000		3.75	105,000	
2013		-		4.00	60,000		3.90	110,000	
2014		-		4.15	60,000		4.00	110,000	
2015		-		4.30	65,000		4.05	115,000	
2016		-		4.45	65,000			-	
2017		-			-			-	
2018		-			-			-	
2019		-			-			-	
2020		-			-			-	
Total		<u>\$ 70,000</u>			<u>\$ 420,000</u>			<u>\$ 640,000</u>	

Aquatic Center

Note

Issued Nov. 7, 2005

Interest

<u>Rates</u>		<u>Amount</u>	<u>Total</u>
3.65	% \$	95,000	376,628
3.70		95,000	328,397
3.75		100,000	265,000
3.80		105,000	275,000
3.85		105,000	275,000
3.90		110,000	290,000
4.00		115,000	180,000
4.05		120,000	120,000
4.10		125,000	125,000
4.15		130,000	130,000
4.20		<u>135,000</u>	<u>135,000</u>
		<u>\$ 1,235,000</u>	<u>2,500,025</u>

(continued)

City of Eldora, Iowa
Bond and Note Maturities
June 30, 2009

Year Ending <u>June 30,</u>	Revenue										
	Sewer Bond - Series A Issued Apr 18, 2000				Sewer Bond - Series B Issued Apr 18, 2000				Sewer Bond - Series D Issued Apr 18, 2000		
	Interest		Amount		Interest		Amount		Interest		Amount
	Rates			Rates				Rates			
2010	3.92 %	\$	9,000	3.92 %	\$	42,000		3.92 %	\$	7,000	
2011	3.92		9,000	3.92		43,000		3.92		8,000	
2012	3.92		10,000	3.92		45,000		3.92		8,000	
2013	3.92		10,000	3.92		47,000		3.92		8,000	
2014	3.92		10,000	3.92		48,000		3.92		8,000	
2015	3.92		11,000	3.92		50,000		3.92		9,000	
2016	3.92		11,000	3.92		52,000		3.92		9,000	
2017	3.92		12,000	3.92		54,000		3.92		9,000	
2018	3.92		12,000	3.92		57,000		3.92		10,000	
2019	3.92		12,000	3.92		59,000		3.92		10,000	
2020	3.92		13,000	3.92		61,000		3.92		11,000	
2021	3.92		13,000	3.92		63,000		3.92		11,000	
2022			-			-				-	
2023			-			-				-	
2024			-			-				-	
2025			-			-				-	
2026			-			-				-	
2027			-			-				-	
2028			-			-				-	
2029			-			-				-	
2030			-			-				-	
2031			-			-				-	
2032			-			-				-	
2033			-			-				-	
2034			-			-				-	
2035			-			-				-	
2036			-			-				-	
2037			-			-				-	
2038			-			-				-	
2039			-			-				-	
2040			-			-				-	
2041			-			-				-	
2042			-			-				-	
2043			-			-				-	
2044			-			-				-	
2045			-			-				-	
2046			-			-				-	
Total			<u>\$ 132,000</u>			<u>\$ 621,000</u>				<u>\$ 108,000</u>	

See accompanying independent auditor's report.

Bonds

Sewer Bond Issued Jun 13, 2005				Child Care Note 1 Issued May 5, 2007				Child Care Note 2 Issued May 5, 2007				Total
Interest				Interest				Interest				
Rates			Amount	Rates			Amount	Rates			Amount	
3.00	%	\$	1,000	4.125	%	\$	1,159	4.125	%	\$	2,904	63,063
3.00			1,000	4.125			1,208	4.125			3,026	65,234
3.00			1,000	4.125			1,258	4.125			3,153	68,411
3.00			258,000	4.125			1,311	4.125			3,285	327,596
3.00			400,000	4.125			1,366	4.125			3,423	470,789
3.00			550,000	4.125			1,424	4.125			3,567	624,991
3.00			550,000	4.125			1,484	4.125			3,717	627,201
3.00			550,000	4.125			1,546	4.125			3,874	630,420
3.00			515,000	4.125			1,611	4.125			4,036	599,647
3.00			500,000	4.125			1,679	4.125			4,206	586,885
3.00			500,000	4.125			1,749	4.125			4,383	591,132
3.00			400,000	4.125			1,823	4.125			4,567	493,390
3.00			76,000	4.125			1,900	4.125			4,759	82,659
3.00			50,000	4.125			1,979	4.125			4,959	56,938
3.00			30,000	4.125			2,063	4.125			5,168	37,231
3.00			10,000	4.125			2,149	4.125			5,385	17,534
3.00			5,000	4.125			2,240	4.125			5,611	12,851
			-	4.125			2,334	4.125			5,847	8,181
			-	4.125			2,432	4.125			6,093	8,525
			-	4.125			2,534	4.125			6,349	8,883
			-	4.125			2,641	4.125			6,616	9,257
			-	4.125			2,752	4.125			6,894	9,646
			-	4.125			2,867	4.125			7,184	10,051
			-	4.125			2,988	4.125			7,486	10,474
			-	4.125			3,114	4.125			7,801	10,915
			-	4.125			3,244	4.125			8,129	11,373
			-	4.125			3,381	4.125			8,470	11,851
			-	4.125			3,523	4.125			8,827	12,350
			-	4.125			3,671	4.125			9,198	12,869
			-	4.125			3,825	4.125			9,584	13,409
			-	4.125			3,986	4.125			9,987	13,973
			-	4.125			4,154	4.125			10,407	14,561
			-	4.125			4,328	4.125			10,845	15,173
			-	4.125			4,510	4.125			11,300	15,810
			-	4.125			4,700	4.125			11,776	16,476
			-	4.125			4,897	4.125			12,271	17,168
			-	4.125			5,149	4.125			12,354	17,503
			<u>\$ 4,397,000</u>				<u>\$ 98,979</u>				<u>\$ 247,441</u>	<u>5,604,420</u>

