

**CITY OF ELDORA, IOWA**

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

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

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**City of Eldora, Iowa**

**Officials**

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

Library Board

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

Board of Adjustment

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

**City of Eldora, Iowa**

**Officials (continued)**

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

**City of Eldora, Iowa**

**Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>(After January 2010)</b>		
James Brown	Mayor	Jan 2012
Myron Kosanke	Council Member	Jan 2012
Daryl Albertson	Council Member	Jan 2012
Trista Nelson	Council Member	Jan 2014
Peter Harrison	Council Member	Jan 2014
Melody Hoy	Council Member	Jan 2014
Patrick Ian Rigg	City Administrator	Appointed
Joyce Lawler	City Clerk	Appointed
Ben Cutler	Attorney	Jan 2012

Library Board

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

Board of Adjustment

Glen Gaede	Member	May 2011
David McCall	Member	May 2012
Brent Ewoldt	Member	May 2013
Roger Hanson	Member	May 2014
Ben Speck	Member	May 2015

**City of Eldora, Iowa**

**Officials (continued)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Planning and Zoning Commission</u>		
Dan Dye	Member	Jun 2010
Mary Rubow	Member	Jun 2012
Bill Dagit	Member	Jun 2013
Steve Priske	Member	Jun 2013
Bruce Harvey	Member	Jun 2014
Larry Luiken	Member	Jun 2014
Frank Valde	Member	Jun 2015
<u>Theater Board</u>		
Dave Rubow	Member	Dec 2011
Judith Andrews	Member	Dec 2011
Trista Nelson	Member	Dec 2011
Marsha Pettigrew	Member	Dec 2013
Ted Paxton	Member	Dec 2013

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldora, Iowa, as of and for the year ended June 30, 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 Eldora'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 Eldora 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 March 17, 2011 on our consideration of the City of Eldora's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 7 through 14 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

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

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

March 17, 2011

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

### **June 30, 2010**

This discussion and analysis is intended to be an easily readable analysis of the City of Eldora's financial activities for the fiscal year ended June 30, 2010 based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the City's financial statements.

#### **Financial Highlights**

- The City has incurred extra expenses due to a major disaster in August of 2009 with costs not covered by insurance.
- The City incurred extra expenses due to debris and tree removal incurred as a result of the disaster in August
- The City incurred extra expenses due to remodeling at the Clinic due to new tenants moving in.
- The City incurred extra expenses in Debt Service because of a new GO Bond issue to purchase two vehicles damaged in the storm.
- The City incurred expenses in Blight due to a Neighborhood Stabilization Program for cleaning up blighted property.
- The City is working on eliminating deficit funds such as the Pool Trust and the General Fund.

#### **Basis of Accounting**

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

## **Report Layout**

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34. GASB 34 implements a new model of financial reporting for state and local governments designed to enhance the usefulness of the City's annual report. Besides the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements, combining schedules or non-major funds and supplemental information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as public safety, public works, health and social services, culture and recreation, community and economic development, general government administration, debt service, and capital projects. Business-type activities are water, sewer, solid waste and theatre.

## **Statement of Activities**

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

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

The Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operations between the current and prior years.

## **Fund Financial Statements**

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

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

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

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

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

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

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

### **Government-wide Financial Analysis**

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

The differences between the final budgeted expenditures and the final expenditures decreased by approximately 1.4 million and can be briefly summarized as follows:

The City budgeted many capital projects (NSP, Highway 175, Walter Filter, etc...) that were delayed therefore failed to generate expense that would be part of the final expenditures.

Long-term debt – At the end of the current fiscal year, the City of Eldora had a debt outstanding of \$7,789,755. This consists of \$2,248,397 of general obligation debt and \$5,541,351 of revenue debt.

There were no changes in Credit Ratings or Debt Limitations in the past fiscal year.

### **Economic Factors and Next Year’s Budget and Rates**

The City will continue to explore service sharing wherever possible with Hardin County and neighboring communities.

The City is looking at diverting additional local option sales tax revenue to the aquatic center project in the 2010-2011 budget.

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

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

These factors, if known, were considered in doing the City of Eldora City 2011 budget. If they were not known, then they will be considered with the 2011 amended budget.

### **Request for Information**

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

**Changes in Net Assets of Governmental Activities:**

	<b><u>Year Ended June 30, 2009</u></b>	<b><u>Year Ended June 30, 2010</u></b>
<b>Receipt and Transfers</b>		
Program Receipts:		
Charges for Service	\$ 128,243	\$ 132,744
Grants and Contributions	410,466	437,687
General Receipts:		
Property Taxes	1,109,339	1,160,004
Tax Increment Financing	16,639	251
Other City Taxes	306,403	275,776
Investment Earnings	20,771	14,185
Rent Received	85,621	72,902
Other General Receipts	157,149	737,306
Other Financing Sources:		
Transfers net	148,343	202,751
Bond proceeds	<u>---</u>	<u>125,000</u>
<b>Total Receipts and Transfers</b>	<b><u>2,382,974</u></b>	<b><u>3,158,606</u></b>
<b>Disbursements</b>		
Public Safety	368,762	440,667
Public Works	420,988	364,729
Health and Social Services	96,769	138,046
Culture and Recreation	286,841	319,485
Community and Economic Development	124,905	129,355
General Government	287,215	817,931
Debt Service	514,993	541,448
Capital Projects	<u>63,403</u>	<u>523,723</u>
<b>Total Disbursements</b>	<b><u>2,163,876</u></b>	<b><u>3,275,384</u></b>
Increase (decrease) in cash net assets	219,098	(116,778)
Cash basis net assets beginning of year	492,440	752,937
Reclassify component unit	<u>41,399</u>	<u>---</u>
Cash basis net assets end of year	<b><u>\$ 752,937</u></b>	<b><u>\$ 636,159</u></b>

As you can see, the City saw a net decrease in governmental net assets. This can somewhat be accounted for by the expenditure of the YMCA, the natural disaster in August and the Neighborhood Stabilization Program. Other general receipts and general government disbursements both increased substantially due to insurance proceeds and expenses due to the hail storm in August of 2009.

