

CITY OF EAGLE GROVE, IOWA

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

JUNE 30, 2009

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

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CITY OF EAGLE GROVE, IOWA
OFFICIALS

June 30, 2009

<u>Title</u>	<u>Name of Official</u>	<u>Term Expires</u>
Mayor	Ray Kellogg	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

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, 2009, 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 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, 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 January 7, 2010, 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 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 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 inquiries 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 six 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 4 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.

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

January 7, 2010

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, 2009. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2009 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 7%, or approximately \$208,000, from fiscal 2008 to fiscal 2009. Sale of Assets decreased approximately \$213,000.
- Disbursements decreased 5%, or approximately \$153,000, in fiscal 2009 from fiscal 2008. The decrease was mainly attributable to the decrease in Community and Economic Development expenditures.
- The City's total cash basis net assets decreased 6%, or approximately \$126,000 from June 30, 2008 to June 30, 2009. The City's governmental activities cash balance increased \$28,000 while its business type activities decreased \$154,000.

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.

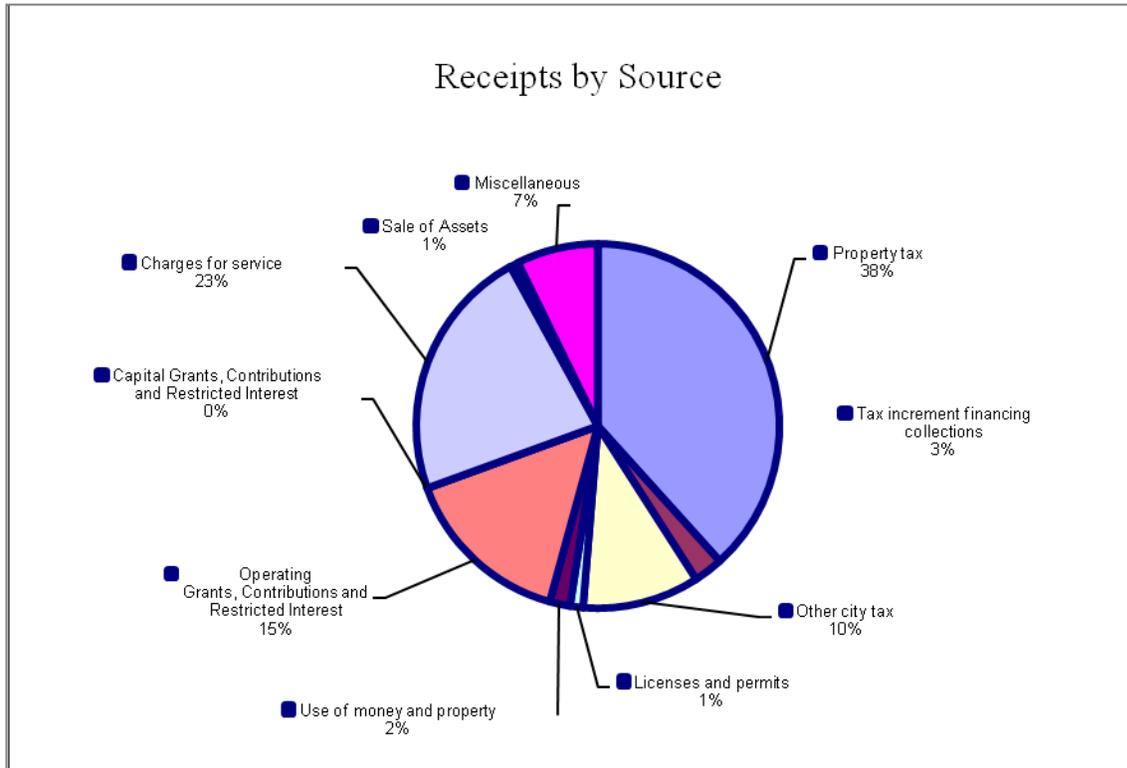
Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

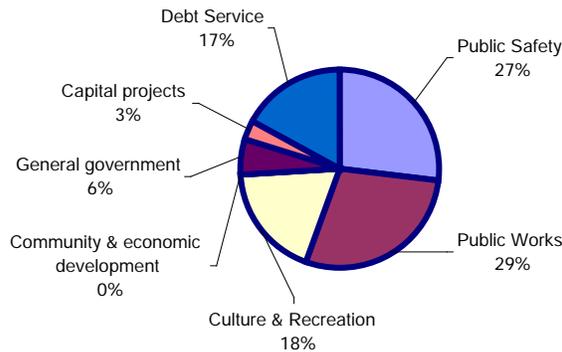
Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$1.4 million to \$1.5 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

