

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

JUNE 30, 2009

Peak & Co., LLP
Certified Public Accountants
1370 NW 114th St., Suite 205
Clive, IA 50325

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City of Eddyville

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Johnston	Mayor	January 1, 2010
John R. Johnson (1)	Council Member	January 1, 2010
Doug Greenlee (2)	Council Member	January 1, 2010
Richard Shepherd	Council Member	January 1, 2010
Jim Durst	Council Member	January 1, 2012
Larry Harding	Council Member	January 1, 2010
Dwight Lobberecht	Council Member	January 1, 2012
Mickey A. Solano	City Clerk/Treasurer	January 1, 2010
Greg A. Life	Attorney	January 1, 2010

Library Board

Bruce Wilbourne (3)	Library Trustee	June 30, 2012
Kim Tanner	Library Trustee	June 30, 2010
Tammy Walker	Library Trustee	June 30, 2010
Kim Brown	Library Trustee	June 30, 2011
Joellen Breon	Library Trustee	June 30, 2011
Mike Grim	Library Trustee	June 30, 2010
Paulette Groet	Library Trustee	June 30, 2012
Susan Woodruff (4)	Library Trustee	June 30, 2012
Robin Fletcher (5)	Library Trustee	June 30, 2011
Ruby Johnson (6)	Library Trustee	June 30, 2011

(1) Resigned in February, 2009

(2) Appointed on March 2, 2009

(3) Deceased in January, 2009

(4) Resigned in January, 2009

(5) Resigned in August, 2008

(6) Appointed on November 5, 2008

City of Eddyville

PEAK & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS
1370 NW 114TH ST., SUITE 205
CLIVE, IA 50325

(515) 277-3077

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 Eddyville, Iowa, as of and for the year ended June 30, 2009, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City of Eddyville'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. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008.

The financial statements referred to above include only the primary government of the City of Eddyville, which consists of all funds, organizations, institutions, agencies, departments and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component unit, which U.S. generally accepted accounting principles require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Eddyville as of June 30, 2009, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2008, as discussed in the preceding paragraph, 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 for the primary government of the City of Eddyville 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 Eddyville'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.

The budgetary comparison information on pages 18 through 19 is not a required part of the basic financial statements, but is 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.

The City has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eddyville's primary government financial statements. 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, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the distribution by fund of the total fund balance at July 1, 2008, as discussed in the third paragraph, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peak & Co., LLP
Certified Public Accountants

January 7, 2010

Basic Financial Statements

City of Eddyville

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		Governmental Activities	Business Type Activities	Total
			Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest			
Governmental activities:							
Public safety	\$ 66,221	563	-	-	(65,658)	-	(65,658)
Public works	169,609	3,229	89,392	33,013	(43,975)	-	(43,975)
Culture and recreation	117,929	21,257	17,069	22,211	(57,392)	-	(57,392)
Community and economic development	1,512	-	-	-	(1,512)	-	(1,512)
General government	90,258	9,253	-	-	(81,005)	-	(81,005)
Debt service	79,140	-	-	-	(79,140)	-	(79,140)
Capital projects	271,847	-	-	349,957	78,110	-	78,110
Total governmental activities	<u>796,516</u>	<u>34,302</u>	<u>106,461</u>	<u>405,181</u>	<u>(250,572)</u>	<u>-</u>	<u>(250,572)</u>
Business type activities:							
Sewer	119,560	124,388	-	-	-	4,828	4,828
Solid waste	56,588	55,112	-	-	-	(1,476)	(1,476)
Total business type activities	<u>176,148</u>	<u>179,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,352</u>	<u>3,352</u>
Total	<u>\$ 972,664</u>	<u>213,802</u>	<u>106,461</u>	<u>405,181</u>	<u>(250,572)</u>	<u>3,352</u>	<u>(247,220)</u>
General Receipts:							
Property and other city tax levied for:							
General purposes					200,671	-	200,671
Debt service					79,279	-	79,279
Local option sales tax					101,366	-	101,366
Grants and contributions not restricted to specific purposes					2,301	-	2,301
Unrestricted interest on investments					3,764	7,171	10,935
Miscellaneous					-	4,374	4,374
Sale of capital assets					6,000	-	6,000
Total general receipts and transfers					<u>393,381</u>	<u>11,545</u>	<u>404,926</u>
Change in cash basis net assets					142,809	14,897	157,706
Cash basis net assets beginning of year					<u>787,334</u>	<u>381,022</u>	<u>1,168,356</u>
Cash basis net assets end of year					<u>\$ 930,143</u>	<u>395,919</u>	<u>1,326,062</u>
Cash Basis Net Assets							
Restricted:							
Streets					\$ 140,642	-	140,642
Debt service					9,605	-	9,605
Other purposes					413,403	-	413,403
Unrestricted					<u>366,493</u>	<u>395,919</u>	<u>762,412</u>
Total cash basis net assets					<u>\$ 930,143</u>	<u>395,919</u>	<u>1,326,062</u>