**Changes in Net Assets of Business Type Activities:**

	<b><u>Year Ended June 30, 2009</u></b>	<b><u>Year Ended June 30, 2010</u></b>
<b>Receipt and Transfers</b>		
Program Receipts:		
Charges for Service:		
Water	\$ 269,064	\$ 263,389
Sewer	592,925	608,346
Solid Waste	88,931	87,042
Ambulance	382,324	350,051
Other Charges	104,981	112,001
General Receipts:		
Miscellaneous	25,997	68,526
Interest	<u>21,594</u>	<u>13,759</u>
<b>Total Receipts and Transfers</b>	<b><u>1,485,816</u></b>	<b><u>1,503,114</u></b>
<b>Disbursements</b>		
Water	460,984	294,769
Sewer	542,417	531,706
Solid Waste	112,141	93,257
Other Business Type	112,699	94,435
Ambulance	301,550	433,448
Transfers, net	<u>145,843</u>	<u>202,751</u>
<b>Total Disbursements and Transfers</b>	<b><u>1,675,634</u></b>	<b><u>1,650,366</u></b>
Increase (decrease) in cash basis net assets	(189,818)	(147,252)
Cash basis net assets beginning of year	<u>1,571,001</u>	<u>1,381,183</u>
Cash basis net assets end of year	\$ <u><u>1,381,183</u></u>	\$ <u><u>1,233,931</u></u>

As you can see, the City saw a net decrease in business type activities net assets. This can somewhat be accounted for by the purchase of an ambulance.

## **Individual Major Governmental Fund Analysis**

As the City of Eldora completed its year, its general fund reported a deficit cash balance of \$54,652. The major reasons for the deficit is due to storm related costs, poor receipts from the pool as the fiscal year started within weeks of the storm, low return on invested money, and delays of purchases approved for 08-09 Fiscal Year (i.e. the server), were not made until the 09-10 Fiscal Year. This combination of higher revenue and less expense in the 08-09 Fiscal Year compared to the lower revenue and higher expense of 09-10 Fiscal Year account for the majority of the deficit.

The Debt Service ended the year with a deficit balance of \$50,185 as of the end of the year. This deficit was eliminated upon receipt of GRRO's payment of a past loan of \$63,000 after June 30, 2010.

A new fund was established to account for the insurance proceeds and disbursements relating to the 2009 disaster.

## **Individual Major Business Type Fund Analysis**

The Sewer Fund cash balance decreased approximately \$63,000 from the prior year to \$637,919. Reduced population, low usage due to wet weather in the summer and poorly scheduled rate increases to capital projects and loan payments have the largest impact on the sewer fund balances. These issues will have the potential to create future negative balances and draw off of sewer fund reserves until the majority of the sewer bond for the new plant is paid off and the largest of the schedule rate increase are completed over fiscal years 2012-15. This payment and rate schedule was passed by Council in June 2005. It is management's recommendation to never schedule first principal payments and rate increase for such large projects 7-10 years out once committed or obligated to such a project.

The Ambulance Fund cash balance decreased by approximately \$99,000 to \$164,121 due to purchase of an ambulance.

## **Budgetary Highlights**

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

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

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

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

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

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

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

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

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

## **Basic Financial Statements**

City of Eldora, Iowa

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2010

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts Operating Grants, Contributions, and Restricted Interest</u>
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 440,667	36,415	-
Public works	364,729	22,938	268,276
Health and social services	138,046	-	-
Culture and recreation	319,485	60,538	31,855
Community and economic development	129,355	-	8,549
General government	817,931	12,853	-
Debt service	541,448	-	-
Capital projects	<u>523,723</u>	<u>-</u>	<u>114,652</u>
Total governmental activities	<u>3,275,384</u>	<u>132,744</u>	<u>423,332</u>
Business type activities:			
Water	294,769	263,389	-
Sewer	531,706	608,346	-
Ambulance	433,448	350,051	-
Other nonmajor	<u>187,692</u>	<u>199,043</u>	<u>-</u>
Total business type activities	<u>1,447,615</u>	<u>1,420,829</u>	<u>-</u>
<b>Total primary government</b>	<u><u>\$ 4,722,999</u></u>	<u><u>1,553,573</u></u>	<u><u>423,332</u></u>

Exhibit A

Net (Disbursements) Receipts and  
Changes in Cash Basis Net Assets

Capital Grants, Contributions, and Restricted <u>Interest</u>	Primary Government		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	
-	(404,252)	-	(404,252)
-	(73,515)	-	(73,515)
-	(138,046)	-	(138,046)
7,500	(219,592)	-	(219,592)
6,855	(113,951)	-	(113,951)
-	(805,078)	-	(805,078)
-	(541,448)	-	(541,448)
-	(409,071)	-	(409,071)
<u>14,355</u>	<u>(2,704,953)</u>	-	<u>(2,704,953)</u>
-	-	(31,380)	(31,380)
-	-	76,640	76,640
-	-	(83,397)	(83,397)
-	-	<u>11,351</u>	<u>11,351</u>
-	-	<u>(26,786)</u>	<u>(26,786)</u>
<u>14,355</u>	<u>(2,704,953)</u>	<u>(26,786)</u>	<u>(2,731,739)</u>

(continued)

## Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2010

	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>General Receipts:</b>			
Property tax and other city tax levied for:			
General purposes	\$ 812,808	-	812,808
Tax increment financing	251	-	251
Debt service	347,196	-	347,196
Local option sales tax	275,776	-	275,776
Unrestricted interest on investments	14,185	13,759	27,944
Rents received	72,902	-	72,902
Bond proceeds	125,000	-	125,000
Miscellaneous	736,556	68,526	805,082
Sale of assets	750	-	750
Transfers	202,751	(202,751)	-
Total general receipts and transfers	<u>2,588,175</u>	<u>(120,466)</u>	<u>2,467,709</u>
Change in cash basis net assets	(116,778)	(147,252)	(264,030)
Cash basis net assets beginning of year (as restated)	<u>752,937</u>	<u>1,381,183</u>	<u>2,134,120</u>
Cash basis net assets end of year	<u>\$ 636,159</u>	<u>1,233,931</u>	<u>1,870,090</u>
<b>Cash Basis Net Assets</b>			
Restricted:			
Nonexpendable:			
Cemetery perpetual care	\$ 108,055	-	108,055
Expendable:			
Streets	167,284	-	167,284
Debt service	(50,185)	-	(50,185)
Other purposes	519,162	-	519,162
Unrestricted	<u>(108,157)</u>	<u>1,233,931</u>	<u>1,125,774</u>
<b>Total cash basis net assets</b>	<u>\$ 636,159</u>	<u>1,233,931</u>	<u>1,870,090</u>

See notes to financial statements.