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

	Year ended June 30,	
	2009	2008
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 649	\$ 601
Operating grants, contributions and restricted interest	436	402
Capital grants, contributions and restricted interest	-	150
General receipts:		
Property tax	1,101	1,085
Tax increment financing	75	47
Local option sales tax	298	300
Unrestricted investment earnings	52	75
Sale of assets	21	234
Other general receipts	169	187
Transfer in	72	-
Total receipts and transfers	2,873	3,081
Disbursements:		
Public safety	770	755
Public works	810	727
Culture and recreation	520	491
Community and economic development	12	205
General government	161	145
Debt service	479	402
Capital projects	93	273
Total disbursements	2,845	2,998
Increase (decrease) in cash basis net assets	28	83
Cash basis net assets beginning of year	1,474	1,391
Cash basis net assets end of year	\$1,502	\$ 1,474



Disbursements by Function



The City’s total receipts for governmental activities decreased by 7%, or approximately \$208,000. The total cost of all programs and services decreased by approximately \$153,000, or 5%.

The cost of all governmental activities this year was \$2.87 million compared to \$3.08 million last year. However, as shown in the Statement of Activities and Net Assets on page 10, the amount taxpayers ultimately financed for these activities was \$1.8 million because some of the cost was paid by those who directly benefited from the programs (\$649,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$436,000). Overall, the City’s governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2008 from approximately \$1,153,000 to approximately \$1,085,000. The City paid for the remaining “public benefit” portion of governmental activities with approximately \$1,474,000 in tax (some of which could only be used for certain programs), 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,	
	2009	2008
Receipts:		
Charges for service:		
Water	\$ 513	\$ 568
Sewer rental	523	525
Other	12	7
General receipts:		
Unrestricted interest on investments	9	17
Total receipts	1,057	1,117
Disbursements and transfers:		
Water	676	568
Sewer rental	454	517
Other	9	6
Transfers	72	-
Total disbursements and transfers	1,211	1,091
Increase (decrease) in cash balance	(154)	26
Cash basis net assets beginning of year	675	649
Cash basis net assets end of year	\$ 521	\$ 675

Total business type activities receipts for the fiscal year were \$1,057,000 compared to \$1,117,000 last year. The cash balance decreased by approximately \$154,000 from the prior year. Total disbursements for the fiscal year increased \$120,000 compared to the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Eagle Grove completed the year, its governmental funds reported a combined fund balance of \$1,383,471, an increase of approximately \$4,200 from last year's total of \$1,379,298. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$55,291 from the prior year to approximately \$748,000. The decrease was a result of regular City activities.
- The Road Use Tax Fund cash balance decreased by \$17,194 to \$95,762 during the fiscal year. The decrease is due to road maintenance expenditures continuing to remain at a high level.
- The Employee Benefit Fund increased by \$7,913 to \$83,514 during the fiscal year. This was due to the cost of employee benefits being lower than expected for fiscal year 2009.
- The Solid Waste Fund decreased by \$2,311 to \$6,740 during the fiscal year. This decrease was a result of the regular activities of the solid waste fund.
- The LOST Fund increased by \$52,684 to \$244,439 during the fiscal year. The increase was due to a delay in starting projects to be paid for from this fund.
- The Debt Service Fund has a balance of \$5,041, a decrease of \$2,430 from fiscal year 2008.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$185,619 to \$123,476. The decrease was a result of selling a significantly decreased amount of water to one major customer.
- The Sewer Fund cash balance increased by \$17,448 to \$302,737, due primarily to regular operations.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved in May 2009 and resulted in a decrease in budgeted disbursements of \$423,500. The decrease in budgeted expenditures resulted mainly from delayed capital project expenditures. The amendment increased budgeted receipts by \$416,000.

DEBT ADMINISTRATION

At June 30, 2009, the City had approximately \$5,308,000 in bonds and other long-term debt, compared to approximately \$5,804,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30,	
	2009	2008
General obligation bonds	\$ 3,233	\$ 3,557
Urban renewal tax increment financing revenue bonds	-	11
Revenue notes	2,075	2,236
Total	\$ 5,308	\$ 5,804

Debt decreased as a result of paying down the outstanding bonds in accordance with the amortization schedules 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 \$3,233,753 is within its constitutional debt limit of \$4.977 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 \$1.2 million after the rollback. This results in approximately \$10,000 less revenue available from taxes for the General Fund. It is always a difficult task trying to put the budget together not knowing what the State Legislature would do. Current state budget difficulties are expected to trickle down and affect the City. In these uncertain economic times, it is a big concern again this year.

