

CITY OF ESTHERVILLE

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

JUNE 30, 2010

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CITY OF ESTHERVILLE

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	
	(Before January 2010)		
Lyle Hevern	Mayor	January	2010
Harold Sawyer	Mayor Pro Tem	January	2012
Susan Nelson	Council Member	January	2012
Harold Sawyer	Council Member	January	2012
Larry W. Anderson	Council Member	January	2010
Loralee Donovan	Council Member	Resigned, Nov 2009	
Gene Haukoos	Council Member	January	2012
Dave Seylar	Council Member	January	2010
John Wittneben	Council Member	January	2010
Ann Goebel	Council Member	January	2012
Penny A. Clayton	City Administrator	Indefinite	
Vaughn Brua	City Clerk/Finance Director/Treasurer	January	2010
Connie Hanson	Deputy City Clerk	Retired, July 2009	
Marie Park	Deputy City Clerk	January	2012
Forsyth Law Office	Attorney	January	2010
	(After January 2010)		
Lyle Hevern	Mayor	January	2012
Harold Sawyer	Mayor Pro Tem	January	2012
Susan Nelson	Council Member	January	2012
Harold Sawyer	Council Member	January	2012
Larry W. Anderson	Council Member	January	2014
Gene Haukoos	Council Member	January	2012
Dave Seylar	Council Member	January	2014
John Wittneben	Council Member	January	2014
Ann Goebel	Council Member	January	2012
Penny A. Clayton	City Administrator	Indefinite	
Vaughn Brua	City Clerk/Finance Director/Treasurer	January	2012
Marie Park	Deputy City Clerk	January	2012
Forsyth Law Office	Attorney	January	2012

City of Estherville

Brinkman & Reed, CPA's

103 South Sixth Street Estherville, Iowa 51334 712-362-5891 Phone 712-362-7172 Fax

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 Estherville, Iowa, as of and for the year ended June 30, 2010, 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 Estherville'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 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 Estherville as of June 30, 2010, 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 September 14, 2010 on our consideration of the City of Estherville'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 the internal control over financial reporting or on 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 8 through 13 and 34 through 35 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Estherville's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2009 (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 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, 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.

Schedule 5, Schedule of Receipts by Source and Disbursements by Function – All Governmental Funds, for the years ended June 30, 2004, 2003, 2002, and 2001 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and, accordingly, we express no opinion on it.

Brinkman + Reed, CPA's

Brinkman & Reed, CPA's

September 14, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the City's financial statements.

This is the seventh fiscal year the City has implemented new reporting standards with significant changes in content and structure. The City was required to comply with Government Standard Board Statement No. 34 (GASB-34), which mandated the changes. Theoretically, comparisons may be more meaningful and go further in explaining the City's financial position and results of operations.

2010 FINANCIAL HIGHLIGHTS

Expenditures during fiscal year 2010 did not exceed budgeted appropriation.

The City's total revenues exceeded total expenses by \$1,441,379 during fiscal year 2010. Expenses had exceeded income by \$349,581 during fiscal year 2009.

The City's total expenditures increased from \$12,938,352 in fiscal year 2009 to \$14,145,205 in fiscal year 2010. This is an increase of \$1,206,853 or 9.3%.

The significant changes include \$1,970,000 increased capital project expenditures and \$935,000 less Road Use Tax funds expended.

The City's total revenue increased from \$12,588,771 in fiscal year 2009 to \$15,586,584 in fiscal year 2010. This is an increase of \$2,997,813 or 23.8%.

The increased revenue relates to the \$2,350,000 bond proceeds and additional grants of \$600,000 received in fiscal year 2010.

The bond proceeds include a liability with a scheduled repayment of 15 years.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as required by Governmental Accounting Standard Board Statement No. 34. The required information is:

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. This statement provides information about the activities of the City as a whole and presents an overall view 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 non-major 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, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax, state assistance and grants finance most of these activities.
- Business Type Activities include the water, sanitary sewer, and electric systems. The airport operations is also included.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. 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 Tax Increment Financing Funds, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Funds. Enterprise Funds are used to report business type activities. The City maintains Enterprise Funds to provide separate information for the water, sewer, electric, and airport funds. 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 one year ago, from \$4.786 million to \$6.270 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

	Change in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	
	Year ended June 30,	
	2010	2009
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 763	\$ 769
Operating grants, contributions and restricted interest	702	723
Capital grants, contributions and restricted interest	714	96
General receipts:		
Property tax levied for:		
General purposes	1,862	1,746
Tax increment financing	164	354
Debt service	175	155
Hotel/Motel Tax	67	81
Local Options Sales Tax	419	141
Unrestricted investment earnings	91	151
Miscellaneous	22	30
Bond Proceeds	2,350	0
Sale of Assets	25	1
Transfers, net	<u>1,239</u>	<u>1,127</u>
Total receipts and transfers	8,593	5,374
Disbursements:		
Public safety	1,315	1,089
Public works	1,643	2,571
Health and social services	5	5
Culture and recreation	661	649
Community and economic development	334	254
General government	884	854
Debt service	273	269
Capital projects	<u>1,994</u>	<u>24</u>
Total disbursements	7,109	5,715
Increase (decrease) in cash basis net assets	1,484	(341)
Cash basis net assets beginning of year	<u>4,786</u>	<u>5,127</u>
Cash basis net assets end of year	<u>\$ 6,270</u>	<u>\$ 4,786</u>

The City's cash balance for business type activities decreased from \$4.325 million one year ago to \$4.283 million at year-end. The analysis that follows focuses on changes in business type activities.

Change in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2010	2009
Receipts and transfers:		
Program receipts:		
Charges for service		
Water	\$1,621	\$ 1,437
Sewer rental	1,179	1,215
Electric	5,321	5,557
Airport	79	93
General receipts:		
Unrestricted interest on investment	25	37
Miscellaneous	5	1
Sale of Assets	1	0
Total receipts	<u>8,231</u>	<u>8,340</u>
Disbursements and transfers:		
Water	1,153	1,220
Water emergency	38	0
Sewer rental	974	1,043
Electric	4,569	4,325
Electric emergency	217	483
Airport	62	57
Enterprise equipment revolving	21	94
Transfers	<u>1,239</u>	<u>1,127</u>
Total disbursements and transfers	<u>8,273</u>	<u>8,349</u>
Increase (decrease) in cash basis net assets	(42)	(9)
Cash basis net assets beginning of year	<u>4,325</u>	<u>4,334</u>
Cash basis net assets end of year	<u>\$4,283</u>	<u>\$ 4,325</u>

To aid in the understanding of the Statement of Activities on page 16, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. The reason for this kind of format is to highlight the relative financial burden of each of the functions on the City's taxpayers and utility customers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

For the year ending June 30, 2010, governmental funds totaled \$6,270,060. This is an increase of \$1,483,924 from the June 30, 2009 balance of \$4,786,136.

A number of funds have been designated as major funds based on fund balance, revenues or expenditures. They include:

- The total General Fund cash balance increased \$84,238 from the prior year to \$1,807,034 on June 30, 2010. On June 30, 2009, the General Fund consisted of six balances. During the fiscal year the undesignated General Fund decreased \$44,386 to \$889,984. The designated Parks & Recreation Revolving Fund increased \$20,276 to \$69,927, the designated Equipment Revolving Fund - General increased \$110,168 to \$578,553, the designated Library - Sanborn Fund increased \$4,016 to \$237,555, the designated Library - Pearson Fund decreased \$2,604 to \$21,470, and the designated Police Miscellaneous Fund decreased \$3,231 to \$9,575.
- The Road Use Tax Fund cash balance increased during the fiscal year by \$188,683 to \$1,880,788 on June 30, 2010.
- During fiscal year 2010 the Water Plant Construction Fund met the criteria for classification as a major fund. \$1,833,000 of proceeds from the sale of the G.O. Bonds was deposited to this fund. The ending balance on June 30, 2010, was \$904,555.
- Detailed information on the major governmental funds is shown on page 17.

INDIVIDUAL MAJOR BUSINESS-TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$267,769 to \$596,920 on June 30, 2010.
- The Wastewater Fund cash balance increased by \$54,518 to \$432,168 on June 30, 2010.
- The Electric Fund cash balance decreased by \$251,586 to \$971,708 on June 30, 2010.
- The Electric Emergency Fund cash balance decreased by \$171,116 to \$747,310 on June 30, 2010.
- The Equipment Revolving-Enterprise Fund cash balance increased by \$97,178 to \$666,853 on June 30, 2010.
- Detailed information on the major business-type funds is shown on page 20.