City of Eldora, Iowa  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2010

	<u>General</u>
Receipts:	
Property tax	\$ 419,786
Tax increment financing	-
Other city tax	17,820
Licenses and permits	12,853
Use of money and property	55,184
Intergovernmental	29,275
Charges for service	94,893
Special assessments	-
Miscellaneous	<u>32,302</u>
Total receipts	<u>662,113</u>
Disbursements:	
Operating:	
Public safety	418,608
Public works	85,700
Health and social services	136,946
Culture and recreation	277,926
Community and economic development	80,445
General government	235,055
Debt service	-
Capital projects	-
Total disbursements	<u>1,234,680</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(572,567)</u>
Other financing sources (uses):	
Interfund loan repayment	-
Sale of capital assets	525
Operating transfers in	470,753
Operating transfers out	(6,650)
Bond proceeds	-
Total other financing sources (uses)	<u>464,628</u>
Net change in cash balances	(107,939)
Cash balances beginning of year (as restated)	<u>53,377</u>
Cash balances end of year	<u><u>\$ (54,562)</u></u>
<b>Cash Basis Fund Balances</b>	
Reserved:	
Debt service	\$ -
Unreserved:	
General fund	(54,562)
Special revenue funds	-
Capital projects fund	-
Permanent fund	-
Total cash basis fund balances	<u><u>\$ (54,562)</u></u>

See notes to financial statements.

Exhibit B

<u>Debt Service</u>	<u>Special Revenue</u>			<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
	<u>Trust &amp; Agency</u>	<u>Disaster 2009</u>	<u>Road Use Tax Tax</u>		
347,196	302,646	-	-	42,821	1,112,449
-	-	-	-	251	251
14,889	13,016	-	-	277,552	323,277
-	-	-	-	-	12,853
619	-	1,252	-	47,550	104,605
-	-	-	269,758	126,986	426,019
-	-	-	21,456	3,110	119,459
-	-	-	-	-	-
-	-	609,825	9,768	79,297	731,192
<u>362,704</u>	<u>315,662</u>	<u>611,077</u>	<u>300,982</u>	<u>577,567</u>	<u>2,830,105</u>
-	-	-	-	22,059	440,667
-	-	-	279,029	-	364,729
-	-	-	-	1,100	138,046
-	-	-	-	41,559	319,485
-	-	-	-	48,910	129,355
-	-	485,799	-	97,077	817,931
541,448	-	-	-	-	541,448
-	-	-	-	523,723	523,723
<u>541,448</u>	<u>-</u>	<u>485,799</u>	<u>279,029</u>	<u>734,428</u>	<u>3,275,384</u>
<u>(178,744)</u>	<u>315,662</u>	<u>125,278</u>	<u>21,953</u>	<u>(156,861)</u>	<u>(445,279)</u>
-	-	-	-	-	-
-	-	-	-	225	750
124,785	-	-	-	220,468	816,006
-	(264,401)	(5,618)	(22,084)	(314,502)	(613,255)
-	-	-	-	125,000	125,000
<u>124,785</u>	<u>(264,401)</u>	<u>(5,618)</u>	<u>(22,084)</u>	<u>31,191</u>	<u>328,501</u>
(53,959)	51,261	119,660	(131)	(125,670)	(116,778)
3,774	(47,582)	-	167,415	575,953	752,937
<u>(50,185)</u>	<u>3,679</u>	<u>119,660</u>	<u>167,284</u>	<u>450,283</u>	<u>636,159</u>
(50,185)	-	-	-	-	(50,185)
-	-	-	-	-	(54,562)
-	3,679	119,660	167,284	395,823	686,446
-	-	-	-	(53,595)	(53,595)
-	-	-	-	108,055	108,055
<u>(50,185)</u>	<u>3,679</u>	<u>119,660</u>	<u>167,284</u>	<u>450,283</u>	<u>636,159</u>

City of Eldora, Iowa

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

As of and for the year ended June 30, 2010

	<u>Enterprise</u>	
	<u>Water</u>	<u>Sewer</u>
Operating receipts:		
Charges for service	\$ 263,389	608,301
Miscellaneous	-	45
Total operating receipts	<u>263,389</u>	<u>608,346</u>
Operating disbursements:		
Business type activities	<u>294,769</u>	<u>295,622</u>
Total operating disbursements	<u>294,769</u>	<u>295,622</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(31,380)</u>	<u>312,724</u>
Non-operating receipts (disbursements):		
Interest on investments	2,534	7,821
Miscellaneous	58,625	5,610
Debt service	-	(236,084)
Total non-operating receipts (disbursements)	<u>61,159</u>	<u>(222,653)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>29,779</u>	<u>90,071</u>
Other financing sources (uses):		
Operating transfers out	<u>(18,997)</u>	<u>(152,912)</u>
Total other financing sources (uses)	<u>(18,997)</u>	<u>(152,912)</u>
Net change in cash balances	10,782	(62,841)
Cash balances beginning of year (as restated)	<u>238,138</u>	<u>700,760</u>
Cash balances end of year	<u>248,920</u>	<u>637,919</u>
<b>Cash Basis Fund Balances</b>		
Unreserved	<u>248,920</u>	<u>637,919</u>
Total cash basis fund balances	<u>\$ 248,920</u>	<u>637,919</u>

See notes to financial statements.