Many of the City's expenditures such as equipment repair and water treatment chemicals increased notably during the year. These type of increases have been taken into account in setting the fiscal year 2010 budget.

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 City of 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, 2009

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
Primary Government							
Governmental activities:							
Public safety	\$ 770,195	212,970	27,641	-	(529,584)	-	(529,584)
Public works	810,273	339,065	364,104	-	(107,104)	-	(107,104)
Culture and recreation	519,750	97,029	43,993	-	(378,728)	-	(378,728)
Community and economic development	11,731	-	-	-	(11,731)	-	(11,731)
General government	160,911	-	-	-	(160,911)	-	(160,911)
Debt service	479,369	-	-	-	(479,369)	-	(479,369)
Capital projects	92,946	-	-	-	(92,946)	-	(92,946)
Total governmental activities	2,845,175	649,064	435,738	-	(1,760,373)	-	(1,760,373)
Business type activities							
Water	676,179	513,311	-	-	-	(162,868)	(162,868)
Sewer	453,713	522,513	-	-	-	68,800	68,800
Other	9,414	11,891	-	-	-	2,477	2,477
Total business type activities	1,139,306	1,047,715	-	-	-	(91,591)	(91,591)
Total primary government	3,984,481	1,696,779	435,738	-	(1,760,373)	(91,591)	(1,851,964)
General Receipts:							
Property tax levied for:							
General purposes					\$ 1,100,675	-	1,100,675
Tax increment financing					75,507	-	75,507
Local option sales tax					297,892	-	297,892
Unrestricted interest on investments					52,549	9,581	62,130
Sale of assets					21,000	-	21,000
Miscellaneous					168,707	-	168,707
Operating transfers in (out)					71,873	(71,873)	-
Total general receipts and transfers					1,788,203	(62,292)	1,725,911
Change in cash basis net assets					27,830	(153,883)	(126,053)
Cash beginning of year					1,474,543	675,102	2,149,645
Cash end of year					1,502,373	521,219	2,023,592
Cash Basis Net Assets:							
Restricted							
Streets					95,762	-	95,762
Capital projects					47,761	-	47,761
Debt service					5,041	307,928	312,969
Other purposes					605,949	-	605,949
Unrestricted					747,860	213,291	961,151
					\$ 1,502,373	521,219	2,023,592

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, 2009

	SPECIAL REVENUE			
	General	Road Use Tax	Employee Benefits	Solid Waste
Receipts:				
Property tax	\$ 556,678	-	340,659	-
Tax increment financing collections	-	-	-	-
Other city tax	-	-	-	-
Licenses and permits	33,553	-	-	-
Use of money and property	52,510	-	-	-
Intergovernmental	123,973	307,984	-	-
Charges for service	388,124	-	-	260,940
Miscellaneous	80,107	-	31,670	-
Total receipts	<u>1,234,945</u>	<u>307,984</u>	<u>372,329</u>	<u>260,940</u>
Disbursements:				
Operating:				
Public safety	616,501	-	177,351	-
Public works	171,713	325,178	57,620	255,762
Culture & recreation	417,568	-	102,182	-
Community & economic development	10,845	-	664	-
General government	134,312	-	26,599	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>1,350,939</u>	<u>325,178</u>	<u>364,416</u>	<u>255,762</u>
Excess (deficiency) of receipts over (under) disbursements	(115,994)	(17,194)	7,913	5,178
Other financing sources (uses):				
Sale of assets	21,000	-	-	-
Operating transfers in	39,735	-	-	-
Operating transfers out	(36)	-	-	(7,489)
Total other financing sources (uses)	<u>60,699</u>	<u>-</u>	<u>-</u>	<u>(7,489)</u>
Net change in cash balances	(55,295)	(17,194)	7,913	(2,311)
Cash balances beginning of year	<u>803,155</u>	<u>112,956</u>	<u>75,601</u>	<u>9,051</u>
Cash balances end of year	<u>\$ 747,860</u>	<u>95,762</u>	<u>83,514</u>	<u>6,740</u>
Cash Basis Fund Balances				
Unreserved:				
General fund	747,860	-	-	-
Special revenue funds	-	95,762	83,514	6,740
Capital projects fund	-	-	-	-
Debt service fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	<u>\$ 747,860</u>	<u>95,762</u>	<u>83,514</u>	<u>6,740</u>