BUDGETARY HIGHLIGHTS

On May 17, 2010, an amendment to the fiscal year 2010 budget was approved for the amount of \$60,950. The amendment authorized the purchase of an unbudgeted police vehicle, unbudgeted police and fire grants, and repairs and equipment purchase at the swimming pool.

Total expenditures during the fiscal year did not exceed the authorized budget as amended.

DEBT ADMINISTRATION

On June 30, 2010, the City had \$3,305,000 in general obligation bonds/notes outstanding compared to \$1,120,000 last year. On June 1, 2010, the City sold \$2,350,000 in general obligation bonds to finance improvements at the water plant and wastewater treatment plant.

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 of Estherville's outstanding general obligation debt of \$3,305,000 is significantly below its constitutional debt limit of over \$10.3 million.

The balance of a loan for the purchase of a fire tanker truck decreased from \$55,885 on June 30, 2009, to \$39,399 on June 30, 2010.

The balance on a lease-purchase agreement for the purchase of a fire pumper truck decreased from \$245,978 on June 30, 2009, to \$223,012 on June 30, 2010.

The total City debt increased from \$1,421,863 on June 30, 2009, to \$3,567,411 on June 30, 2010.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The budget for fiscal year ending June 30, 2011, includes a decrease in expenditures of approximately \$2,350,000 (-13.69%). This is the amount of bonds sold to cover improvements at the water and wastewater treatment plants.

An increase in electric rates will be necessary due to a significant increase in the City's cost of wholesale power and a reduction in sales. In addition, the Iowa State Utilities Board is "strongly" suggesting the City expend \$100,000 to encourage/reduce energy consumption. The source of the \$100,000 would be revenue paid by city electric customers.

The property tax levy remains at \$16.50/\$1,000 of taxable valuation. The budgeted fund balance for the General Fund declines by approximately \$213,000.

The City is very fortunate the Local Option Sales Tax (LOST) referendum was approved in August 2008. The revenue generated by LOST supports General Fund activities and provides funds for Community Betterment Projects.

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's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Vaughn Brea, City Clerk, 2 North 7th Street, Estherville, Iowa 51334 or telephone (712) 362-7771.

City of Estherville

Basic Financial Statements

CITY OF ESTHERVILLE
Statement of Activities and Net Assets - Cash Basis
As of and for the year ended June 30, 2010

Functions/Programs:	Program Receipts		Capital Grants, Contributions and Restricted Interest		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest	and Restricted Interest	Governmental Activities	Business Type Activities	Total
Governmental activities:							
Public safety	\$ 1,315,489	\$ 35,846	\$ 76,843	\$ 23,498	\$ (1,179,302)	\$ -	\$ (1,179,302)
Public works	1,643,183	600,930	609,614	20,049	(412,590)	-	(412,590)
Health and social services	5,237	-	-	-	(5,237)	-	(5,237)
Culture and recreation	660,497	26,034	15,806	8,509	(610,148)	-	(610,148)
Community and economic development	334,115	-	-	117,986	(216,129)	-	(216,129)
General government	883,670	100,028	-	-	(783,642)	-	(783,642)
Debt service	272,851	-	-	-	(272,851)	-	(272,851)
Capital projects	1,994,359	-	-	544,041	(1,450,318)	-	(1,450,318)
Total governmental activities	7,109,401	762,838	702,263	714,083	(4,930,217)	-	(4,930,217)
Business type activities:							
Water	1,153,336	1,620,561	-	-	-	467,225	467,225
Water Emergency	37,982	-	-	-	-	(37,982)	(37,982)
Wastewater	973,929	1,179,304	-	-	-	205,375	205,375
Electric	4,569,036	5,320,822	-	-	-	751,786	751,786
Electric emergency	217,130	-	-	-	-	(217,130)	(217,130)
Airport	62,538	79,175	912	-	-	17,549	17,549
Electric aerial services	239	345	-	-	-	106	106
Enterprise equipment revolving	21,614	-	-	-	-	(21,614)	(21,614)
Total business type activities	7,035,804	8,200,207	912	-	(4,930,217)	1,165,315	1,165,315
Total	\$ 14,145,205	\$ 8,963,045	\$ 703,175	\$ 714,083	(4,930,217)	1,165,315	(3,764,902)
General Receipts:							
Property tax levied for:							
General purposes	1,862,273	-	-	-	1,862,273	-	1,862,273
Tax increment financing	164,369	-	-	-	164,369	-	164,369
Debt service	174,777	-	-	-	174,777	-	174,777
Local Option Sales Tax	419,513	-	-	-	419,513	-	419,513
Hotel/Motel Tax	66,998	-	-	-	66,998	-	66,998
Unrestricted interest on investments	90,696	-	-	-	90,696	25,135	115,831
Bond proceeds	2,350,000	-	-	-	2,350,000	-	2,350,000
Miscellaneous	21,681	-	-	-	21,681	5,373	27,054
Sale of capital assets	24,739	-	-	-	24,739	727	25,466
Transfers	1,239,095	-	-	-	1,239,095	(1,239,095)	-
Total general receipts and transfers	6,414,141	-	-	-	(1,207,860)	(42,545)	1,441,379
Change in cash basis net assets	1,483,924	-	-	-	1,483,924	4,325,288	9,111,424
Cash basis net assets beginning of year	4,786,136	-	-	-	4,786,136	4,325,288	9,111,424
Cash basis net assets end of year	\$ 6,270,060	\$ -	\$ -	\$ -	\$ 6,270,060	\$ 4,282,743	\$ 10,552,803
Cash Basis Net Assets							
Restricted:							
Nonexpendable:							
Library Trust	57,574	\$ -	\$ -	\$ -	57,574	\$ -	57,574
Expendable:							
General	12,886	-	-	-	12,886	-	12,886
Road use tax	1,880,788	-	-	-	1,880,788	-	1,880,788
Library Trust	48,376	-	-	-	48,376	-	48,376
Other Purposes	1,498,917	-	-	-	1,498,917	-	1,498,917
Unrestricted	2,771,519	4,282,743	-	-	2,771,519	4,282,743	7,054,262
Total cash basis net assets	\$ 6,270,060	\$ 4,282,743	\$ -	\$ -	\$ 6,270,060	\$ 4,282,743	\$ 10,552,803

CITY OF ESTHERVILLE
 Statement of Cash Receipts, Disbursements
 and Changes in Cash Balances
 Governmental Funds
 As of and for the year ended June 30, 2010

	Special Revenue			Capital Projects		Total
	General	Road Use Tax	Water Plant Construction	Nonmajor		
Receipts:						
Property tax	\$ 1,075,564	\$ -	\$ -	\$ 936,490	\$ 2,012,054	
Tax increment financing	-	-	-	164,369	164,369	
Other city tax	81,587	-	-	429,921	511,508	
Licenses and permits	82,977	-	-	-	82,977	
Use of money and property	89,220	-	283	5,219	94,722	
Intergovernmental	127,267	588,351	-	656,132	1,371,750	
Charges for service	679,051	20,049	-	-	679,051	
Special assessments	-	5,297	-	7,167	20,049	
Miscellaneous	35,920	613,697	283	2,199,298	48,384	
Total receipts	2,171,586	1,207,034	904,555	1,649,649	4,984,864	
Disbursements:						
Operating:						
Public safety	945,022	-	-	370,467	1,315,489	
Public works	1,039,721	441,595	-	161,867	1,643,183	
Health and social services	5,237	-	-	-	5,237	
Culture and recreation	557,113	-	-	103,384	660,497	
Community and economic development	34,057	-	-	300,058	334,115	
General government	748,579	-	-	135,091	883,670	
Debt service	-	-	-	272,851	272,851	
Capital projects	-	-	928,728	1,065,631	1,994,359	
Total disbursements	3,329,729	441,595	928,728	2,409,349	7,109,401	
Excess (deficiency) of receipts over (under) disbursements	(1,158,143)	172,102	(928,445)	(210,051)	(2,124,537)	
Other financing sources (uses):						
Bond proceeds	-	-	1,833,000	517,000	2,350,000	
Sale of capital assets	2,507	-	-	22,232	24,739	
Operating transfers in	1,289,270	22,031	-	351,520	1,662,821	
Operating transfers out	(49,396)	(5,450)	-	(368,880)	(423,726)	
Total other financing sources	1,242,381	16,581	1,833,000	521,872	3,613,834	
Net change in cash balances	84,238	188,683	904,555	311,821	1,489,297	
Cash balances beginning of year	1,722,796	1,692,105	-	1,337,828	4,752,729	
Cash balances end of year	\$ 1,807,034	\$ 1,880,788	\$ 904,555	\$ 1,649,649	\$ 6,242,026	
Cash Basis Fund Balances						
Reserved:						
General	\$ 12,886	\$ -	\$ -	\$ -	\$ 12,886	
Debt Service	-	-	-	78,850	78,850	
Permanent fund	-	-	-	57,574	57,574	
Unreserved:						
General fund	1,794,148	-	-	-	1,794,148	
Special revenue funds	-	1,880,788	-	1,420,067	3,300,855	
Capital projects funds	-	-	904,555	44,782	949,337	
Permanent fund	-	-	-	48,376	48,376	
Total cash basis fund balances	\$ 1,807,034	\$ 1,880,788	\$ 904,555	\$ 1,649,649	\$ 6,242,026	

City of Estherville

CITY OF ESTHERVILLE

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, 2010

Total governmental funds cash balances (page 17) \$ 6,242,026

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

The Garage Fund is used by management to account for costs associated with the City's use of vehicles. The assets of the Garage Fund are included in governmental activities in the Statement of Net Assets.