See notes to financial statements.

City of Eddyville

Exhibit B

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

As of and for the year ended June 30, 2009

	Special Revenue			Capital Projects		Total
	General	Local		Library	Nonmajor	
		Road Use Tax	Option Sales Tax			
Receipts:						
Property tax	\$ 147,887	-	-	-	132,062	279,949
Other city tax	2,304	-	101,366	-	-	103,670
Licenses and permits	1,570	-	-	-	-	1,570
Use of money and property	3,764	-	-	6,308	-	10,072
Intergovernmental	373,146	108,247	-	-	-	481,393
Charges for service	9,888	-	-	-	-	9,888
Miscellaneous	34,104	3,680	-	6,218	2,781	46,783
Total receipts	572,663	111,927	101,366	12,526	134,843	933,325
Disbursements:						
Operating:						
Public safety	50,116	-	1,723	-	14,382	66,221
Public works	10,299	123,553	12,276	-	23,481	169,609
Culture and recreation	117,929	-	-	-	-	117,929
Community and economic development	1,512	-	-	-	-	1,512
General government	77,757	-	-	-	12,501	90,258
Debt service	-	-	-	-	79,140	79,140
Capital projects	271,847	-	-	-	-	271,847
Total disbursements	529,460	123,553	13,999	-	129,504	796,516
Excess (deficiency) of receipts over (under) disbursements	43,203	(11,626)	87,367	12,526	5,339	136,809
Other financing sources (uses):						
Sale of capital assets	6,000	-	-	-	-	6,000
Operating transfers in	18,344	-	-	-	-	18,344
Operating transfers out	-	-	(7,930)	(10,414)	-	(18,344)
Total other financing sources (uses)	24,344	-	(7,930)	(10,414)	-	6,000
Net change in cash balances	67,547	(11,626)	79,437	2,112	5,339	142,809
Cash balances beginning of year	298,946	152,268	85,903	194,139	56,078	787,334
Cash balances end of year	\$ 366,493	140,642	165,340	196,251	61,417	930,143
Cash Basis Fund Balances						
Reserved for debt service	\$ -	-	-	-	9,605	9,605
Unreserved:						
General fund	366,493	-	-	-	-	366,493
Special revenue funds	-	140,642	165,340	-	6,817	312,799
Capital projects fund	-	-	-	196,251	-	196,251
Permanent fund	-	-	-	-	44,995	44,995
Total cash basis fund balances	\$ 366,493	140,642	165,340	196,251	61,417	930,143

See notes to financial statements.

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

As of and for the year ended June 30, 2009

	Enterprise		
	Sewer	Solid Waste	Total
Operating receipts:			
Charges for service	\$ 124,388	55,112	179,500
Total operating receipts	<u>124,388</u>	<u>55,112</u>	<u>179,500</u>
Operating disbursements:			
Business type activities	116,353	56,588	172,941
Total operating disbursements	<u>116,353</u>	<u>56,588</u>	<u>172,941</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>8,035</u>	<u>(1,476)</u>	<u>6,559</u>
Non-operating receipts (disbursements):			
Interest on investments	7,171	-	7,171
Miscellaneous	4,374	-	4,374
Capital projects	(3,207)	-	(3,207)
Net non-operating receipts (disbursements)	<u>8,338</u>	<u>-</u>	<u>8,338</u>
Net change in cash balances	16,373	(1,476)	14,897
Cash balances beginning of year	<u>365,631</u>	<u>15,391</u>	<u>381,022</u>
Cash balances end of year	<u>382,004</u>	<u>13,915</u>	<u>395,919</u>
Cash Basis Fund Balances			
Unreserved	<u>382,004</u>	<u>13,915</u>	<u>395,919</u>
Total cash basis fund balances	<u>\$ 382,004</u>	<u>13,915</u>	<u>395,919</u>

See notes to financial statements.