See Notes of Financial Statements

LOST	Debt Service	Other Nonmajor Governmental Funds	Total
-	159,032	44,306	\$ 1,100,675
-	-	75,507	75,507
297,892	-	-	297,892
-	-	-	33,553
-	-	39	52,549
-	-	3,781	435,738
-	-	-	649,064
-	2,600	20,777	135,154
297,892	161,632	144,410	2,780,132
-	-	-	793,852
-	-	-	810,273
-	-	-	519,750
-	-	222	11,731
-	-	-	160,911
-	426,867	52,502	479,369
54,275	-	38,671	92,946
54,275	426,867	91,395	2,868,832
243,617	(265,235)	53,015	(88,700)
-	-	-	21,000
-	262,805	36	302,576
(190,933)	-	(32,245)	(230,703)
(190,933)	262,805	(32,209)	92,873
52,684	(2,430)	20,806	4,173
191,755	7,471	179,309	1,379,298
244,439	5,041	200,115	\$ 1,383,471
-	-	-	747,860
244,439	-	57,094	487,549
-	-	47,761	47,761
-	5,041	-	5,041
-	-	95,260	95,260
244,439	5,041	200,115	\$ 1,383,471

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, 2009

Total governmental funds cash balances \$ 1,383,471

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

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

118,902

Cash basis net assets of governmental activities

1,502,373

Net change in cash balances

4,173

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

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

23,657

Change in cash balance of governmental activities

\$ 27,830

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, 2009

	Enterprise Funds			
	Water	Sewer	Meter Deposits	Total
Operating receipts:				
Charges for service	\$ 513,311	522,513	11,891	\$ 1,047,715
Total operating receipts	513,311	522,513	11,891	1,047,715
Operating disbursements:				
Business type activities	581,949	279,328	9,414	870,691
Total operating disbursements	581,949	279,328	9,414	870,691
Excess of operating receipts over operating disbursements	(68,638)	243,185	2,477	177,024
Non-operating receipts:				
Interest on investments	8,057	1,524	-	9,581
Sale of assets	-	-	-	-
Debt service	(66,105)	(173,679)	-	(239,784)
Sale of assets	(34,738)	(5,903)	-	(40,641)
Total non-operating receipts	(92,786)	(178,058)	-	(270,844)
Excess of receipts and non-operating receipts over disbursements and non-operating disbursements	(161,424)	65,127	2,477	(93,820)
Other Financing Sources (Uses)				
Operating transfers out	(24,194)	(47,679)	-	(71,873)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(185,618)	17,448	2,477	(165,693)
Cash balances beginning of year	309,095	285,289	55,339	649,723
Cash balances end of year	\$ 123,477	\$ 302,737	\$ 57,816	\$ 484,030
Cash Basis Fund Balances				
Reserved for debt service	50,000	200,112	57,816	307,928
Unreserved	73,477	102,625	-	176,102
Total cash basis fund balances	\$ 123,477	302,737	57,816	\$ 484,030

See Notes of Financial Statements

Exhibit D

Internal Service Funds			
	Employee Health	Equipment Replacement	Total
\$	9,500	42,500	\$ 52,000
	9,500	42,500	52,000
	7,647	14,652	22,298
	7,647	14,652	22,298
	1,853	27,848	29,702
	-	1,590	1,590
	-	4,175	4,175
	-	-	-
	-	-	-
	-	5,765	5,765
	1,853	33,614	35,467
	-	-	-
	1,853	33,614	35,467
	4,895	115,729	120,624
\$	6,748	149,343	\$ 156,091
	-	-	-
	6,748	149,343	156,091
\$	6,748	149,343	\$ 156,091

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, 2009

Total enterprise funds cash balances	\$ 484,030
 <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.	37,189
Cash basis net assets of business type activities	521,219
Net change in cash balances	(165,693)
 <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 in net assets of the Internal Service Funds is reported with the governmental activities.	11,810
Change in cash balance of business-type activities	\$ (153,883)

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.

Blended Component Units - The following component unit is an entity, which is legally separate from the City, but is so intertwined with the City that it is, in substance, the same as the City.