Exhibit C

<u>Funds</u>		
<u>Ambulance</u>	<u>Other Nonmajor Funds</u>	<u>Total</u>
347,794	187,043	1,406,527
<u>2,257</u>	<u>12,000</u>	<u>14,302</u>
<u>350,051</u>	<u>199,043</u>	<u>1,420,829</u>
<u>433,448</u>	<u>187,692</u>	<u>1,211,531</u>
<u>433,448</u>	<u>187,692</u>	<u>1,211,531</u>
<u>(83,397)</u>	<u>11,351</u>	<u>209,298</u>
2,233	1,171	13,759
-	4,291	68,526
-	-	<u>(236,084)</u>
<u>2,233</u>	<u>5,462</u>	<u>(153,799)</u>
<u>(81,164)</u>	<u>16,813</u>	<u>55,499</u>
<u>(17,960)</u>	<u>(12,882)</u>	<u>(202,751)</u>
<u>(17,960)</u>	<u>(12,882)</u>	<u>(202,751)</u>
(99,124)	3,931	(147,252)
<u>263,545</u>	<u>178,740</u>	<u>1,381,183</u>
<u>164,421</u>	<u>182,671</u>	<u>1,233,931</u>
<u>164,421</u>	<u>182,671</u>	<u>1,233,931</u>
<u>164,421</u>	<u>182,671</u>	<u>1,233,931</u>

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2010

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

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

A. Reporting Entity

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

Jointly Governed Organizations

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

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2010

B. Basis of Presentation

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

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

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City, including 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.

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.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2010

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

The City reports the following major governmental funds:

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

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

Special Revenue:

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

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

The Disaster 2009 Fund is used to account for transactions related to the City's hail storm.

The City reports the following major proprietary funds:

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

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

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

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2010

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in the public safety and health and social services activities.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2010

**(2) Cash**

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.

The City had no investments at June 30, 2010. During the year ended June 30, 2010, the City invested its excess funds in savings accounts.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2010

(3) Bonds and Notes Payable

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

Year Ending <u>June 30,</u>	General Obligation Bonds/Notes		Revenue Notes/Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	366,397	90,157	65,234	177,312
2012	306,000	75,622	68,411	174,749
2013	321,000	63,854	327,596	172,059
2014	275,000	51,218	470,789	161,574
2015	290,000	40,284	624,991	146,782
2016	180,000	28,542	627,201	127,322
2017	120,000	21,050	630,420	107,777
2018	125,000	16,190	599,647	88,106
2019	130,000	11,065	586,885	69,317
2020	135,000	5,670	591,132	50,888
2021	-	-	493,390	32,414
2022	-	-	82,659	16,609
2023	-	-	56,938	14,043
2024	-	-	37,231	12,246
2025	-	-	17,534	11,035
2026	-	-	12,851	10,412
2027	-	-	8,181	9,925
2028	-	-	8,525	9,574
2029	-	-	8,883	9,208
2030	-	-	9,257	8,827
2031	-	-	9,646	8,429
2032	-	-	10,051	8,015
2033	-	-	10,474	7,584
2034	-	-	10,915	7,134
2035	-	-	11,373	6,666
2036	-	-	11,851	6,178
2037	-	-	12,350	5,670
2038	-	-	12,869	5,140
2039	-	-	13,409	4,587
2040	-	-	13,973	4,012
2041	-	-	14,561	3,413
2042	-	-	15,173	2,788
2043	-	-	15,810	2,137
2044	-	-	16,476	1,458
2045	-	-	17,168	751
2046	-	-	17,503	99
Total	<u>\$ 2,248,397</u>	<u>403,652</u>	<u>5,541,357</u>	<u>1,484,240</u>

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

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

Total	
<u>Principal</u>	<u>Interest</u>
431,631	267,469
374,411	250,371
648,596	235,913
745,789	212,792
914,991	187,066
807,201	155,864
750,420	128,827
724,647	104,296
716,885	80,382
726,132	56,558
493,390	32,414
82,659	16,609
56,938	14,043
37,231	12,246
17,534	11,035
12,851	10,412
8,181	9,925
8,525	9,574
8,883	9,208
9,257	8,827
9,646	8,429
10,051	8,015
10,474	7,584
10,915	7,134
11,373	6,666
11,851	6,178
12,350	5,670
12,869	5,140
13,409	4,587
13,973	4,012
14,561	3,413
15,173	2,788
15,810	2,137
16,476	1,458
17,168	751
17,503	99
<u>7,789,754</u>	<u>1,887,892</u>

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2010

**Revenue Notes/Bonds**

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,802,751 in sewer revenue bonds issued in 2000 and \$4,400,000 in sewer revenue bonds issued in 2005. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$6,540,755. For the current year, principal and interest paid and total customer net receipts were \$236,084 and \$312,724 respectively.

The City has pledged future building rentals to repay \$350,000 of child care revenue notes. Proceeds from the notes provided financing for the construction of a day care facility. The total principal and interest remaining to be paid on the notes is \$484,842. For the current year principal and interest paid on the notes was \$18,276.

The City has also committed to issuing water revenue bonds for \$210,000. As of June 30, 2010, there was no bond proceeds received, however, the City was liable for the bond origination fee of \$2,100.

**(4) Pension and Retirement Benefits**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.30% 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. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$74,482, \$67,631 and \$59,310, respectively, equal to the required contributions for each year.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2010

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 21 active no 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 Hardin County. 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 established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$400 for single coverage and \$1,161 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed \$250,484 and plan members eligible for benefits contributed \$13,433 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation or compensatory time 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 compensatory time, and payments payable to employees at June 30, 2010, primarily relating to the General and Proprietary Funds, are as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 50,800
Compensatory time	<u>1,800</u>
Total	\$ <u>51,600</u>

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

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2010

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local option sales tax	\$ 94,200
	Employee benefits	264,401
	Emergency	5,618
	Fire trust	21,088
	Road use	22,084
	Capital Projects	18,760
	Enterprise:	
	Theatre	2,659
	Ambulance	12,083
	Water	8,747
	Sewer	12,366
	Solid Waste	<u>8,747</u>
		470,753
Capital Projects	Special Revenue:	
	Local option sales tax	148,758
Debt Service	Enterprise:	
	Sewer	124,785
Special Revenue: Insurance	Enterprise:	
	Ambulance	5,877
	Water	10,250
	Sewer	15,761
	Theater	1,476
	General	<u>6,650</u>
		40,014
Special Revenue: Park Trust	Special Revenue:	
	Local option sales tax	17,000

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2010

Special Revenue:		
Day Care Trust	Local option sales tax	<u>14,696</u>
Total		\$ <u>816,006</u>

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

**(8) Joint Financing Agreement**

The City is a member of the Hardin County Solid Waste Disposal Commission. The Hardin County Solid Waste Disposal Commission entered into a 28E Agreement with the Butler County Solid Waste Commission and the Wright County Area Landfill Authority which established the Rural Iowa Waste Management Association (Association). During the year ended June 30, 1996, the Rural Iowa Waste Management Association issued \$830,000 of Solid Waste Revenue Bonds pursuant to Chapter 28F.9 of the Code of Iowa. The principal and interest on the bonds are payable solely from and secured by the net revenues of the facilities operated by the Association. The balance outstanding at June 30, 2010 is \$305,000.