City of Eldora, Iowa

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

For the Last Six Years

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Receipts:			
Property tax	\$ 1,062,599	1,029,357	1,015,043
Tax increment financing	16,639	15,156	68,798
Other city tax	353,143	315,157	348,249
Licenses and permits	11,492	12,958	6,334
Use of money and property	188,994	147,906	106,502
Intergovernmental	325,284	297,555	781,727
Charges for service	116,888	534,703	314,626
Special assessments	-	178	1,813
Miscellaneous	<u>156,292</u>	<u>410,032</u>	<u>462,476</u>
 Total	 <u>\$ 2,231,331</u>	 <u>2,763,002</u>	 <u>3,105,568</u>
Disbursements:			
Operating			
Public safety	\$ 368,762	684,411	631,384
Public works	420,988	385,517	368,779
Health and social services	96,769	63,196	85,999
Culture and recreation	286,841	358,105	248,622
Community and economic development	124,905	63,438	82,116
Geneneral government	287,215	209,255	228,293
Debt service	514,993	550,016	548,175
Capital projects	<u>63,403</u>	<u>452,614</u>	<u>2,528,529</u>
 Total	 <u>\$ 2,163,876</u>	 <u>2,766,552</u>	 <u>4,721,897</u>

See accompanying independent auditor's report.

Schedule 5

<u>2006</u>	<u>2005</u>	<u>2004</u>
764,623	744,318	770,492
70,248	64,767	19,895
270,204	260,178	276,684
8,544	7,297	10,619
139,391	106,756	92,909
364,980	281,632	283,345
255,622	176,694	217,612
2,861	2,329	3,702
<u>503,640</u>	<u>151,479</u>	<u>69,658</u>
<u>2,380,113</u>	<u>1,795,450</u>	<u>1,744,916</u>
771,471	688,577	628,097
415,889	386,063	396,145
1,193,069	302,315	352,073
248,565	241,505	251,924
96,932	760	760
270,958	385,351	259,135
294,465	194,393	1,429,516
<u>1,293,276</u>	<u>35,989</u>	<u>273,150</u>
<u>4,584,625</u>	<u>2,234,953</u>	<u>3,590,800</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 Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldora, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated October 15, 2009. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-09 is a material weakness.

Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009 are based exclusively on knowledge obtained from procedures performed during our audit on the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

October 15, 2009

City of Eldora, Iowa

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-09 Segregation of Duties – During our review of internal control, the existing procedures were evaluated in order to determine that incompatible duties are not performed by the same employee. We noted that one employee handles almost all of the financial duties, including reconciling accounts and recording financial data.

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

Response – We feel we are segregating duties to the fullest extent possible with the size of our staff. The Council will maintain its review of the financial records.

Conclusion – Response accepted.

I-B-09 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Eldora does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an organization of your size.

City of Eldora, Iowa

Schedule of Findings

Year ended June 30, 2009

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including all necessary disclosures, in accordance with the cash basis of accounting can be considered costly and ineffective. However, it is the responsibility of the City’s management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the resources necessary to remain current on reporting requirements and corresponding footnote disclosures would lack benefit in relating to the cost, but will continue evaluating on a going forward basis.

Conclusion – Response accepted.

Part II : Other Findings Related to Statutory Reporting:

II-A-09 Certified Budget – Disbursements during the year ended June 30, 2009 exceeded the amounts budgeted in the health and social services, and business type activities. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

Response – The largest item is the disparity in business type activities and that comes from two separate items. The first item would be the ambulance services shift from public safety to business type activities. The other is the City of Eldora misinterpretation of the category of business type activities need to include enterprise capital projects rather than keeping all capital projects within capital projects fund. What appears to be an imbalance in the budget or over spending is in fact categorical misplacement. The difference in Health and Social Services comes from an unexpected expense that occurred after the budget had been amended and before the fiscal year closed. The total amount amended for City spending remains a positive balance. If faced with this situation again, the City will hold spending until the next fiscal year if and when an unexpected expense occurs after the budget amendment if that expense is in excess of the budgeted amount. When using cash based accounting, tracking irregular expenses that have yet to provide a receipt can prove to be difficult but the City will pay particular attention to catch such errors over the two months between the final budget amendment and the close of the fiscal year.

City of Eldora, Iowa

Schedule of Findings

Year ended June 30, 2009

Conclusion – Response accepted.

II-B-09 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-09 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-09 Business Transactions – Business Transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Myron Kosanke, Council Member, Owner of Kosanke Welding	Repairs	\$ 216
Bruce Harvey, Fire Chief, Owner of Harvey’s Home Decorating	Supplies	132

In accordance with Chapter 362.5(10) of the Code of Iowa, these transactions do not appear to represent conflicts of interest since total transactions with each individual were less than \$2,500.

II-E-09 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.

II-F-09 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

II-G-09 Financial Condition – The Special Revenue Fund, Employee Benefit Account had a deficit balance of \$47,582 at June 30, 2009. The Capital Projects Fund, Pool Construction Account had a deficit balance of \$435,150 at June 30, 2009.

City of Eldora, Iowa

Schedule of Findings

Year ended June 30, 2009

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

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

Conclusion – Response accepted.

II-H-09 Revenue Bonds – No violations of the revenue bond resolutions were noted.

II-I-09 Excess Balance – It was noted that the Special Revenue Fund, TIF account had a balance in excess of one years expenditures at June 30, 2009.

Recommendation – City Officials should review this balance.

Response – We have reviewed this with legal council and are planning on rehabilitating some commercial buildings in the TIF district.

Conclusion – Response accepted.