City of Eddyville

Notes to Financial Statements

June 30, 2009

(1) Summary of Significant Accounting Policies

The City of Eddyville is a political subdivision of the State of Iowa located in Monroe, Mahaska, and Wapello Counties. It 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 governmental services. The City also provides sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, City of Eddyville 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 Eddyville (the primary government) and exclude the City's component unit. The component unit discussed below is not included in the City's reporting entity although its operational or financial relationship with the City is significant.

Excluded Component Unit

The Eddyville Municipal Waterworks was established under Chapter 388 of the Code of Iowa, is legally separate from the City, but has the potential to provide specific benefits to or impose specific burdens on the City. The Municipal Waterworks is governed by a three-member board appointed by the Mayor and approved by the City Council. The Waterworks operating budget is subject to the approval of the City Council. Complete financial statements of the component unit, which will issue separate financial statements, can be obtained from the Municipal Waterworks administrative office.

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: Wapello County Assessor's Conference Board, Area 15 Regional Planning Commission and the Eddyville Development Corporation.

B. Basis of Presentation

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

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

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

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

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

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

The City reports the following major governmental funds:

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

Special Revenue:

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

The Local Option Sales Tax Fund is used to account for the local option sales tax and the related costs paid from this fund.

The Capital Projects – Library Fund is used to account for costs associated with Library capital projects.

The City reports the following major proprietary funds:

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

The Solid Waste Fund accounts for the operation and maintenance of the City's solid waste program.

C. Measurement Focus and Basis of Accounting

The City of Eddyville 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 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 culture and recreation and the general government functions.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2009 were entirely covered by federal depository insurance or by the Sate 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 the 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 Library has invested in annuities through RiverSource Life Insurance Company. These annuities are fixed income annuities, payable over 15 years, guaranteed by RiverSource Life Insurance Company. However, this guarantee is only as good as the financial viability of RiverSource Life Insurance Company. There are no fair market values of these annuities as of June 30, 2009, since these annuities are unable to be cashed out as of June 30, 2009. It does not appear that the use of these annuities are allowable according to Chapters 12B and 12C of the Code of Iowa.

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.

(3) **Notes Payable**

Annual debt service requirements to maturity for general obligation notes, are as follows:

Year Ending June 30,	General Obligation Notes	
	Principal	Interest
2010	\$ 55,000	\$ 16,530
2011	60,000	14,137
2012	60,000	11,527
2013	65,000	8,917
2014	70,000	6,090
2015	70,000	3,045
	<u>\$ 380,000</u>	<u>\$ 60,246</u>

(4) **Lease Purchase Obligations**

The City is purchasing equipment under capital lease contracts. Future payments in relation to these leases are as follows:

Year Ended June 30,	Principal	Interest	Total Payment
2010	<u>\$ 99</u>	<u>\$ 1</u>	<u>\$ 100</u>

(5) **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 year ended June 30, 2009, was \$9,593, equal to the required contributions for the year.

(6) **Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, holiday and compensatory leave 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 compensated absences payable to employees at June 30, 2009 primarily relating to the General Fund, was \$9,011. The liability has been computed based on rates of pay in effect at June 30, 2009.

(7) **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	\$ 7,930
	Capital Projects:	
	Library	<u>10,414</u>
	Total	<u>\$ 18,344</u>

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

(8) **Related Party Transactions**

The City had business transactions between the City and City officials, totaling \$39,143 during the year ended June 30, 2009.

(9) **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 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 contributions to the Pool for the year ended June 30, 2009 were \$13,301.

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 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.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000 for each accident, \$1,000,000 memorandum limit, and \$1,000,000 each employee. 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.