The municipal waterworks has been established pursuant to Chapter 388 of the Code of Iowa for operation of the city waterworks. Although the municipal waterworks are legally separate from the City, its operations are budgeted with, and reported with the City's Proprietary Fund Types.

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.

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

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

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:

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.

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

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

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.

The Debt Service Fund is used to account for the property taxes collected for and the payment of general obligation debt of the City.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water distribution system. It also accounts for the payment of interest and principal on the City's Water Revenue 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. It also accounts for the payment of interest and principal on the City's SRF Revenue Notes and the reserve funds which have a balance of \$200,112 and are required by the loans. 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.

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

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

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.

(2) **Cash and Investments**

The City's deposits at June 30, 2009 (which include certificates of deposit totaling \$428,950) 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 \$636,212 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) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in 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 \$34,686 for the year ended June 30, 2009. These receipts are included under Use of Money and Property for Governmental Funds and Interest on Investments for proprietary activities.

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

(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:

Year Ending	General Obligation		Revenue Notes		Total Debt	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	229,431	123,746	164,000	67,137	393,431	190,833
2011	421,416	115,698	173,000	61,392	594,416	177,090
2012	245,851	99,966	176,000	55,312	421,851	155,278
2013	186,612	91,246	121,000	49,132	307,612	140,378
2014	192,410	84,884	124,000	45,254	316,410	130,138
2015	198,245	78,279	129,000	41,276	327,245	119,555
2016	172,615	72,239	133,000	37,139	305,615	109,379
2017	140,201	67,093	138,000	32,874	278,201	99,967
2018	151,161	61,784	142,000	28,448	293,161	90,232
2019	157,166	55,879	125,000	21,155	282,166	77,034
2020	162,646	49,579	130,000	19,822	292,646	69,401
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>3,232,754</u>	<u>1,059,188</u>	<u>2,075,000</u>	<u>498,672</u>	<u>5,307,754</u>	<u>1,557,860</u>

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.

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 \$189,555. For the current year, principal and interest paid and total customer net receipts were \$65,705 and \$513,311, 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.

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

(3) Bonds and Notes Payable - continued

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 \$2,384,117. For the current year, principal and interest paid and total customer net receipts were \$169,354 and \$517,817, 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.
- e. Sufficient rates are to be charged to generate Net Revenues adequate to pay the principal and interest on the bonds and to create/maintain the reserves required by the bonds. The Net Revenues are also to be equal to or greater than 110 percent of the principal and interest requirements of the succeeding fiscal year.

A summary of changes in long-term debt for the year ended June 30, 2009 is as follows:

	TIF			Total
	G.O. Bonds	Revenue Bonds	Revenue Bonds	
Balance, beginning of year	3,557,186	11,000	2,236,000	5,804,186
Additions	-	-	-	-
Decreases	324,432	11,000	161,000	496,432
Balance, end of year	<u>3,232,754</u>	<u>-0-</u>	<u>2,075,000</u>	<u>5,307,754</u>

Interest rates on the general obligation bonds range from 3.55-4.80%. Interest rates on the TIF revenue bonds are 5.55%. Interest rates on the revenue bonds range from 3.00-4.80%.

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

(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 annual covered payroll. 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 contribution to IPERS for the years ended June 30, 2009, 2008, and 2007 were \$72,935, \$66,232, and \$64,051, 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 one (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>6-30-09</u>
Sick pay and personal days	\$208,607
Vacation pay	<u>41,536</u>
TOTAL	<u>\$250,143</u>

The City by resolution sets the rules for sick pay as follows:
1 day per month with a maximum of 120 days accumulation.

<u>The City by resolution sets the rules for vacation policy as follows:</u>	
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.

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

(6) Interfund Transfers

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

Transfer In	Transfer From	Amount
General	Special Revenue Fund	
	TIF	\$ 12,500
	Emergency	4,009
	Solid Waste	7,489
		<u>23,998</u>
CDBH	General	<u>36</u>
		<u>36</u>
Debt Service	LOST	190,932
	Water	24,194
	Sewer	47,679
		<u>262,805</u>
		<u>\$ 286,839</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, 2009, the City of Eagle Grove paid the Authority \$5,725 for its share of the costs. Completed financial statements for the Authority can be obtained from the Wright County Landfill.

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

(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. Property taxes become liens on property as of July 1, 2008 and are payable in September and March of the fiscal year. The valuation for the taxes was based on January 1, 2007 assessed property valuations, and are based on a certified budget from March of 2008.