**(9) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 634 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2010

reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2010 were \$91,663.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2010, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2010

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

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation in the amount of \$32,266. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Deficit Fund Balances**

The General Fund had a deficit balance of \$54,562 as of June 30, 2010. This deficit is due to some timing differences and some overtime due to cleanup from the natural disaster that hit this city. City officials are continuing to monitor this situation.

The Debt Service Fund had a deficit balance of \$50,185 as of June 30, 2010. This deficit is due to paying off a loan prior to receiving reimbursement. This reimbursement was received subsequent to June 30, 2010 and this deficit has since been eliminated.

The Capital Projects Fund had a deficit balance of \$53,595 at June 30, 2010. Included in this account is a deficit of \$368,886 related to the construction of a new pool. The council plans to eliminate this deficit with yearly transfers of the local option sales tax over the next five years. Also included in this account is a deficit of \$116,848 related to blight elimination in the City. This deficit should be eliminated upon the receipt of grant proceeds and TIF taxes. City officials are continuing to monitor this situation.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2010

**(11) Capital Leases**

The City of Eldora entered into a capital lease for the purchase of a police car. The lease expires June 2011. During the year ended June 30, 2010 the City disbursed \$6,875 for this lease.

Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2011	\$ <u>6,348</u>	<u>527</u>	<u>6,875</u>

The City has entered into a capital lease for the purchase of 2 defibrillators. This is a sixty month lease expiring in 2012. During the year ended June 30, 2010 the City disbursed \$6,443 for this lease. Future minimum lease payments are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2011	\$ 6,053	390	6,443
June 30, 2012	<u>532</u>	<u>5</u>	<u>537</u>
	\$ <u>6,585</u>	<u>395</u>	<u>6,980</u>

**(12) Economic Development Loans Receivable**

The City has various long-term loans receivable totaling \$86,892 as of June 30, 2010 due from various businesses in Eldora. The loans were financed with the loan proceeds of an USDA Rural Development Grant, matching contributions from the City and repayments from businesses. Interest rates on these loans vary from 2.5% to 5.0% with monthly payments varying from \$165 - \$660.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2010

**(13) Construction Commitments**

The City of Eldora has capital project commitments made in the 09-10 Fiscal Year that will not begin until the following fiscal year. These commitments are: Neighborhood Stabilization Program grant housing reconstruction, construction and demolition in the amount of \$650,000 estimated under the Blight fund; SRF Loan for Water Filter Rehabilitation \$300,000 under the Water Department; CDBG Disaster Assistance for housing repair of \$400,000 under the Blight fund; and the Waste Water Treatment Facility roof repair for \$123,000 under Disaster fund. Other obligations in the early 10-11 fiscal Year are the IJOBS Program of \$636,000 for the Highway 175 Flood Mitigation Project under the Road Resurfacing Fund and Water Tower Repair and Paint project of \$110,000 with the potential for some final payments on those other projects in the 11-12 FY.

**(14) Subsequent Events**

Subsequent events have been evaluated through March 17, 2011, which is the date the financial statements were available to be issued.

The City has approved issuing water notes for \$300,000 of which \$90,000 is forgivable. The City has also approved issuing notes for \$200,000 to help with the cost of cleaning up the disaster from the hail storm.

**(15) Restatement of Beginning Fund Balances**

The beginning balances of the special revenue fund and the discretely presented component unit has been restated. This restatement was a result of the determination that the former discretely presented component unit was not a separate legal entity.

	Special Revenue, <u>Fire Trust Account</u>	<u>Component Unit</u>
Balance as originally stated	\$ ---	\$ 41,399
Adjustment	<u>41,399</u>	<u>(41,399)</u>
Restated beginning balance	\$ <u>41,399</u>	\$ <u>---</u>

**Required Supplementary Information**

City of Eldora, Iowa

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

Required Supplementary Information

Year ended June 30, 2010

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 1,112,449	-
Tax increment financing	251	-
Other city tax	323,277	-
Licenses and permits	12,853	-
Use of money and property	104,605	-
Intergovernmental	426,019	-
Charges for service	119,459	1,420,829
Special assessments	-	-
Miscellaneous	731,192	82,285
Total receipts	<u>2,830,105</u>	<u>1,503,114</u>
Disbursements:		
Public safety	440,667	-
Public works	364,729	-
Health and social services	138,046	-
Culture and recreation	319,485	-
Community and economic development	129,355	-
General government	817,931	-
Debt service	541,448	-
Capital projects	523,723	-
Business type activities	-	1,447,615
Total disbursements	<u>3,275,384</u>	<u>1,447,615</u>
Excess (deficiency) of receipts over (under) disbursements	(445,279)	55,499
Other financing sources, net	<u>328,501</u>	<u>(202,751)</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(116,778)	(147,252)
Balances beginning of year	<u>752,937</u>	<u>1,381,183</u>
Balances end of year	<u>\$ 636,159</u>	<u>1,233,931</u>

See accompanying independent auditor's report.