(10) Contingency

The City participates in a number of Federal and State grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Entitlement to these resources are generally conditional upon compliance with the terms and conditions of grant and loan agreements and applicable federal and state regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal or state audit may become a liability to the City. The City's management believes such revisions or disallowances, if any, will not be material to the City.

Required Supplementary Information

City of Eddyville

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 Actual	Proprietary Funds Actual	Total	Budgeted Amounts		Final to Total Variance
				Original	Final	
Receipts:						
Property tax	\$ 279,949	-	279,949	264,308	264,308	15,641
Other city tax	103,670	-	103,670	111,224	111,224	(7,554)
Licenses and permits	1,570	-	1,570	1,878	1,878	(308)
Use of money and property	10,072	7,171	17,243	4,000	4,000	13,243
Intergovernmental	481,393	-	481,393	99,950	99,950	381,443
Charges for service	9,888	179,500	189,388	193,600	301,300	(111,912)
Miscellaneous	46,783	4,374	51,157	101,070	101,070	(49,913)
Total receipts	933,325	191,045	1,124,370	776,030	883,730	240,640
Disbursements:						
Public safety	66,221	-	66,221	75,900	75,900	9,679
Public works	169,609	-	169,609	202,970	202,970	33,361
Culture and recreation	117,929	-	117,929	79,370	94,370	(23,559)
Community and economic development	1,512	-	1,512	2,610	2,610	1,098
General government	90,258	-	90,258	89,740	89,740	(518)
Debt service	79,140	-	79,140	79,140	79,140	-
Capital projects	271,847	-	271,847	64,000	414,000	142,153
Business type activities	-	176,148	176,148	182,300	290,000	113,852
Total disbursements	796,516	176,148	972,664	776,030	1,248,730	276,066
Excess (deficiency) of receipts over (under) disbursements	136,809	14,897	151,706	-	(365,000)	516,706
Other financing sources, net	6,000	-	6,000	-	365,000	(359,000)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	142,809	14,897	157,706	-	-	157,706
Balances beginning of year	787,334	381,022	1,168,356	1,335,667	1,335,667	(167,311)
Balances end of year	\$ 930,143	395,919	1,326,062	1,335,667	1,335,667	(9,605)

See accompanying independent auditor's report.

City of Eddyville

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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds, the Permanent 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, one budget amendment increased budgeted disbursements by \$365,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the culture and recreation and the general government functions.

Other Supplementary Information

City of Eddyville

Schedule 1

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

As of and for the year ended June 30, 2009

	<u>Special Revenue</u>		<u>Permanent Cemetery Perpetual Care</u>	Total
	Employee Benefits	Debt Service		
Receipts:				
Property tax	\$ 52,783	79,279	-	132,062
Miscellaneous	-	-	2,781	2,781
Total receipts	<u>52,783</u>	<u>79,279</u>	<u>2,781</u>	<u>134,843</u>
Disbursements:				
Operating:				
Public safety	14,382	-	-	14,382
Public works	23,481	-	-	23,481
General government	12,501	-	-	12,501
Debt service	-	79,140	-	79,140
Total disbursements	<u>50,364</u>	<u>79,140</u>	<u>-</u>	<u>129,504</u>
Net change in cash balances	2,419	139	2,781	5,339
Cash balances beginning of year	4,398	9,466	42,214	56,078
Cash balances end of year	<u>\$ 6,817</u>	<u>9,605</u>	<u>44,995</u>	<u>61,417</u>
Cash Basis Fund Balances				
Reserved for debt service	\$ -	9,605	-	9,605
Unreserved:				
Special revenue fund	6,817	-	-	6,817
Permanent fund	-	-	44,995	44,995
Total cash basis fund balances	<u>\$ 6,817</u>	<u>9,605</u>	<u>44,995</u>	<u>61,417</u>

See accompanying independent auditor's report.