28,034

Cash basis net assets of governmental activities (page 16) \$ 6,270,060

Net change in governmental funds cash balances (page 17) \$ 1,489,297

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

The Garage Fund is used by management to account for costs associated with the City's use of vehicles. The change in net assets of the Garage Fund is included in governmental activities in the Statement of Net Assets.

(5,373)

Change in cash basis net assets of governmental activities (page 16) \$ 1,483,924

See notes to financial statements.

CITY OF ESTHERVILLE
 Statement of Cash Receipts, Disbursements
 and Changes in Cash Balances
 Proprietary Funds
 As of and for the year ended June 30, 2010

	Enterprise						Internal Service Funds
	Water	Wastewater	Electric	Electric Emergency	Equipment Revolving	Other Nonmajor Proprietary Funds	
Operating receipts:							
Use of money and property	\$ -	\$ -	\$ 1,032	\$ -	\$ -	\$ 66,536	\$ -
Charges for service	1,620,561	1,179,304	5,319,790	-	-	12,984	8,132,639
Miscellaneous	-	-	-	-	-	-	7,521
Total operating receipts	1,620,561	1,179,304	5,320,822	-	-	79,520	8,200,207
Operating disbursements:							
Governmental activities:							
Public safety	-	-	-	-	-	-	48,433
Public works	-	-	-	-	-	-	124,730
Culture and recreation	-	-	-	-	-	-	11,310
General government	-	-	-	-	-	-	2,776
Business type activities	1,153,336	973,929	4,569,036	217,130	21,614	100,759	7,035,804
Total operating disbursements	1,153,336	973,929	4,569,036	217,130	21,614	100,759	7,035,804
Excess (deficiency) of operating receipts over (under) operating disbursements	467,225	205,375	751,786	(217,130)	(21,614)	(21,239)	1,164,403
Non-operating receipts (disbursements):							
Intergovernmental	-	-	-	-	-	912	-
Interest on investments	-	-	10,358	8,031	-	6,746	25,135
Sale of Capital Assets	-	-	-	-	727	-	727
Non-program	-	-	-	-	-	-	(7,521)
Total non-operating receipts (disbursements)	-	-	10,358	8,031	727	7,658	(7,521)
Excess (deficiency) of receipts over (under) disbursements	467,225	205,375	762,144	(209,099)	(20,887)	(13,581)	1,191,177
Operating transfers in	-	-	23,463	113,116	118,065	-	254,644
Operating transfers out	(199,456)	(150,857)	(1,037,193)	(75,133)	-	(31,100)	(1,493,739)
Net change in cash balances	267,769	54,518	(251,586)	(171,116)	97,178	(44,681)	(47,918)
Cash balances beginning of year	329,151	377,650	1,223,294	918,426	569,675	889,182	4,307,378
Cash balances end of year	\$ 596,920	\$ 432,168	\$ 971,708	\$ 747,310	\$ 666,853	\$ 844,501	\$ 4,259,460
Cash Basis Fund Balances							
Unreserved	\$ 596,920	\$ 432,168	\$ 971,708	\$ 747,310	\$ 666,853	\$ 844,501	\$ 4,259,460
Total cash basis fund balances	\$ 596,920	\$ 432,168	\$ 971,708	\$ 747,310	\$ 666,853	\$ 844,501	\$ 4,259,460

See notes to financial statements.

CITY OF ESTHERVILLE
 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, 2010

Exhibit E

Total enterprise funds cash balances (page 20) \$4,259,460

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

The Garage Fund is used by management to account for costs associated with the City's use of vehicles. The assets of the Garage Fund are included in business type activities in the Statement of Net Assets.

23,282

Cash basis net assets of business type activities (page 16) \$4,282,742

Net change in enterprise funds cash balances (page 20) \$ (47,918)

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

The Garage Fund is used by management to account for costs associated with the City's use of vehicles. The change in net assets of the Garage Fund is included in business type activities in the Statement of Net Assets.

5,373

Change in cash basis net assets of business type activities (page 16) \$ (42,545)

See notes to financial statements.

CITY OF ESTHERVILLE
Notes to Financial Statements
June 30, 2010

(1) Summary of Significant Accounting Policies

The City of Estherville is a political subdivision of the State of Iowa located in Emmet County. It was first incorporated in 1881 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides electric, water and sewer utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Estherville 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. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Emmet County Council of Governments, Emmet County E911 Service Board, Emmet County Assessor's Conference Board, and Northwest Iowa Planning and Development Commission.

B. Basis of Presentation

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

CITY OF ESTHERVILLE
Notes to Financial Statements – Continued
June 30, 2010

Government-wide Financial Statement – Continued

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

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including a portion of the City's Permanent Fund.

Expendable 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. Net assets restricted through enabling legislation consist of \$12,886 for insurance expenses.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. 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 not paid from other funds.

Special Revenue:

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

CITY OF ESTHERVILLE
Notes to Financial Statements – Continued
June 30, 2010

Fund Financial Statements - Continued

The Water Plant Construction Fund is used to account for the water plant construction.

The City reports the following major proprietary funds:

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

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

The Electric Fund accounts for the operation and maintenance of the City's electrical system.

The Electric Emergency Fund accounts for the accumulation of funds for expenditures for the City in case of an electrical emergency.

The Enterprise Equipment Revolving Fund accounts for the accumulation of funds for capital equipment expenditures for the City's Enterprise funds.

The City also reports the following additional proprietary funds:

Internal Service:

The Garage 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.

The Computer Clearing Fund is utilized to account for customer checks returned due to non-sufficient funds.

C. Measurement Focus and Basis of Accounting

The City of Estherville 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.

It is the City's policy to determine on a case by case basis whether to use restricted net assets prior to the use of unrestricted net assets when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

CITY OF ESTHERVILLE
Notes to Financial Statements – Continued
June 30, 2010

Measurement Focus and Basis of Accounting - 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. During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted in the general government and business type activities function.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

At June 30, 2010, the City had the following investments:

<u>Type</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Maturity</u>
U. S. Treasury Note	<u>\$33,392</u>	<u>\$33,046</u>	September 2014
U. S. Treasury Note	<u>5,047</u>	<u>5,156</u>	November 2010
U. S. Treasury Note	<u>4,994</u>	<u>6,174</u>	November 2010
U. S. Treasury Note	<u>13,764</u>	<u>14,316</u>	February 2011

CITY OF ESTHERVILLE
Notes to Financial Statements – Continued
June 30, 2010

(2) Cash and Pooled Investments - Continued

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) Bonds/Notes Payable

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

<u>Year Ending June 30,</u>	<u>General Obligation Bonds/Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2011	305,000	119,836
2012	310,000	110,598
2013	240,000	100,528
2014	250,000	92,818
2015	255,000	84,253
2016-2020	1,020,000	285,115
2021-2025	925,000	115,999
Totals	<u>\$3,305,000</u>	<u>\$909,147</u>

The note payable is for equipment purchased in 2005 and has a principal balance outstanding of \$39,399 at June 30, 2010. This note is payable in equal yearly installments of \$18,955 plus interest through the year ending June 30, 2013. The note interest rate is 4.5%.

The lease purchase is for equipment purchased in 2007 and has a principal balance outstanding of \$223,012 at June 30, 2010. The lease purchase is payable in equal yearly installments of \$33,524 plus interest through the year ending June 30, 2018. The lease interest rate is 4.29%.

(4) Pension and Retirement Benefits

IPERS

The City contributes to the Iowa Public Employees Retirements 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

CITY OF ESTHERVILLE
Notes to Financial Statements – Continued
June 30, 2010

IPERS – Continued

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 4.30% of their annual covered salary and the City is required to contribute 6.65% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate, except police employees who are covered by the Municipal Fire and Police Retirement System of Iowa (see below). Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$146,574, \$134,287, and \$122,611, respectively, equal to the required contributions for each year.