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
1,112,449	1,109,046	1,109,046	3,403
251	-	10,000	(9,749)
323,277	217,092	347,092	(23,815)
12,853	7,245	7,245	5,608
104,605	49,865	52,365	52,240
426,019	981,450	1,081,450	(655,431)
1,540,288	1,605,461	1,650,461	(110,173)
-	2,500	2,500	(2,500)
813,477	361,147	1,011,147	(197,670)
<u>4,333,219</u>	<u>4,333,806</u>	<u>5,271,306</u>	<u>(938,087)</u>
440,667	384,050	398,100	(42,567)
364,729	455,632	464,632	99,903
138,046	48,760	72,811	(65,235)
319,485	338,965	358,965	39,480
129,355	107,265	156,265	26,910
817,931	257,868	1,010,868	192,937
541,448	541,465	666,465	125,017
523,723	1,140,700	1,179,460	655,737
1,447,615	1,508,228	1,858,228	410,613
<u>4,722,999</u>	<u>4,782,933</u>	<u>6,165,794</u>	<u>1,442,795</u>
(389,780)	(449,127)	(894,488)	504,708
125,750	-	122,700	3,050
(264,030)	(449,127)	(771,788)	507,758
<u>2,134,120</u>	<u>1,687,214</u>	<u>1,687,214</u>	<u>446,906</u>
<u>1,870,090</u>	<u>1,238,087</u>	<u>915,426</u>	<u>954,664</u>

City of Eldora, Iowa

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, Special Revenue Funds, Debt Service Fund, 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 ended June 30, 2010 one budget amendment increasing budgeted disbursements by \$1,382,861, budgeted receipts by \$937,500 and other financing sources by \$122,700.

During the year ended June 30, 2010, disbursements exceeded the amounts budgeted in public safety and health and social services functions.

## **Other Supplementary Information**

City of Eldora, Iowa

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

As of and for the year ended June 30, 2010

	Special		
	<u>Insurance</u>	<u>Trees Forever</u>	<u>Parks Trust</u>
Receipts:			
Property tax	\$ 42,821	-	-
Tax increment financing	-	-	-
Other city tax	1,830	-	-
Use of money and property	285	32	88
Intergovernmental	-	-	7,500
Charges for service	-	-	-
Special assessments	-	-	-
Miscellaneous	3,501	7,750	14,559
Total receipts	<u>48,437</u>	<u>7,782</u>	<u>22,147</u>
Disbursements:			
Operating:			
Public safety	-	-	-
Public works	-	-	-
Health and social services	-	-	-
Culture and recreation	-	-	14,943
Community and Economic Development	-	8,144	-
General government	97,077	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>97,077</u>	<u>8,144</u>	<u>14,943</u>
Excess (deficiency) of receipts over (under) disbursement:	<u>(48,640)</u>	<u>(362)</u>	<u>7,204</u>
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers in	40,014	-	17,000
Operating transfers out	-	-	-
Bond proceeds	-	-	-
Total other financing sources (uses)	<u>40,014</u>	<u>-</u>	<u>17,000</u>
Net change in cash balances	(8,626)	(362)	24,204
Cash balances beginning of year	45,621	6,038	10,813
Cash balances end of year	<u>36,995</u>	<u>5,676</u>	<u>35,017</u>
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	-	-	-
Unreserved:			
Special revenue funds	36,995	5,676	35,017
Capital project fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ 36,995</u>	<u>5,676</u>	<u>35,017</u>

See accompanying independent auditor's report.

Schedule 1

Revenue				
<u>Fire Trust</u>	<u>Library Trust</u>	<u>Special Library Trust</u>	<u>Police Trust</u>	<u>Day Care Trust</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
228	2,308	-	13	4
-	1,331	-	3,503	-
1,100	-	-	960	-
-	-	-	-	-
<u>24,390</u>	<u>13,216</u>	<u>-</u>	<u>2,141</u>	<u>-</u>
<u>25,718</u>	<u>16,855</u>	<u>-</u>	<u>6,617</u>	<u>4</u>
14,849	-	-	6,394	-
-	-	-	-	-
-	-	-	-	1,100
-	10,675	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>14,849</u>	<u>10,675</u>	<u>-</u>	<u>6,394</u>	<u>1,100</u>
<u>10,869</u>	<u>6,180</u>	<u>-</u>	<u>223</u>	<u>(1,096)</u>
-	-	-	-	-
-	-	-	-	14,696
(21,088)	-	-	-	-
-	-	-	-	-
<u>(21,088)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,696</u>
(10,219)	6,180	-	223	13,600
<u>41,399</u>	<u>10,883</u>	<u>60,000</u>	<u>5,931</u>	<u>1,500</u>
<u>31,180</u>	<u>17,063</u>	<u>60,000</u>	<u>6,154</u>	<u>15,100</u>
-	-	-	-	-
31,180	17,063	60,000	6,154	15,100
-	-	-	-	-
<u>31,180</u>	<u>17,063</u>	<u>60,000</u>	<u>6,154</u>	<u>15,100</u>

(continued)

City of Eldora, Iowa

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

As of and for the year ended June 30, 2010

	Special		
	Theater Trust	Ambulance Trust	LOST
Receipts:			
Receipts:			
Property tax	\$ -	-	-
Tax increment financing collections	-	-	-
Other city tax	-	-	275,722
Use of money and property	40	52	-
Intergovernmental	-	-	-
Charges for service	-	1,050	-
Special assessments	-	-	-
Miscellaneous	470	3,000	-
Total receipts	<u>510</u>	<u>4,102</u>	<u>275,722</u>
Disbursements:			
Operating:			
Public safety	-	816	-
Public works	-	-	-
Health and social services	-	-	-
Culture and recreation	32	-	-
Community and economic development	-	-	-
General government	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>32</u>	<u>816</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursement:	<u>478</u>	<u>3,286</u>	<u>275,722</u>
Other financing sources (uses):			
Sale of capital assets	-	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	(274,654)
Bond proceeds	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(274,654)</u>
Net change in cash balances	478	3,286	1,068
Cash balances beginning of year	1,339	16,433	8,932
Cash balances end of year	<u>1,817</u>	<u>19,719</u>	<u>10,000</u>
<b>Cash Basis Fund Balances</b>			
Reserved:			
Debt service	-	-	-
Unreserved:			
Special revenue funds	1,817	19,719	10,000
Capital project fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	<u>\$ 1,817</u>	<u>19,719</u>	<u>10,000</u>

See accompanying independent auditor's report.