(10) Deficit Balance

The Three Rivers Trail and 2006 Projects Funds had deficit balances of \$15,487 and \$7,868 at June 30, 2009. The deficits resulted from projects costs being incurred prior to the funds being available. The City should look into alternatives to eliminate these deficits.

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, 2009

	Governmental Funds Activity	Proprietary Funds Activity	Less Funds not Required to be Budgeted	Net
Receipts				
Property tax	\$ 1,100,675	-	-	1,100,675
Tax increment financing collection	75,507	-	-	75,507
Other city tax	297,892	-	-	297,892
Licenses and permits	33,553	-	-	33,553
Use of money and property	52,549	11,171	-	63,720
Intergovernmental	435,738	-	-	435,738
Charges for service	649,064	1,047,715	-	1,696,779
Miscellaneous	135,154	56,175	-	191,329
Total receipts	2,780,132	1,115,061	-	3,895,193
Disbursements:				
Program				
Public safety	793,852	-	-	793,852
Public works	810,273	-	-	810,273
Culture and recreation	519,750	-	-	519,750
Community and economic development	11,731	-	-	11,731
General government	160,911	-	-	160,911
Debt service	479,369	-	-	479,369
Capital projects	92,946	-	-	92,946
Business type activities	-	1,173,414	-	1,173,414
Total disbursements	2,868,832	1,173,414	-	4,042,246
Excess (deficiency) of receipts over disbursements	(88,700)	(58,353)	-	(147,053)
Other financing sources (uses)	92,873	(71,873)	-	21,000
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	4,173	(130,226)	-	(126,053)
Balance - beginning of year	1,379,298	770,347	-	2,149,645
Balance - end of year	\$ 1,383,471	640,121	-	2,023,592

Budgeted Amounts

Original	Final	Final to Net Variance
1,048,113	1,048,113	\$ 52,562
70,000	70,000	5,507
347,906	347,906	(50,014)
32,303	32,303	1,250
75,900	60,900	2,820
698,510	348,510	87,228
1,648,375	1,597,375	99,404
206,335	206,335	(15,006)
<u>4,127,442</u>	<u>3,711,442</u>	<u>183,751</u>
783,382	813,382	19,530
770,869	831,369	21,096
532,144	542,144	22,394
48,569	23,569	11,838
271,625	171,625	10,714
479,458	480,458	1,089
614,373	214,373	121,427
1,330,014	1,330,014	156,600
<u>4,830,434</u>	<u>4,406,934</u>	<u>364,688</u>
(702,992)	(695,492)	548,439
<u>325,000</u>	<u>(19,000)</u>	<u>40,000</u>
(377,992)	(714,492)	588,439
<u>1,785,180</u>	<u>2,125,180</u>	<u>24,465</u>
<u><u>1,407,188</u></u>	<u><u>1,410,688</u></u>	<u><u>\$ 612,904</u></u>

CITY OF EAGLE GROVE, 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 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 decreased budgeted disbursements by \$423,500 and budgeted receipts by \$416,000. 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, 2009

	Special Revenue				
	SWWC EMS	Emergency	TIF	Housing Rehab	CDBG
Receipts:					
Property tax	\$ -	4,009	-	-	-
Tax increment financing collections	-	-	75,507	-	-
Use of money and property	-	-	-	32	-
Intergovernmental	3,781	-	-	-	-
Miscellaneous	-	-	-	-	-
Total receipts	3,781	4,009	75,507	32	-
Disbursements:					
Operating:					
Community & economic development	-	-	222	-	-
Capital projects	-	-	-	-	-
Debt service	-	-	52,502	-	-
Total disbursements	-	-	52,724	-	-
Excess of receipts over disbursements	3,781	4,009	22,783	32	-
Other financing sources (uses):					
Operating transfers in	-	-	-	-	36
Operating transfers out	-	(4,009)	(12,500)	(15,736)	-
Total other financing sources (uses)	-	(4,009)	(12,500)	(15,736)	36
Net change in cash balances	3,781	-	10,283	(15,704)	36
Cash balances beginning of year	2,070	-	40,960	15,704	(36)
Cash balances end of year	\$ 5,851	-	51,243	-	-
Cash Basis Fund Balances					
Unreserved:					
Special revenue funds	5,851	-	51,243	-	-
Capital projects fund	-	-	-	-	-
Debt service fund	-	-	-	-	-
Permanent fund	-	-	-	-	-
Total cash basis fund balances	\$ 5,851	-	51,243	-	-

See Accompanying independent auditor's report.