Municipal Fire and Police Retirement System of Iowa

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability and death benefits established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 7155 Lake Drive, Suite 201, West Des Moines, Iowa 50266.

Plan members are required to contribute 9.40% of earnable compensation and the City's contribution rate, based upon an actuarially determined normal contribution rate, cannot be less than 17% of earnable compensation. Contribution requirements are established by state statute. The City's contributions to the Plan for the years ended June 30, 2010, 2009, and 2008 were \$97,318, \$96,639, and \$125,273, respectively, which met the required contribution rate for each year.

(5) Contracts Receivable

The City has contracts receivable as follows:

<u>Entity / Project</u>	<u>Balance</u>	<u>Interest Rate / Security</u>
Loaned to Estherville Industrial Development Corporation: Medieval Glass	\$65,996	7.00%/ Real Estate – Building

The City has provided the funding for Tax Increment Financing (TIF) projects. The City will be repaid through the collection of real estate taxes which are generated by the

CITY OF ESTHERVILLE
Notes to Financial Statements – Continued
June 30, 2010

(5) Contracts Receivable – continued

projects funded. Outstanding receivables for TIF projects at June 30, 2010 are as follows:

<u>Project</u>	<u>Balance</u>	<u>Interest Rate / Security</u>
Hy-Vee	\$ 41,258	6.00 /Unsecured
Iowa Lakes Electric Cooperative	18,376	6.00 /Unsecured
WWTP Improvements	149,691	6.00 /Unsecured
Medieval Glass	808	6.00 /Unsecured
Industrial Park	7,696	6.00 /Unsecured
Northern Bio Energy	744	6.00 /Unsecured

(6) Other Postemployment Benefits (OPEB)

Plan Description – The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits and dental insurance for retirees and their spouses. Police officers do not participate in the dental plan. There are 53 active and 5 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark and the dental benefits are provided through a fully-insured plan with Delta Dental. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy – The contribution requirements of plan members are contained in the collective bargaining agreements. The City currently finances the retiree benefit on a pay-as-you-go basis. Retirees and their spouse pay the entire premium if they choose to continue under the City’s plan. The City offers two medical/prescription plans. The most recent active member monthly premiums for the City and plan members are \$471 for single coverage and \$1,027 for family coverage and the alternate plan is \$517 for single coverage and \$1,293 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$444,604 and plan members eligible for benefits contributed \$124,422 to the plan.

The dental premiums for fiscal year 2010 were \$18 per month for single coverage and \$50 per month for family coverage. For the year ended June 30, 2010, the city contributed \$14,976 and plan members eligible for benefits contributed \$5,093.

(7) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick 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 earned vacation and sick leave termination payments

CITY OF ESTHERVILLE
Notes to Financial Statements – Continued
June 30, 2010

(7) Compensated Absences - continued

payable to employees at June 30, 2010, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$129,201
Sick Leave	<u>502,154</u>
Total	<u>\$631,355</u>

This liability has been computed based on rates of pay in effect at June 30, 2010.

(8) Related Party Transactions

The City had business transactions between the City and City employees and officials totaling \$28,397 during the year ended June 30, 2010.

(9) Risk Management

The City 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. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(10) Lease

The City of Estherville entered into a twelve year operating lease agreement on May 31, 2001 with Estherville Housing, Inc. to lease office space. The lease amount is \$8,000 per year through June 30, 2004. The City's total rent expense for the year ending June 30, 2010 was \$9,568.

After June 30, 2004, the lease amount may be re-negotiated in three year intervals. The maximum increase in rent for any three year term shall not exceed twelve percent. The lease may be terminated by either party at any time upon three years written notice to the other party by registered mail or in person.

CITY OF ESTHERVILLE
Notes to Financial Statements – Continued
June 30, 2010

(10) Lease - continued

Future Minimum Rental Payments

Year ending <u>June 30,</u>	<u>Amount</u>
2011	\$ 9,568
2012	9,568
2013	<u>9,568</u>
Total	<u>\$28,704</u>

(11) Special Assessments Interest

The City of Estherville collects special assessments from property owners related to certain construction projects. Property owners may pay the assessment in full without interest by a certain date. Subsequently, annual payments are made which bear a stated interest rate.

(12) Joint Venture

On November 4, 1997, the City entered into a joint venture agreement pursuant to the provisions of Chapter 390 of the Code of Iowa with the Municipal Electric Utility of the City of Cedar Falls, Algona Municipal Utilities, the City of Ellsworth, Westfield Municipal Utilities, Montezuma Light and Power, and the City of Fonda.

This joint venture agreement is a collaborative effort of the parties above, the U.S. Department of Energy (“DOE”), and the Electric Power Research Institute (“EPRI”) to develop, construct and operate a wind-powered electric generation facility (Iowa Distributed Wind Generation Project – “IDWGP”). The project is partially funded by a grant from EPRI consisting of 47.42% of construction and operating expenses for 1999 and 2000 funded by EPRI.

The City of Estherville owns an 8% interest in the project. The energy produced by the IDWGP will be apportioned among the parties based on their percentages of ownership. Currently, Algona Municipal Utilities is purchasing the generated power at their avoided cost which has been determined to be \$.02015/KWH, effective June of 2010. It has not been determined how long this arrangement will continue.

The City receives 8% of the income and pays 8% of the expenses generated by IDWGP. Generally, expenses exceed income.

(13) Interest Paid

During the year ended June 30, 2010, interest paid by the City on bonds, notes and customer utility deposits totaled \$70,403.

CITY OF ESTHERVILLE
Notes to Financial Statements – Continued
June 30, 2010

(14) General Fund – Designated Balance

The City had designated part of the balance of the general fund for specific future uses. The balance which has been designated as Parks and Recreation Revolving is for funding future parks and recreation projects. The Equipment Revolving balance is for future purchases of equipment needed for the general fund. The Library - Pearson and Library - Sanborn are for library expenditures. The Forfeiture is for deterring criminal activity.

<u>Designated Balances at June 30, 2010</u>	<u>Amount</u>
Parks and Recreation Revolving	\$69,927
Equipment Revolving	578,553
Library - Pearson	21,470
Library - Sanborn	237,555
Forfeiture	<u>9,575</u>
Total Designated Balances	<u>\$917,080</u>

(15) Deficit Fund Balance

The Capital Projects Funds - Airport Hangar Construction had a deficit balance of \$23,764 at June 30, 2010. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit balance will be eliminated upon receipt of federal grants.

The Capital Projects Funds – Airport Access Road had a deficit balance of \$739 at June 30, 2010. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit balance will be eliminated upon receipt of federal grants and local match.

(16) Construction Commitment

The City has entered into a contract totaling \$200,000 for reconstruction of South 9th Street. As of June 30, 2010, costs of \$0 on the project have been paid. The balance remaining on the project at June 30, 2010 (\$200,000) will be paid when the City is billed for the work.

The City has entered into a contract totaling \$574,061 for new airport hangar and taxi lanes. As of June 30, 2010, costs of \$546,612 on the project have been paid. The balance remaining on the project at June 30, 2010 (\$27,449) will be paid as work on the project progresses.

CITY OF ESTHERVILLE
Notes to Financial Statements – Continued
June 30, 2010

(16) Construction Commitment - continued

The City has entered into a contract totaling \$452,473 for the wastewater treatment plant disinfection building. As of June 30, 2010, costs of \$428,880 on the project have been paid. The balance remaining on the project at June 30, 2010 (\$23,593) will be paid as work on the project progresses.

The City has entered into a contract totaling \$76,257 for South 5th and South 7th Streets' alleys reconstruction. As of June 30, 2010, costs of \$57,198 on the project have been paid. The balance remaining on the project at June 30, 2010 (\$19,059) will be paid as work on the project progresses.

The City has entered into a contract totaling \$1,515,742 for the water treatment plant expansion. As of June 30, 2010, costs of \$634,413 on the project have been paid. The balance remaining on the project at June 30, 2010 (\$881,329) will be paid as work on the project progresses.

The City has entered into a contract totaling \$260,625 for the ground storage reservoir. As of June 30, 2010, costs of \$242,052 on the project have been paid. The balance remaining on the project at June 30, 2010 (\$18,573) will be paid as work on the project progresses.

The City has entered into a contract totaling \$48,129 for the skateboard park. As of June 30, 2010, costs of \$28,129 on the project have been paid. The balance remaining on the project at June 30, 2010 (\$20,000) will be paid in the fiscal year ended June 30, 2011.