Schedule 1

<u>Revenue</u>		<u>Capital Projects</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
<u>TIF</u>	<u>Economic Development</u>	<u>Non-Major Capital Projects</u>		
-	-	-	-	42,821
251	-	-	-	251
-	-	-	-	277,552
-	17,778	26,722	-	47,550
-	-	114,652	-	126,986
-	-	-	-	3,110
-	-	-	-	-
-	-	10,270	-	79,297
<u>251</u>	<u>17,778</u>	<u>151,644</u>	<u>-</u>	<u>577,567</u>
-	-	-	-	22,059
-	-	-	-	-
-	-	-	-	1,100
-	-	-	15,909	41,559
-	40,766	-	-	48,910
-	-	-	-	97,077
-	-	-	-	-
-	-	523,723	-	523,723
-	40,766	523,723	15,909	734,428
<u>251</u>	<u>(22,988)</u>	<u>(372,079)</u>	<u>(15,909)</u>	<u>(156,861)</u>
-	-	-	225	225
-	-	148,758	-	220,468
-	-	(18,760)	-	(314,502)
-	-	125,000	-	125,000
-	-	254,998	225	31,191
251	(22,988)	(117,081)	(15,684)	(125,670)
75,274	104,565	63,486	123,739	575,953
<u>75,525</u>	<u>81,577</u>	<u>(53,595)</u>	<u>108,055</u>	<u>450,283</u>
-	-	-	-	-
75,525	81,577	-	-	395,823
-	-	(53,595)	-	(53,595)
-	-	-	108,055	108,055
<u>75,525</u>	<u>81,577</u>	<u>(53,595)</u>	<u>108,055</u>	<u>450,283</u>

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

As of and for the year ended June 30, 2010

	<u>Theater</u>	<u>Utility Deposit</u>	<u>Solid Waste</u>	<u>Total</u>
Operating receipts:				
Charges for service	\$ 100,001	-	87,042	187,043
Miscellaneous	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Total operating receipts	<u>100,001</u>	<u>12,000</u>	<u>87,042</u>	<u>199,043</u>
Operating disbursements:				
Business type activities	<u>84,899</u>	<u>9,536</u>	<u>93,257</u>	<u>187,692</u>
Total operating disbursements	<u>84,899</u>	<u>9,536</u>	<u>93,257</u>	<u>187,692</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>15,102</u>	<u>2,464</u>	<u>(6,215)</u>	<u>11,351</u>
Non-operating receipts:				
Interest on investments	369	209	593	1,171
Miscellaneous	<u>4,291</u>	<u>-</u>	<u>-</u>	<u>4,291</u>
Total non-operating receipts	<u>4,660</u>	<u>209</u>	<u>593</u>	<u>5,462</u>
Excess (deficiency) of receipts over (under) disbursements	19,762	2,673	(5,622)	16,813
Operating transfers out	<u>(4,135)</u>	<u>-</u>	<u>(8,747)</u>	<u>(12,882)</u>
Net change in cash balances	15,627	2,673	(14,369)	3,931
Cash balances beginning of year	<u>50,861</u>	<u>39,642</u>	<u>88,237</u>	<u>178,740</u>
Cash balances end of year	<u>66,488</u>	<u>42,315</u>	<u>73,868</u>	<u>182,671</u>
<b>Cash Basis Fund Balances</b>				
Unreserved	<u>66,488</u>	<u>42,315</u>	<u>73,868</u>	<u>182,671</u>
Total cash basis fund balances	<u>\$ 66,488</u>	<u>42,315</u>	<u>73,868</u>	<u>182,671</u>

See accompanying independent auditor's report.

City of Eldora, Iowa

Schedule of Indebtedness

Year ended June 30, 2010

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Sewer improvement note	4-01-05	2.75-4.05%	\$ 995,000
Storm sewer note	11-01-01	5.00-5.50%	280,000
Corporate purpose and refunding note	10-01-03	1.40-4.45%	795,000
Aquatic Center	11-7-05	3.45-4.20%	1,500,000
Demolition	7-21-05	4.25%	200,000
Capital loan note	11-16-09	4.25%	125,000
Total			
General obligation bonds:			
Corporate purpose	10-01-99	4.30-5.20%	\$ 410,000
Revenue bonds:			
Sewer - Series A	4-18-00	3.92%	\$ 1,743,725
Sewer - Series B	4-18-00	3.92%	901,275
Sewer - Series D	4-18-00	3.92%	157,751
Sewer - Series 2005	5-02-05	3.00%	4,400,000
Child Care Revenue Note 1	5-05-07	4.125%	100,000
Child Care Revenue Note 2	5-05-07	4.125%	250,000
Total			
Other debt:			
Hardin County Savings Bank Note	11-08-04	4.75%	\$ 150,000

See accompanying independent auditor's report.

Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
640,000	-	100,000	540,000	24,385	-
70,000	-	35,000	35,000	3,832	-
420,000	-	55,000	365,000	16,850	-
1,235,000	-	95,000	1,140,000	48,705	-
85,025	-	41,628	43,397	3,614	-
-	125,000	-	125,000	-	-
<u>\$ 2,450,025</u>	<u>125,000</u>	<u>326,628</u>	<u>2,248,397</u>	<u>97,386</u>	<u>-</u>
<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>2,600</u>	<u>-</u>
132,000	-	9,000	123,000	5,174	-
621,000	-	42,000	579,000	24,343	-
108,000	-	7,000	101,000	4,234	-
4,397,000	-	1,000	4,396,000	131,910	-
98,979	-	1,159	97,820	4,061	-
247,441	-	2,903	244,538	10,153	-
<u>\$ 5,604,420</u>	<u>-</u>	<u>63,062</u>	<u>5,541,358</u>	<u>179,875</u>	<u>-</u>
<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>2,834</u>	<u>-</u>
<u>\$ 60,000</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>2,834</u>	<u>-</u>

City of Eldora, Iowa

Bond and Note Maturities

June 30, 2010

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

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

Aquatic Center Note Issued Nov. 7, 2005			
Interest			
<u>Rates</u>		Amount	<u>Total</u>
3.65	% \$	95,000	376,628
3.70		95,000	328,397
3.75		100,000	265,000
3.80		105,000	275,000
3.85		105,000	275,000
3.90		110,000	290,000
4.00		115,000	180,000
4.05		120,000	120,000
4.10		125,000	125,000
4.15		130,000	130,000
4.20		<u>135,000</u>	<u>135,000</u>
		<u>\$ 1,235,000</u>	<u>2,500,025</u>

(continued)

City of Eldora, Iowa  
 Bond and Note Maturities  
 June 30, 2010

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

See accompanying independent auditor's report.