Capital Projects					Permanent		
Capital Improvement	Aquatic Center	Three Rivers Trail	2001 Projects	2006 Projects	Library	Cemetery	Total
40,297	-	-	-	-	-	-	\$ 44,306
-	-	-	-	-	-	-	75,507
-	-	-	-	-	-	-	32
-	-	-	-	-	-	-	3,781
9,882	9,694	-	-	-	-	1,200	20,776
50,179	9,694	-	-	-	-	1,200	144,402
-	-	-	-	-	-	-	222
30,173	-	7,773	746	-	-	-	38,692
-	-	-	-	-	-	-	52,502
30,173	-	7,773	746	-	-	-	91,416
20,006	9,694	(7,773)	(746)	-	-	1,200	52,986
-	-	-	-	-	-	-	36
-	-	-	-	-	-	-	(32,245)
-	-	-	-	-	-	-	(32,209)
20,006	9,694	(7,773)	(746)	-	-	1,200	20,777
46,750	(5,363)	(7,714)	746	(7,868)	40,700	53,360	179,309
66,756	4,331	(15,487)	-	(7,868)	40,700	54,560	\$ 200,086
-	-	-	-	-	-	-	57,094
66,756	4,331	(15,487)	-	(7,868)	-	-	47,732
-	-	-	-	-	-	-	-
-	-	-	-	-	40,700	54,560	95,260
66,756	4,331	(15,487)	-	(7,868)	40,700	54,560	\$ 200,086

CITY OF EAGLE GROVE, IOWA

Schedule 2

SCHEDULE OF INDEBTNESS

Year Ended June 30, 2009

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	\$ 30,000	\$ -	\$ 30,000	\$ -	\$ 1,350	\$ -
Essential Corporate Purpose	July 1, 1998	4.20-4.45%	560,000	70,000	-	70,000	-	3,115	-
Child Care Facility Capital Loan Note	November 1, 1999	4.75%	300,000	218,730	-	14,597	204,133	9,723	-
Essential Corporate Purpose	September 1, 2001	3.80-4.80%	515,000	235,000	-	55,000	180,000	10,475	-
GO Water Improvement Bonds	September 1, 2005	4.00%	315,000	220,500	-	31,500	189,000	8,823	-
General Obligation LOST Bonds	June 1, 2006	4.10-4.65%	2,500,000	2,330,000	-	90,000	2,240,000	100,733	-
Essential Corporate Purpose	November 21, 2005	3.55%	475,000	186,291	-	-	186,291	7,556	-
General Obligation Aquatic Center	November 20, 2006	0.00%	300,000	266,665	-	33,335	233,330	-	-
				<u>3,557,186</u>	<u>-</u>	<u>324,432</u>	<u>3,232,754</u>	<u>141,775</u>	<u>-</u>
Tax Increment Financing Notes									
Tax Increment Financing	November 1, 1999	5.55%	110,000	<u>11,000</u>	<u>-</u>	<u>11,000</u>	<u>-</u>	<u>611</u>	<u>-</u>
Revenue bonds and notes									
Water Revenue Capital Loan Notes	September 1, 2001	3.80-4.80%	500,000	\$ 230,000	\$ -	\$ 55,000	\$ 175,000	\$ 10,705	\$ -
SRF Loan	June 1, 2000	3.92%	500,000	183,000	-	16,000	167,000	5,490	-
SRF Loan	June 17, 2003	3.00%	1,725,000	345,000	-	23,000	322,000	13,524	-
SRF Loan	August 25, 2004	3.00%	379,000	1,478,000	-	67,000	1,411,000	44,340	-
				<u>2,236,000</u>	<u>-</u>	<u>161,000</u>	<u>2,075,000</u>	<u>74,059</u>	<u>-</u>

See Accompanying Independent Auditor's Report

CITY OF EAGLE GROVE, IOWA

Schedule 3

SCHEDULE OF BOND and NOTE MATURITIES

June 30, 2009

Year Ending June 30,	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	
2010	4.75	14,598	4.40	55,000	4.00	31,500	4.10	95,000	4.00	-	0.00	33,333	229,431
2011	4.75	15,292	4.50	60,000	4.00	31,500	4.10	95,000	4.00	186,291	0.00	33,333	421,416
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	33,330	172,615
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	22,646	-	-	-	-	4.35	140,000	-	-	-	-	162,646
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>\$ 204,133</u>		<u>\$ 180,000</u>		<u>\$ 189,000</u>		<u>\$ 2,240,000</u>		<u>\$ 186,291</u>		<u>\$ 233,330</u>	<u>\$ 3,232,754</u>