The City has entered into a contract totaling \$139,178 for North 7th Streets' curb and gutter replacement. As of June 30, 2010, costs of \$0 on the project have been paid. The balance remaining on the project at June 30, 2010 (\$139,178) will be paid as work on the project progresses.

The City has entered into a contract totaling \$169,557 for the 2010 HMA resurfacing project. As of June 30, 2010, costs of \$0 on the project have been paid. The balance remaining on the project at June 30, 2010 (\$169,557) will be paid as work on the project progresses.

The City has entered into a contract totaling \$9,825 for North 13th sidewalk project. As of June 30, 2010, costs of \$0 on the project have been paid. The balance remaining on the project at June 30, 2010 (\$9,825) will be paid as work on the project progresses.

(17) Interfund Transfers

The City had numerous interfund transfers during the year ended June 30, 2010. The transfers generally move resources from funds with available resources to those funds with expenses that need to be paid.

Required Supplementary Information

CITY OF ESHERVILLE
 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, 2010

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted	Net	Budgeted Amounts		Final to Net Variance
					Original	Final	
Receipts:							
Property tax	\$ 2,012,054	\$ -	\$ -	\$ 2,012,054	\$ 2,011,843	\$ 2,011,843	211
Tax increment financing	164,369	-	-	164,369	159,500	159,500	4,869
Other city tax	511,508	-	-	511,508	504,944	504,944	6,564
Licenses and permits	82,977	-	-	82,977	9,850	9,850	73,127
Use of money and property	94,722	92,703	-	187,425	134,530	134,530	52,895
Intergovernmental	1,371,750	912	-	1,372,662	1,782,933	1,782,933	(410,271)
Charges for service	679,051	8,475,397	342,758	8,811,690	8,777,280	8,777,280	34,410
Special assessments	20,049	-	-	20,049	10,067	10,067	9,982
Miscellaneous	48,384	7,521	7,521	48,384	44,400	44,400	3,984
Total receipts	4,984,864	8,576,533	350,279	13,211,118	13,435,347	13,435,347	(224,229)
Disbursements:							
Public safety	1,315,489	48,433	48,433	1,315,489	1,303,820	1,352,820	37,331
Public works	1,643,183	124,730	124,730	1,643,183	1,950,700	1,950,700	307,517
Health and social services	5,237	-	-	5,237	6,200	6,200	963
Culture and recreation	660,497	11,310	11,310	660,497	677,550	689,500	29,003
Community and economic development	334,115	-	-	334,115	953,350	953,350	619,235
General government	883,670	2,776	2,776	883,670	953,000	953,000	69,330
Debt service	272,851	-	-	272,851	273,852	273,852	1,001
Capital projects	1,994,359	-	-	1,994,359	3,210,300	3,210,300	1,215,941
Business type activities	-	7,191,313	155,509	7,035,804	7,864,388	7,864,388	828,584
Non-program	-	7,521	7,521	-	-	-	-
Total disbursements	7,109,401	7,386,083	350,279	14,145,205	17,193,160	17,254,110	3,108,905
Excess (deficiency) of receipts over (under) disbursements	(2,124,537)	1,190,450	-	(934,087)	(3,757,813)	(3,818,763)	2,884,676
Other financing sources, net	3,613,834	(1,238,368)	-	2,375,466	2,537,000	2,537,000	(161,534)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,489,297	(47,918)	-	1,441,379	(1,220,813)	(1,281,763)	2,723,142
Balances beginning of year	4,752,729	4,358,695	108,891	9,002,533	8,126,306	8,126,306	876,227
Balances end of year	\$ 6,242,026	\$ 4,310,777	\$ 108,891	\$ 10,443,912	\$ 6,905,493	\$ 6,844,543	\$ 3,599,369

See accompanying independent auditor's report.

CITY OF ESTHERVILLE
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2010

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 Fund 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 \$60,950. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2010, disbursements did not exceed the amounts budgeted in any function.

Other Supplementary Information

CITY OF ESTHERVILLE
 Schedule of Cash Receipts, Disbursements
 and Changes in Cash Balances
 Nonmajor Governmental Funds
 As of and for the year ended June 30, 2010