City of Eddyville

Schedule 2

Schedule of Indebtedness

Year ended June 30, 2009

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Notes- Street Improvement Note	October 15, 2007	4.35%	\$ 500,000	440,000	-	60,000	380,000	19,140	-
Lease Purchase Agreement- Equipment	August 18, 2004	5.00%	\$ 2,649	679	-	580	99	20	-
Equipment	March 5, 2007	13.00%	24,000	7,967	-	7,967	-	1,025	-
				<u>\$ 8,646</u>	<u>-</u>	<u>8,547</u>	<u>99</u>	<u>1,045</u>	<u>-</u>

See accompanying independent auditor's report.

City of Eddyville

Schedule 3

Bond and Note Maturities

June 30, 2009

<u>General Obligation Notes</u>		
<u>Street Improvement Note</u>		
<u>Issued October 15, 2007</u>		
<u>Year Ending</u> <u>June 30,</u>	<u>Interest</u> <u>Rates</u>	<u>Amount</u>
2010	4.35%	\$ 55,000
2011	4.35%	60,000
2012	4.35%	60,000
2013	4.35%	65,000
2014	4.35%	70,000
2015	4.35%	70,000
		<u>\$ 380,000</u>

See accompanying independent auditor's report.

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

For the Last Year

	<u>2009</u>
Receipts:	
Property tax	\$ 279,949
Other city tax	103,670
Licenses and permits	1,570
Use of money and property	10,072
Intergovernmental	481,393
Charges for service	9,888
Miscellaneous	<u>46,783</u>
Total	<u>\$ 933,325</u>
Disbursements:	
Operating:	
Public safety	\$ 66,221
Public works	169,609
Culture and recreation	117,929
Community and economic development	1,512
General government	90,258
Debt service	79,140
Capital projects	<u>271,847</u>
Total	<u>\$ 796,516</u>

See accompanying independent auditor's report.

PEAK & CO., LLP
CERTIFIED PUBLIC ACCOUNTANTS
1370 NW 114TH ST., SUITE 205
CLIVE, IA 50325

(515) 277-3077

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 primary government financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eddyville, 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 issue our report thereon dated January 7, 2010. Our report on the primary government financial statements, which were prepared in conformity with an other comprehensive basis of accounting, expressed qualified opinions on the primary government financial statements since we were unable to satisfy ourselves as to the distribution by fund of the total fund balance at July 1, 2008.

Except as noted in the Independent Auditor's Report, 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 Controller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Eddyville'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 Eddyville's internal control over financial reporting. Accordingly, we do not express our opinion on the effectiveness of the City of Eddyville'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, including 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 a combination of control deficiencies, that adversely affects City of Eddyville'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 City of Eddyville's financial statements that is more than inconsequential will not be prevented or detected by City of Eddyville'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 City of Eddyville's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eddyville'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 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.

City of Eddyville'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 City of Eddyville's responses and, accordingly, we do not express an 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 Eddyville and other parties to whom the City of Eddyville may report. 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 Eddyville 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.

Peak & Co., LLP
Certified Public Accountants

January 7, 2010

City of Eddyville

Schedule of Findings

Year ended June 30, 2009

Part I: Findings Related to the Financial Statements:

SIGNIFICANT DEFICIENCIES:

I-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. The issuance of receipt slips, bank deposits and the posting of the cash receipts to the accounting records are sometimes all done by the same person.

Recommendation – We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. 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.

I-B-09 Disaster Funds – The City received a significant amount of disaster funds as a result of flooding in the community which occurred in 2008. Our review noted that the City is unable to reconcile the costs recorded on their general ledger and the equipment usage records, with the costs as recorded on the claim forms filed with the Federal Emergency Management Agency (FEMA). As an example, we identified one instance in which it appears that the City received more money from FEMA than allowed. In addition, it appears that we also identified other instances in which the City may have received more money from FEMA than allowed.

Recommendation – The City review the above and take action as necessary.

Response – FEMA took our records and completed the claim forms. We assumed that what FEMA completed actually reconciled to our records. However, upon subsequent review by the auditor, we realize that what FEMA based their payments on do not exactly reconcile to our records. We are unsure why these records do not reconcile with each other, and we were never given an explanation by FEMA as to why these differences exist. However, we do not think this project is closed out yet. FEMA personnel have told us that the State Emergency Management Division will review these records and make adjustments as necessary, and adjust FEMA's payment accordingly at some point in the future.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Eddyville

Schedule of Findings

Year ended June 30, 2009

Part II: Other Findings Related to Required Statutory Reporting:

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

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

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

Conclusion – Response accepted.