See Accompanying Independent Auditor's Report

Revenue Bonds and Notes									
Year Ending June 30,	Water Revenue Capital Loan Notes Issued 9-1-01		Sewer Revenue Capital Loan Note Issued 6-1-00		SRF Loan Funds Issued 6/17/03		SRF Loan Funds Issued 8/25/04		Total
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	
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>\$ 175,000</u>		<u>\$ 322,000</u>		<u>\$ 1,411,000</u>		<u>\$ 167,000</u>	<u>\$ 2,075,000</u>

See Accompanying Independent Auditor's Report

CITY OF EAGLE GROVE, IOWA

Schedule 4

Schedule of Receipts by Source and Disbursements by Function
All Governmental Funds

For the Last Seven Years

	2009	2008	2007	2006	2005	2004	2003
Receipts							
Property tax	\$ 1,100,675	\$ 1,084,933	\$ 1,097,062	\$ 1,064,063	\$ 1,050,882	\$ 1,150,736	\$ 1,147,983
Tax increment financing collection	75,507	47,521	44,294	56,485	78,500	61,724	54,245
Other city tax	297,892	300,410	289,533	68,777	64,892	251,652	224,559
Licenses and permits	33,553	32,469	30,796	38,656	38,378	32,054	31,136
Use of money and property	52,549	74,903	105,947	50,603	47,470	41,314	34,662
Intergovernmental	435,738	552,085	651,145	394,993	449,111	409,818	526,388
Charges for service	649,064	601,275	569,611	553,453	497,300	411,863	396,339
Miscellaneous	135,158	154,255	265,767	182,469	134,041	55,482	89,126
Total receipts	2,780,136	2,847,851	3,054,155	2,409,499	2,360,574	2,414,643	2,504,438
Disbursements:							
Operating:							
Public safety	793,852	755,112	711,717	787,370	811,948	599,609	630,035
Public works	810,273	726,521	670,080	693,366	714,875	607,209	685,998
Culture and recreation	519,750	491,028	401,762	392,670	394,812	381,035	397,855
Community and economic development	11,731	205,348	193,934	76,388	89,238	32,707	92,771
General government	160,911	145,341	136,304	135,944	202,889	376,832	379,905
Debt service	479,369	401,932	376,893	744,787	171,146	223,397	214,938
Capital projects	92,946	273,042	2,704,985	774,203	874,038	1,462,683	202,646
Total disbursements	\$ 2,868,832	\$ 2,998,324	\$ 5,195,675	\$ 3,604,728	\$ 3,258,946	\$ 3,683,472	\$ 2,604,148

See Accompanying Independent Auditor's Report



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

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, 2009, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 7, 2010. 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 to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Eagle Grove's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting

such that there is more than a remote likelihood a misstatement of the City of Eagle Grove's financial statements that is more than inconsequential will not be prevented or detected by the City of Eagle Grove's internal control. We consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

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

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

January 7, 2010

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2009

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, 2009

Part II: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

II-A-09 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 performed 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, 2009

Part III: Other Findings Related to Statutory Reporting:

III-A-09 Certified Budget – Disbursements were within budgeted limits for all programs for the year ended June 30, 2009.

III-B-09 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-09 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

III-D-09 Business Transactions - No business transactions between the City and its officials or employees were noted.

III-E-09 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-09 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not. We noted that the council entered a closed session without documenting the affirmative roll call vote and without documenting the specific exemption under Chapter 21.5 of the Code of Iowa.

Recommendation – We recommend that when entering a closed session, the city council use an affirmative roll call vote and document the specific exemption that authorizes the closed session under Chapter 21.5 of the Code of Iowa.

Response – We believe that we followed the guidance as detailed in Chapter 21.5 of the Code of Iowa except that the roll call vote and specific exemption were not documented in the minutes.

Conclusion – Response accepted.

III-G-09 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.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2009

III-H-09 Revenue Bonds and Notes – The city has complied with all revenue bond and note resolutions.

III-I-09 Financial Condition – The 2006 Projects Fund and the Three Rivers Trail Fund had deficit fund balances at June 30, 2009 of \$7,868 and \$15,487 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.