	Special Revenue																																																																																																																																																																																																																																																																																																																																																																																																																																																										
	Group Insurance	Police Retirement	FICA & IPERS	Local Option Sales Tax	Industrial Park TIF	Oakridge TIF	Subdivision Development	Morrell TIF	Hy-Vee TIF	Economic Development																																																																																																																																																																																																																																																																																																																																																																																																																																																	
Receipts:												Property tax	\$ 445,111	\$ 128,585	\$ 189,918	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Tax increment financing	-	-	-	-	17,721	93,117	-	24,240	29,291	-	-	Other city tax	4,959	1,432	2,116	419,513	-	-	-	-	-	-	-	Use of money and property	-	-	-	-	-	-	-	-	-	-	1,559	Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	Miscellaneous	-	-	-	-	-	-	-	-	-	-	1,272	Total receipts	450,070	130,017	192,034	419,513	17,721	93,117	-	24,240	29,291	-	2,831	Disbursements:												Operating:												Public safety	129,542	97,317	7,091	136,517	-	-	-	-	-	-	-	Public works	102,121	-	51,637	8,109	-	-	-	-	-	-	-	Culture and recreation	60,752	-	41,102	1,530	-	-	-	-	-	-	-	Community and economic development	-	-	-	115,312	743	4,866	7,446	9,244	26,924	26,000	-	General government	67,335	-	67,756	-	-	-	-	-	-	-	-	Debt service	-	-	-	-	-	-	-	-	-	-	-	Capital projects	-	-	-	-	-	-	-	-	-	-	-	Total disbursements	359,750	97,317	167,586	261,468	743	4,866	7,446	9,244	26,924	26,000	-	Excess (deficiency) of receipts over (under) disbursements	90,320	32,700	24,448	158,045	16,978	88,251	(7,446)	14,996	2,367	(23,169)	-	Other financing sources (uses):												Bond proceeds	-	-	-	-	-	-	-	-	-	-	-	Sale of capital assets	-	-	-	-	-	-	22,232	-	-	-	-	Operating transfers in	-	-	-	-	743	75,133	7,267	9,244	26,924	47,789	-	Operating transfers out	-	-	-	(73,524)	(17,721)	(163,384)	(22,053)	(24,240)	(29,291)	(38,667)	-	Total other financing sources (uses)	-	-	-	(73,524)	(16,978)	(88,251)	7,446	(14,996)	(2,367)	9,122	-	Net change in cash balances	90,320	32,700	24,448	84,521	-	-	-	-	-	(14,047)	-	Cash balances beginning of year	329,097	61,236	66,896	141,514	-	-	33	-	-	602,224	-	Cash balances end of year	\$ 419,417	\$ 93,936	\$ 91,344	\$ 226,035	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ 588,177	\$ -	Cash Basis Fund Balances												Reserved:												Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Permanent fund	-	-	-	-	-	-	-	-	-	-	-	Unreserved:												Special revenue funds	419,417	93,936	91,344	226,035	-	-	33	-	-	588,177	-	Capital projects funds	-	-	-	-	-	-	-	-	-	-	-	Permanent fund	-	-	-	-	-	-	-	-	-	-	-	Total cash basis fund balances	\$ 419,417	\$ 93,936	\$ 91,344	\$ 226,035	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ 588,177	\$ -
Property tax	\$ 445,111	\$ 128,585	\$ 189,918	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -																																																																																																																																																																																																																																																																																																																																																																																																																																																
Tax increment financing	-	-	-	-	17,721	93,117	-	24,240	29,291	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Other city tax	4,959	1,432	2,116	419,513	-	-	-	-	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Use of money and property	-	-	-	-	-	-	-	-	-	-	1,559																																																																																																																																																																																																																																																																																																																																																																																																																																																
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Miscellaneous	-	-	-	-	-	-	-	-	-	-	1,272																																																																																																																																																																																																																																																																																																																																																																																																																																																
Total receipts	450,070	130,017	192,034	419,513	17,721	93,117	-	24,240	29,291	-	2,831																																																																																																																																																																																																																																																																																																																																																																																																																																																
Disbursements:												Operating:												Public safety	129,542	97,317	7,091	136,517	-	-	-	-	-	-	-	Public works	102,121	-	51,637	8,109	-	-	-	-	-	-	-	Culture and recreation	60,752	-	41,102	1,530	-	-	-	-	-	-	-	Community and economic development	-	-	-	115,312	743	4,866	7,446	9,244	26,924	26,000	-	General government	67,335	-	67,756	-	-	-	-	-	-	-	-	Debt service	-	-	-	-	-	-	-	-	-	-	-	Capital projects	-	-	-	-	-	-	-	-	-	-	-	Total disbursements	359,750	97,317	167,586	261,468	743	4,866	7,446	9,244	26,924	26,000	-	Excess (deficiency) of receipts over (under) disbursements	90,320	32,700	24,448	158,045	16,978	88,251	(7,446)	14,996	2,367	(23,169)	-	Other financing sources (uses):												Bond proceeds	-	-	-	-	-	-	-	-	-	-	-	Sale of capital assets	-	-	-	-	-	-	22,232	-	-	-	-	Operating transfers in	-	-	-	-	743	75,133	7,267	9,244	26,924	47,789	-	Operating transfers out	-	-	-	(73,524)	(17,721)	(163,384)	(22,053)	(24,240)	(29,291)	(38,667)	-	Total other financing sources (uses)	-	-	-	(73,524)	(16,978)	(88,251)	7,446	(14,996)	(2,367)	9,122	-	Net change in cash balances	90,320	32,700	24,448	84,521	-	-	-	-	-	(14,047)	-	Cash balances beginning of year	329,097	61,236	66,896	141,514	-	-	33	-	-	602,224	-	Cash balances end of year	\$ 419,417	\$ 93,936	\$ 91,344	\$ 226,035	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ 588,177	\$ -	Cash Basis Fund Balances												Reserved:												Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Permanent fund	-	-	-	-	-	-	-	-	-	-	-	Unreserved:												Special revenue funds	419,417	93,936	91,344	226,035	-	-	33	-	-	588,177	-	Capital projects funds	-	-	-	-	-	-	-	-	-	-	-	Permanent fund	-	-	-	-	-	-	-	-	-	-	-	Total cash basis fund balances	\$ 419,417	\$ 93,936	\$ 91,344	\$ 226,035	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ 588,177	\$ -																																																																																																
Operating:												Public safety	129,542	97,317	7,091	136,517	-	-	-	-	-	-	-	Public works	102,121	-	51,637	8,109	-	-	-	-	-	-	-	Culture and recreation	60,752	-	41,102	1,530	-	-	-	-	-	-	-	Community and economic development	-	-	-	115,312	743	4,866	7,446	9,244	26,924	26,000	-	General government	67,335	-	67,756	-	-	-	-	-	-	-	-	Debt service	-	-	-	-	-	-	-	-	-	-	-	Capital projects	-	-	-	-	-	-	-	-	-	-	-	Total disbursements	359,750	97,317	167,586	261,468	743	4,866	7,446	9,244	26,924	26,000	-	Excess (deficiency) of receipts over (under) disbursements	90,320	32,700	24,448	158,045	16,978	88,251	(7,446)	14,996	2,367	(23,169)	-	Other financing sources (uses):												Bond proceeds	-	-	-	-	-	-	-	-	-	-	-	Sale of capital assets	-	-	-	-	-	-	22,232	-	-	-	-	Operating transfers in	-	-	-	-	743	75,133	7,267	9,244	26,924	47,789	-	Operating transfers out	-	-	-	(73,524)	(17,721)	(163,384)	(22,053)	(24,240)	(29,291)	(38,667)	-	Total other financing sources (uses)	-	-	-	(73,524)	(16,978)	(88,251)	7,446	(14,996)	(2,367)	9,122	-	Net change in cash balances	90,320	32,700	24,448	84,521	-	-	-	-	-	(14,047)	-	Cash balances beginning of year	329,097	61,236	66,896	141,514	-	-	33	-	-	602,224	-	Cash balances end of year	\$ 419,417	\$ 93,936	\$ 91,344	\$ 226,035	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ 588,177	\$ -	Cash Basis Fund Balances												Reserved:												Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Permanent fund	-	-	-	-	-	-	-	-	-	-	-	Unreserved:												Special revenue funds	419,417	93,936	91,344	226,035	-	-	33	-	-	588,177	-	Capital projects funds	-	-	-	-	-	-	-	-	-	-	-	Permanent fund	-	-	-	-	-	-	-	-	-	-	-	Total cash basis fund balances	\$ 419,417	\$ 93,936	\$ 91,344	\$ 226,035	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ 588,177	\$ -																																																																																																												
Public safety	129,542	97,317	7,091	136,517	-	-	-	-	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Public works	102,121	-	51,637	8,109	-	-	-	-	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Culture and recreation	60,752	-	41,102	1,530	-	-	-	-	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Community and economic development	-	-	-	115,312	743	4,866	7,446	9,244	26,924	26,000	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
General government	67,335	-	67,756	-	-	-	-	-	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Debt service	-	-	-	-	-	-	-	-	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Capital projects	-	-	-	-	-	-	-	-	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Total disbursements	359,750	97,317	167,586	261,468	743	4,866	7,446	9,244	26,924	26,000	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Excess (deficiency) of receipts over (under) disbursements	90,320	32,700	24,448	158,045	16,978	88,251	(7,446)	14,996	2,367	(23,169)	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Other financing sources (uses):												Bond proceeds	-	-	-	-	-	-	-	-	-	-	-	Sale of capital assets	-	-	-	-	-	-	22,232	-	-	-	-	Operating transfers in	-	-	-	-	743	75,133	7,267	9,244	26,924	47,789	-	Operating transfers out	-	-	-	(73,524)	(17,721)	(163,384)	(22,053)	(24,240)	(29,291)	(38,667)	-	Total other financing sources (uses)	-	-	-	(73,524)	(16,978)	(88,251)	7,446	(14,996)	(2,367)	9,122	-	Net change in cash balances	90,320	32,700	24,448	84,521	-	-	-	-	-	(14,047)	-	Cash balances beginning of year	329,097	61,236	66,896	141,514	-	-	33	-	-	602,224	-	Cash balances end of year	\$ 419,417	\$ 93,936	\$ 91,344	\$ 226,035	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ 588,177	\$ -	Cash Basis Fund Balances												Reserved:												Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Permanent fund	-	-	-	-	-	-	-	-	-	-	-	Unreserved:												Special revenue funds	419,417	93,936	91,344	226,035	-	-	33	-	-	588,177	-	Capital projects funds	-	-	-	-	-	-	-	-	-	-	-	Permanent fund	-	-	-	-	-	-	-	-	-	-	-	Total cash basis fund balances	\$ 419,417	\$ 93,936	\$ 91,344	\$ 226,035	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ 588,177	\$ -																																																																																																																																																																																																																																				
Bond proceeds	-	-	-	-	-	-	-	-	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Sale of capital assets	-	-	-	-	-	-	22,232	-	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Operating transfers in	-	-	-	-	743	75,133	7,267	9,244	26,924	47,789	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Operating transfers out	-	-	-	(73,524)	(17,721)	(163,384)	(22,053)	(24,240)	(29,291)	(38,667)	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Total other financing sources (uses)	-	-	-	(73,524)	(16,978)	(88,251)	7,446	(14,996)	(2,367)	9,122	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Net change in cash balances	90,320	32,700	24,448	84,521	-	-	-	-	-	(14,047)	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Cash balances beginning of year	329,097	61,236	66,896	141,514	-	-	33	-	-	602,224	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Cash balances end of year	\$ 419,417	\$ 93,936	\$ 91,344	\$ 226,035	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ 588,177	\$ -																																																																																																																																																																																																																																																																																																																																																																																																																																																
Cash Basis Fund Balances												Reserved:												Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Permanent fund	-	-	-	-	-	-	-	-	-	-	-	Unreserved:												Special revenue funds	419,417	93,936	91,344	226,035	-	-	33	-	-	588,177	-	Capital projects funds	-	-	-	-	-	-	-	-	-	-	-	Permanent fund	-	-	-	-	-	-	-	-	-	-	-	Total cash basis fund balances	\$ 419,417	\$ 93,936	\$ 91,344	\$ 226,035	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ 588,177	\$ -																																																																																																																																																																																																																																																																																																																																																
Reserved:												Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	Permanent fund	-	-	-	-	-	-	-	-	-	-	-	Unreserved:												Special revenue funds	419,417	93,936	91,344	226,035	-	-	33	-	-	588,177	-	Capital projects funds	-	-	-	-	-	-	-	-	-	-	-	Permanent fund	-	-	-	-	-	-	-	-	-	-	-	Total cash basis fund balances	\$ 419,417	\$ 93,936	\$ 91,344	\$ 226,035	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ 588,177	\$ -																																																																																																																																																																																																																																																																																																																																																												
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -																																																																																																																																																																																																																																																																																																																																																																																																																																																
Permanent fund	-	-	-	-	-	-	-	-	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Unreserved:												Special revenue funds	419,417	93,936	91,344	226,035	-	-	33	-	-	588,177	-	Capital projects funds	-	-	-	-	-	-	-	-	-	-	-	Permanent fund	-	-	-	-	-	-	-	-	-	-	-	Total cash basis fund balances	\$ 419,417	\$ 93,936	\$ 91,344	\$ 226,035	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ 588,177	\$ -																																																																																																																																																																																																																																																																																																																																																																																																
Special revenue funds	419,417	93,936	91,344	226,035	-	-	33	-	-	588,177	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Capital projects funds	-	-	-	-	-	-	-	-	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Permanent fund	-	-	-	-	-	-	-	-	-	-	-																																																																																																																																																																																																																																																																																																																																																																																																																																																
Total cash basis fund balances	\$ 419,417	\$ 93,936	\$ 91,344	\$ 226,035	\$ -	\$ -	\$ 33	\$ -	\$ -	\$ 588,177	\$ -																																																																																																																																																																																																																																																																																																																																																																																																																																																

See accompanying independent auditor's report.