## Bonds

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

City of Eldora, Iowa

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

For the Last Seven Years

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Receipts:			
Property tax	\$ 1,112,449	1,062,599	1,029,357
Tax increment financing	251	16,639	15,156
Other city tax	323,277	353,143	315,157
Licenses and permits	12,853	11,492	12,958
Use of money and property	104,605	188,994	147,906
Intergovernmental	426,019	325,284	297,555
Charges for service	119,459	116,888	534,703
Special assessments	-	-	178
Miscellaneous	<u>731,192</u>	<u>156,292</u>	<u>410,032</u>
 Total	 <u>\$ 2,830,105</u>	 <u>2,231,331</u>	 <u>2,763,002</u>
Disbursements:			
Operating			
Public safety	\$ 440,667	368,762	684,411
Public works	364,729	420,988	385,517
Health and social services	138,046	96,769	63,196
Culture and recreation	319,485	286,841	358,105
Community and economic development	129,355	124,905	63,438
Geneneral government	817,931	287,215	209,255
Debt service	541,448	514,993	550,016
Capital projects	<u>523,723</u>	<u>63,403</u>	<u>452,614</u>
 Total	 <u>\$ 3,275,384</u>	 <u>2,163,876</u>	 <u>2,766,552</u>

See accompanying independent auditor's report.

## Schedule 5

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
1,015,043	764,623	744,318	770,492
68,798	70,248	64,767	19,895
348,249	270,204	260,178	276,684
6,334	8,544	7,297	10,619
106,502	139,391	106,756	92,909
781,727	364,980	281,632	283,345
314,626	255,622	176,694	217,612
1,813	2,861	2,329	3,702
<u>462,476</u>	<u>503,640</u>	<u>151,479</u>	<u>69,658</u>
<u>3,105,568</u>	<u>2,380,113</u>	<u>1,795,450</u>	<u>1,744,916</u>
631,384	771,471	688,577	628,097
368,779	415,889	386,063	396,145
85,999	1,193,069	302,315	352,073
248,622	248,565	241,505	251,924
82,116	96,932	760	760
228,293	270,958	385,351	259,135
548,175	294,465	194,393	1,429,516
<u>2,528,529</u>	<u>1,293,276</u>	<u>35,989</u>	<u>273,150</u>
<u>4,721,897</u>	<u>4,584,625</u>	<u>2,234,953</u>	<u>3,590,800</u>

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldora, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated March 17, 2011. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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, 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 the 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 a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Eldora's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-10 to be a material weakness.

A significant deficiency is a deficiency, or combination of significant deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-10 and I-C-10 to be significant deficiencies.

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit on the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Eldora and other parties to whom the City of Eldora may report, including federal awarding agencies and pass-through entities, 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 Eldora during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

March 17, 2011

City of Eldora, Iowa

Schedule of Findings

Year ended June 30, 2010

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

I-A-10 Segregation of Duties – During our review of internal control, the existing procedures were evaluated in order to determine that incompatible duties are not performed by the same employee. We noted that one employee handles almost all of the utility billing procedures were handled by the same person. We also noted that one employee handles almost all of the procedures related to processing payroll.

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

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

Conclusion – Response accepted.

I-B-10 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Eldora does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

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

City of Eldora, Iowa

Schedule of Findings

Year ended June 30, 2010

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

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

Conclusion – Response accepted.

I-C-10 Approval of bills between council meetings – It was noted that the City has a policy which lists what expenses can be paid between council meetings. It was noted during the course of our audit that there were some expenses paid between meetings that were not specifically listed on this policy. These expenses consisted or payments to vendors on projects that were previously approved by the council.

Recommendation – We recommend that the City update it’s policy, and review what expenses can be paid between meetings, with approval at the subsequent meeting. Further, City employees should then follow the updated policy.

Response – We will review our policy and then follow the updated policy in the future.

Conclusion – Response accepted.

City of Eldora, Iowa

Schedule of Findings

Year ended June 30, 2010

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

II-A-10 Certified Budget – Disbursements during the year ended June 30, 2010 exceeded the amounts budgeted in the public safety and health and social services functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

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

Conclusion – Response accepted.

II-B-10 Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. The disbursements included meals served at committee meetings and certain expenditures paid from the volunteer fire department’s separate checking account.

Recommendation – City officials should review it’s purchasing policy and determine and document the public purpose served by these expenditures. Fire department officials should also consider initiating steps to legally segregate the fund raising activities for the volunteer fire department.

Response – We will review these items with our City Attorney.

Conclusion – Response accepted.

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

City of Eldora, Iowa

Schedule of Findings

June 30, 2010

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

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Myron Kosanke, Council Member, Owner of Kosanke Welding	Repairs	\$ 2,283
Melody Hay, Council Member, Owner of Eldora Pharmacy	Supplies	567

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

- II-E-10 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.

- II-F-10 Council Minutes – We noted that City officials did not approve or publish the claims paid from outside checking accounts.

Recommendation – As these outside checking accounts are applicable to departments of the city, these claims should be approved and published with the rest of the City’s claim.

Response – We will do this.

Conclusion – Response accepted.

- II-G-10 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Eldora, Iowa

Schedule of Findings

June 30, 2010

II-H-10 Financial Condition – The General Fund had a deficit balance of \$47,582 at June 30, 2010. The Debt Service Fund had a deficit balance of \$50,185 at June 30, 2010. The Capital Project Fund, Pool Construction account and Blight Elimination account had deficit balances of \$368,886 and \$116,848 respectively at June 30, 2010.

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

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

Conclusion – Response accepted.

II-I-10 Revenue Bonds – No violations of the revenue bond resolutions were noted.