II-B-09 Questionable Disbursements - We noted no disbursements 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>
Dwight Lobberecht, Council Member Owner, Tri-County Construction	Hauling, Equipment Rental, Labor	\$39,143

The transactions with the Council member may represent a conflict of interest pursuant to Chapter 362.5(10) of the Code of Iowa since total transactions, which were not competitively bid, were more than \$2,500 during the fiscal year.

Recommendation – To determine the proper disposition of this matter, the City should consult with their Attorney regarding the above potential conflict of interest issue.

Response – We will discuss this issue with the City Attorney.

Conclusion – Response accepted.

II-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.

II-F-09 Council Minutes - Transactions were found that we believe should have been approved in the minutes but were not. Several invoices were not approved by the City Council. Some City Council minutes and related claims were not published in the newspaper. All of this is required by Chapter 372.13(6) of the Code of Iowa.

City of Eddyville

Schedule of Findings

Year ended June 30, 2009

Recommendation - The City should implement procedures to ensure that all invoices are approved by the City Council. The City should also implement procedures to ensure all invoices and all City Council minutes are published in the newspaper as required by the Code of Iowa.

Response - We will implement these recommendations.

Conclusion - Response accepted.

- II-G-09 Deposits and Investments – The City Library has invested in annuities. This type of investment does not appear to be in compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City Library’s investment policy. In addition, the maximum amount which may be kept on deposit in each depository was not documented in the Council minutes, as required by Chapter 12C.2 of the Code of Iowa.

Recommendation – To ensure compliance with Chapter 12C of the Code of Iowa, the City Library and the City should implement procedures to ensure all investments are allowable according to the Code of Iowa, and that the Council minutes document the maximum amount which may be kept on deposit in each depository.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- II-H-09 IRS Form 1099 – We noted instances in which the City failed to file IRS 1099-Misc. Forms.

Recommendation – The City implement procedures to ensure all IRS 1099-Misc. Forms are filed in the future.

Response – We will implement this recommendation.

Conclusion – Response accepted.

- II-I-09 Library – The I9’s for Library employees were not always complete. The Library does not provide an annual report to the City Council as required by the Code of Ordinances. The wage rates for Library employees are not documented in the Library Board minutes.

Recommendation – The Library implement procedures to ensure all I9’s are complete, an annual report is provided to the City Council, and all wage rates approved for library employees are documented in the Board minutes.

Response – We will implement this recommendation.

Conclusion - Response accepted.

City of Eddyville

Schedule of Findings

Year ended June 30, 2009

II-J-09 Utility Rates – Section 384.83 and 384.84 of the Code of Iowa requires that utility rates must be established by ordinance of the Council, published in the same manner as an ordinance. We noted that the utility rates currently charged by the City are not entirely consistent with the utility rates as documented in the ordinances.

Recommendation – The City follow the above Code sections on utility rate establishment.

Response – We will implement this recommendation.

Conclusion – Response accepted.

II-K-09 Miscellaneous – A contract could not be located with the company that hauls the residential garbage in town. Weight tickets were not always obtained for the purchase of gravel.

Recommendation – The City should enter into a contract with the garbage hauler. In addition, weight tickets should be obtained for all gravel purchases.

Response – We will implement these recommendations.

Conclusion – Response accepted.

II-L-09 Cash Management – The City's system of cash management is in need of improvement. For the past several years, the City has averaged a balance of well over \$500,000 in bank accounts which pay interest at a rate of .25% or less. As a result, the City could have earned a significant amount of additional bank interest per year if the City would have invested its funds in IPAIT or some other investment.

The City entered into a capital lease which had an interest rate of 13%. The City had more than enough funds to purchase this piece of equipment outright, thereby avoiding the payment of interest at 13%.

Recommendation – The City be more proactive in the management of its cash, including a periodic analysis of its investing and financing activities, and determining what is financially in the best interest of the City.

Response – We will review this.

Conclusion – Response accepted.