CITY OF ESTHERVILLE
 Schedule of Cash Receipts, Disbursements
 and Changes in Cash Balances
 Nonmajor Governmental Funds
 As of and for the year ended June 30, 2010

	Capital Projects										Total	
	Housing Rehab Grant	Debt Service	Parks & Recreation Construction	Airport Hangar Construction	I-JOBS Construction	Airport Access Road	WWTP Disinfection Bid	Library Trust	Permanent			
Receipts:												
Property tax	\$ -	\$ 172,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 936,490
Tax increment financing	-	-	-	-	-	-	-	-	-	-	-	164,369
Other city tax	-	1,901	-	-	-	-	-	-	-	-	-	429,921
Use of money and property	-	1,192	-	-	-	-	-	-	-	-	2,468	5,219
Intergovernmental	112,091	-	-	514,970	29,071	-	-	-	-	-	-	656,132
Miscellaneous	5,895	-	-	-	-	-	-	-	-	-	-	7,167
Total receipts	117,986	175,969	-	514,970	29,071	-	-	-	-	-	2,468	2,199,298
Disbursements:												
Operating:												
Public safety	-	-	-	-	-	-	-	-	-	-	-	370,467
Public works	-	-	-	-	-	-	-	-	-	-	-	161,867
Culture and recreation	-	-	-	-	-	-	-	-	-	-	-	103,384
Community and economic development	109,523	-	-	-	-	-	-	-	-	-	-	300,058
General government	-	-	-	-	-	-	-	-	-	-	-	135,091
Debt service	-	272,851	-	-	-	-	-	-	-	-	-	272,851
Capital projects	-	-	28,129	559,977	-	739	476,786	-	-	-	-	1,065,631
Total disbursements	109,523	272,851	28,129	559,977	-	739	476,786	-	-	-	-	2,409,349
Excess (deficiency) of receipts over (under) disbursements	8,463	(96,882)	(28,129)	(45,007)	29,071	(739)	(476,786)	-	-	2,468	(210,051)	
Other financing sources (uses):												
Bond proceeds	-	-	-	-	-	-	517,000	-	-	-	-	517,000
Sale of capital assets	-	-	-	-	-	-	-	-	-	-	-	22,232
Operating transfers in	6,000	122,791	28,129	27,500	-	-	-	-	-	-	-	351,520
Operating transfers out	-	-	-	-	-	-	-	-	-	-	-	(368,880)
Total other financing sources (uses)	6,000	122,791	28,129	27,500	-	-	517,000	-	-	-	-	521,872
Net change in cash balances	14,463	25,909	-	(17,507)	29,071	(739)	40,214	-	-	2,468	-	311,821
Cash balances beginning of year	(13,338)	52,941	-	(6,257)	-	-	-	-	-	103,482	-	1,337,828
Cash balances end of year	\$ 1,125	\$ 78,850	\$ -	\$ (23,764)	\$ 29,071	\$ (739)	\$ 40,214	\$ -	\$ -	\$ 105,950	\$ -	\$ 1,649,649
Cash Basis Fund Balances												
Reserved:												
Debt Service	\$ -	\$ 78,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 78,850
Permanent fund	-	-	-	-	-	-	-	-	-	57,574	-	57,574
Unreserved:												
Special revenue funds	1,125	-	-	-	-	-	-	-	-	-	-	1,420,067
Capital projects funds	-	-	-	(23,764)	29,071	(739)	40,214	-	-	-	-	44,782
Permanent fund	-	-	-	-	-	-	-	-	-	48,376	-	48,376
Total cash basis fund balances	\$ 1,125	\$ 78,850	\$ -	\$ (23,764)	\$ 29,071	\$ (739)	\$ 40,214	\$ -	\$ -	\$ 105,950	\$ -	\$ 1,649,649

See accompanying independent auditor's report.

CITY OF ESTHERVILLE
 Schedule of Cash Receipts, Disbursements
 and Changes in Cash Balances
 Nonmajor Proprietary Funds
 As of and for the year ended June 30, 2010

	Airport	Water Emergency	Wastewater Emergency	Electric Aerial Service	Airport Revolving	Total
Operating receipts:						
Use of money and property	\$ 66,536	\$ -	\$ -	\$ -	\$ -	\$ 66,536
Charges for service	12,639	-	-	345	-	12,984
Total operating receipts	79,175	-	-	345	-	79,520
Operating disbursements:						
Business type activities	62,538	37,982	-	239	-	100,759
Total operating disbursements	62,538	37,982	-	239	-	100,759
Excess (deficiency) of operating receipts over (under) operating disbursements	16,637	(37,982)	-	106	-	(21,239)
Non-operating receipts:						
Intergovernmental	912	-	-	-	-	912
Interest on investments	-	2,779	3,776	-	191	6,746
Total non-operating receipts	912	2,779	3,776	-	191	7,658
Excess (deficiency) of receipts over (under) disbursements	17,549	(35,203)	3,776	106	191	(13,581)
Operating transfers out	(31,100)	-	-	-	-	(31,100)
Net change in cash balances	(13,551)	(35,203)	3,776	106	191	(44,681)
Cash balances beginning of year	48,031	520,149	304,137	1,554	15,311	889,182
Cash balances end of year	\$ 34,480	\$ 484,946	\$ 307,913	\$ 1,660	\$ 15,502	\$ 844,501
Cash Basis Fund Balances						
Unreserved	\$ 34,480	\$ 484,946	\$ 307,913	\$ 1,660	\$ 15,502	\$ 844,501
Total cash basis fund balances	\$ 34,480	\$ 484,946	\$ 307,913	\$ 1,660	\$ 15,502	\$ 844,501

See accompanying independent auditor's report.

CITY OF ESTHERVILLE
 Schedule of Indebtedness
 Year ended June 30, 2010

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 bonds/notes:									
Wastewater Treatment Library	June 1, 2002	2.75 - 5.25 %	1,465,000	900,000	-	95,000	805,000	45,135	-
Water and Wastewater	October 1, 2002	2.75 - 4.40 %	590,000	220,000	-	70,000	150,000	9,393	-
	June 1, 2010	1.00 - 4.15 %	2,350,000	-	2,350,000	-	2,350,000	-	-
Total			\$ 1,120,000	\$ 2,350,000	\$ 2,350,000	\$ 165,000	\$ 3,305,000	\$ 54,528	\$ -
Note Payable: Fire Truck	December 14, 2005	4.50 %	102,034	\$ 55,885	-	16,485	39,400	2,515	-
Lease Purchase: Fire Truck	December 21, 2007	4.29 %	268,000	\$ 245,978	-	22,967	223,011	10,557	-

See accompanying independent auditor's report.

CITY OF ESTHERVILLE
 Bond and Note Maturities
 June 30, 2010

Schedule 4

General Obligation Bonds/Notes

Year Ending June 30,	Wastewater Treatment		Library		Water and Wastewater		Total
	Issued June 1, 2002		Issued October 1, 2002		Issued June 1, 2010		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2011	4.75	100,000	4.25	75,000	1.00	130,000	305,000
2012	4.90	105,000	4.40	75,000	1.25	130,000	310,000
2013	5.00	110,000	-	-	1.70	130,000	240,000
2014	5.10	115,000	-	-	2.00	135,000	250,000
2015	5.15	120,000	-	-	2.30	135,000	255,000
2016	5.20	125,000	-	-	2.65	140,000	265,000
2017	5.25	130,000	-	-	3.00	145,000	275,000
		-		-	3.20	155,000	155,000
		-		-	3.40	160,000	160,000
		-		-	3.60	165,000	165,000
		-		-	3.80	170,000	170,000
		-		-	4.00	180,000	180,000
		-		-	4.05	185,000	185,000
		-		-	4.10	190,000	190,000
		-		-	4.15	200,000	200,000
		<u>\$ 805,000</u>		<u>\$ 150,000</u>		<u>\$2,350,000</u>	<u>\$3,305,000</u>

Notes Payable

Year Ending June 30,	Fire Truck		Fire Truck	
	Issued December 14, 2005		Issued December 21, 2007	
	Interest Rates	Amount	Interest Rates	Amount
2011	4.50	17,182	4.29	23,952
2012	4.50	17,956	4.29	24,980
2013	4.50	4,262	4.29	26,053
2014	-	-	4.29	27,171
2015	-	-	4.29	28,337
2016	-	-	4.29	29,553
2017	-	-	4.29	30,821
2018	-	-	4.29	32,144
		<u>\$ 39,400</u>		<u>\$ 223,011</u>

See accompanying independent auditor's report.

CITY OF ESTHERVILLE
 Schedule of Receipts By Source and Disbursements By Function -
 All Governmental Funds
 For the Last Ten Years

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Receipts:										
Property tax	\$ 2,012,054	\$ 1,874,028	\$ 1,841,129	\$ 1,847,308	\$ 1,798,834	\$ 1,674,273	\$ 1,706,875	\$ 1,636,194	\$ 1,478,584	\$ 1,409,732
Tax increment financing	164,369	353,698	206,847	279,748	320,731	577,443	168,656	179,225	251,292	369,388
Other city tax	511,508	248,999	108,342	97,023	64,722	25,691	22,517	28,199	26,002	21,033
Licenses and permits	82,977	78,378	80,157	72,341	70,507	76,644	83,891	66,002	68,249	68,278
Use of money and property	94,722	157,040	242,809	300,481	226,331	116,872	80,634	145,136	259,440	234,934
Intergovernmental	1,371,750	735,551	691,222	651,060	719,839	865,068	1,453,906	2,037,598	799,337	724,459
Charges for service	679,051	689,896	608,147	566,992	559,609	563,944	537,278	463,147	463,627	460,452
Special assessments	20,049	57,244	11,366	16,708	26,083	87,700	79,995	51,232	65,860	17,856
Miscellaneous	48,384	52,081	105,863	40,918	120,661	518,983	136,524	247,303	139,536	111,614
Total	\$ 4,984,864	\$ 4,246,915	\$ 3,895,882	\$ 3,872,579	\$ 3,907,317	\$ 4,506,618	\$ 4,270,276	\$ 4,854,036	\$ 3,551,927	\$ 3,417,746
Disbursements:										
Operating:										
Public safety	\$ 1,315,489	\$ 1,088,479	\$ 1,454,875	\$ 1,066,190	\$ 1,136,265	\$ 974,212	\$ 916,293	\$ 884,005	\$ 766,389	\$ 759,155
Public works	1,643,183	2,570,899	1,473,098	1,606,151	1,177,067	1,745,394	1,658,703	1,484,713	2,037,301	1,196,441
Health and social services	5,237	5,297	4,923	5,727	3,807	2,817	5,165	2,296	3,486	3,507
Culture and recreation	660,497	648,557	600,593	729,999	598,914	511,257	536,188	519,666	496,403	476,867
Community and economic development	334,115	254,250	195,775	190,272	288,216	187,524	212,978	1,442,675	127,166	174,140
General government	883,670	853,777	803,714	836,076	820,453	723,623	692,456	642,890	650,038	602,320
Debt service	272,851	269,456	237,058	242,925	343,096	226,495	580,835	1,023,149	218,751	221,299
Capital projects	1,994,359	24,430	78,194	29,749	471,702	200,947	1,214,255	567,381	1,085,754	245,941
Total	\$ 7,109,401	\$ 5,715,145	\$ 4,848,230	\$ 4,707,089	\$ 4,839,520	\$ 4,572,269	\$ 5,816,373	\$ 6,566,775	\$ 5,385,288	\$ 3,679,670

See accompanying independent auditor's report.

CITY OF ESTHERVILLE
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2010

Schedule 6

Grantor/Program	CFDA Number	Agency or Pass-through Number	Program Expenditures
Direct:			
U.S. Department of the Interior:			
Bureau of Land Management:			
Rural Fire Assistance Grant	15.242	301819G312	\$ 11,400
U.S. Department of Justice:			
ARRA - Edward Byrne Memorial Justice Assistance Grant Program, Recovery Act			
	16.804	2009-SB-B9-1088	10,633
U.S. Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement - Design	20.106	3-19-0032-06	12,697
Airport Improvement - Six Unit Hangar and Taxilane	20.106	3-19-0032-07	519,282
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grants:			
Housing Fund Contract	14.228	08-HSG-003	98,753
U.S. Department of Homeland Security:			
Iowa Department of Public Defense:			
Iowa Homeland Security and Emergency Management Division:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1877-DRIA	<u>22,111</u>
Total			<u>\$ 674,876</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Estherville and is presented in conformity with an other comprehensive basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

City of Estherville

Brinkman & Reed, CPA's

103 South Sixth Street Estherville, Iowa 51334 712-362-5891 Phone 712-362-7172 Fax

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 Estherville, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated September 14, 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 Estherville'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 an opinion on the effectiveness of the City of Estherville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Estherville'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Estherville's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-10 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Estherville'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 and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 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 Estherville's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit the City of Estherville'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 Estherville and other parties to whom the City of Estherville may report, including federal

awarding agencies and pass-through entities, and 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 Estherville 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.

Brinkman + Reed, CPA's

Brinkman & Reed, CPA's

September 14, 2010

Independent Auditor's Report on Compliance with Requirements
Applicable to Each Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133

City of Estherville

Brinkman & Reed, CPA's

103 South Sixth Street Estherville, Iowa 51334 712-362-5891 Phone 712-362-7172 Fax

Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Compliance

We have audited the compliance of the City of Estherville, Iowa, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2010. The City of Estherville's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Estherville's management. Our responsibility is to express an opinion on the City of Estherville's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Estherville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Estherville's compliance with those requirements.

In our opinion, the City of Estherville complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the City of Estherville is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to federal programs. In planning and performing our audit, we considered the City of Estherville's internal control over compliance with requirements that could have direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Estherville's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses, as defined above.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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 Estherville and other parties to whom the City of Estherville may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Brinkman + Reed, CPA's

Brinkman & Reed, CPA's

September 14, 2010

CITY OF ESTHERVILLE
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

Part I: Summary of the Independent Auditor's Results

- a) Unqualified opinions were issued on the 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) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c) The audit did not disclose any non-compliance which is material to the financial statements.
- d) No material weaknesses in internal control over the major program were noted.
- e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- f) The audit disclosed no audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g) The major program was CFDA Number 20.106 – Airport Improvement – Design, Six Unit Hangar and Taxiway.
- h) The dollar threshold used to distinguish Type A and Type B programs was \$300,000.
- i) The City of Estherville did not qualify as a low-risk auditee.

CITY OF ESTHERVILLE
Schedule of Findings and Questioned Costs – Continued
Year Ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-10 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 employees who handle cash receipts are also involved with the preparation of bank reconciliations and postings of payments. We also noted that one employee prepares and approves payroll input and prepares payroll checks.

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

Response – The City will make every effort to comply.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

Part IV: Other Findings Related to Statutory Reporting:

IV-A-10 Certified Budget – City disbursements during the year ended June 30, 2010 did not exceed the amount budgeted.

IV-B-10 Questionable Disbursements – No expenses that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

CITY OF ESTHERVILLE
 Schedule of Findings and Questioned Costs – Continued
 Year Ended June 30, 2010

Part IV: Other Findings Related to Statutory Reporting (Continued):

IV-C-10 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-10 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Ann Goebel, Council Member, Owner of Riverside Hills Boarding	Boarding Dogs	\$1,165
Penny Clayton, City Administrator	Purchased City Lot	22,232
Penny Clayton, City Administrator	House Grant	5,000

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the Council Member does not appear to represent a conflict of interest since total transactions was less than \$1,500 during the fiscal year. The transactions with the City Administrator do not appear to represent conflicts of interest since the lots and grants are available to any individual building a new home in the City.

IV-E-10 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 ensure the coverage is adequate for current operations.

IV-F-10 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

IV-G-10 Deposit and Investments – We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy.

CITY OF ESTHERVILLE
Schedule of Findings and Questioned Costs – Continued
Year Ended June 30, 2010

IV-H-10 Financial Condition – The Capital Projects Fund – Airport Access Road had a deficit balance at June 30, 2010 of \$739. The Capital Projects Fund - Airport Hangar Construction had a deficit balance at June 30, 2010 of \$23,764.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response – The deficits were due to construction costs incurred prior to the receipt of federal grants and local matches. The deficits will be subsequently eliminated.

Conclusion – Response accepted.