

CITY OF ELDRIDGE, IOWA
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 ELDRIDGE, IOWA
OFFICIALS
June 30, 2010**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Marty O'Boyle	Mayor	January 2014
Steve Puls	Council Member	January 2012
Brain Wood	Council Member	January 2012
Bernie Peeters	Council Member	January 2012
Brian Dockery	Council Member	January 2014
Steve Mohr	Council Member	January 2014
Donald M. Stoltenberg	Utility Board Trustee	February 2011
John Powell	Utility Board Trustee	February 2012
Adrian Blackwell	Utility Board Trustee	February 2014
Michael E. Ripperger	Utility Board Trustee	February 2015
Kevin A. Kroeger	Utility Board Trustee	February 2016
John R. Dowd	City Administrator	
Matt Van Waus	Assistant City Administrator	
Denise M. Benson	City Clerk	
Thomas R. Shirman, Jr.	City Attorney	
Brian Wessel	Public Works Director	
David M. Kopatich	Police Chief	
Tyler Schmidt	Fire Chief	
Myron K. Scheibe	City Engineer	
Bob Kuehl	Building Official/Inspector	
Dan Glunz	Utility Manager	
Pat Bredow	Community Center Manager	
Julie Moore	Fitness Director Manager	
Matthew Mueller	Recreation Supervisor	

Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Eldridge, Iowa

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 Eldridge, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Eldridge, Iowa, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2010, on our consideration of the City of Eldridge, Iowa's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 10 and 43 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

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

2010 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities increased \$12,846 or approximately .33 %, from the prior fiscal year. Program expenses of the City's governmental activities increased \$321,913 or approximately 5.89% over the prior fiscal year.
- The City's net assets decreased \$ 2,472,726 or approximately 4.36% from June 30, 2009 to June 30, 2010. Of this amount, the net assets of the governmental activities decreased \$1,869,034 and the net assets of the business type activities decreased \$603,692.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Net Assets and a Statement of Activities. These statements provide information about the activities of the City of Eldridge, Iowa as a whole and present 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 Supplemental Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplemental Information provides detailed information about the City's nonmajor governmental funds and special revenue funds. In addition, the schedule of revenues by source and expenditures by function provides historical detail for the governmental funds over the last four years.

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

REPORTING THE CITY'S FINANCIAL ACTIVITIES

1) Government-wide Financial Statement

The Statement of Net Assets and the Statement of Net Activities report all assets and liabilities using the accrual basis of accounting and the economic resources measurement focus, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account, regardless of when cash is received or paid.

The Statement of Net Assets presents all of the City's assets and liabilities, with the difference between the two reported as 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 presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods.

The Statement of Net Assets and the Statement of Activities report two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and intergovernmental payments finance most of these activities.
- Business-type Activities include the water and electric utilities, sanitary sewer system, the community center, and the fitness center. These activities are financed primarily by user charges.

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

REPORTING THE CITY'S FINANCIAL ACTIVITIES (CONTINUED)

2) Fund Financial Statements

The City has two kinds of funds:

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 the General Fund, the Special Revenue Funds, such as Road Use Tax, Sales Tax Projects, Hotel Tax, TIF, Debt Service, Capital Improvement, and Street Projects Funds. These funds are reported using the current financial resources measurement focus and modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. 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 balance sheet and a statement of revenues, expenditures, and changes in fund balance. Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Proprietary funds account for the services for which the City charges customers for the service it provides. Proprietary funds are reported in the same way all activities are reported in the Statement of Net Assets and the Statement of Activities. The major difference between the proprietary funds and the business type activities included in the government-wide statements is the detail and additional information, such as cash flows, provided in the proprietary fund statements. Proprietary funds include the Electric Fund, Water Fund, Sewer Fund, Community Center Fund and Fitness Center Fund, each considered to be a major fund of the City. The City is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong.

The financial statements required for proprietary funds include a statement of net assets, a statement of revenues, expenses, and changes in fund net assets and a statement of cash flows.

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of financial position. The analysis that follows focuses on the changes in the net assets for governmental and business type activities.

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Current and other assets	\$ 4,613,784	\$ 4,832,734	\$ 5,156,030	\$ 5,750,391	\$ 9,769,814	\$10,583,125
Capital assets	<u>11,580,432</u>	<u>13,360,170</u>	<u>44,167,787</u>	<u>44,890,517</u>	<u>55,748,219</u>	<u>58,250,687</u>
Total assets	<u>16,194,216</u>	<u>18,192,904</u>	<u>49,323,817</u>	<u>50,640,908</u>	<u>65,518,033</u>	<u>68,833,812</u>
Long-term liabilities	5,046,402	5,482,891	4,074,238	4,485,255	9,120,640	9,968,146
Other liabilities	<u>2,021,543</u>	<u>1,714,708</u>	<u>121,480</u>	<u>423,952</u>	<u>2,143,023</u>	<u>2,138,660</u>
Total liabilities	<u>7,067,945</u>	<u>7,197,599</u>	<u>4,195,718</u>	<u>4,909,207</u>	<u>11,263,663</u>	<u>12,106,806</u>
Net assets:						
Invested in capital assets, net of related debt	6,645,432	12,822,146	40,255,810	40,557,240	46,901,242	53,379,386
Restricted	149,439	354,977	603,075	526,575	752,514	881,552
Unrestricted	<u>2,331,400</u>	<u>(2,181,818)</u>	<u>4,269,214</u>	<u>4,647,886</u>	<u>6,600,614</u>	<u>2,466,068</u>
Total net assets	<u>\$ 9,126,271</u>	<u>\$10,995,305</u>	<u>\$45,128,099</u>	<u>\$45,731,701</u>	<u>\$54,254,370</u>	<u>\$56,727,006</u>

Net assets of governmental activities decreased \$1,869,034 or approximately 17%. Net assets of business type activities decreased \$603,602, or approximately 1.3 %. The largest portion of the City's net assets was invested in capital assets less the related debt. The debt related to the investment in capital assets is liquidated with resources other than capital assets. Restricted net assets represent resources subject to external restrictions. Unrestricted net assets, the part of the net assets that can be used to finance day-to-day operations, were \$6,600,614 at the end of this year, compared to \$2,466,068 in the prior fiscal year.

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total</u>	
	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Revenues:						
Charges for service	\$ 523,934	\$ 497,761	\$ 5,776,668	\$ 5,423,550	\$ 6,300,602	\$ 5,921,311
Operating grants and contributions	350	18,558	168	246	518	18,804
General revenues:						
Property tax levied for:						
General purpose	1,579,291	1,462,953	-	-	1,579,291	1,462,953
Debt service	37,682	55,560	-	-	37,682	55,560
Tax increment financing	456,173	504,799	-	-	456,173	504,799
Franchise tax	46,813	46,491	-	-	46,813	46,491
Road use tax	445,913	398,836	-	-	445,913	398,836
Local option sales tax	647,729	668,753	-	-	647,729	668,753
Assessments	4,867	7,762	-	-	4,867	7,762
Interest on investments	5,343	27,436	10,299	86,146	15,642	113,582
Miscellaneous	139,652	185,992	35,769	63,582	175,421	249,574
Total	<u>3,887,747</u>	<u>3,874,901</u>	<u>5,822,904</u>	<u>5,573,524</u>	<u>9,710,651</u>	<u>9,448,425</u>
Program expense						
Public safety	719,231	780,952	-	-	719,231	780,952
Public works	3,936,824	3,577,261	-	-	3,936,824	3,577,261
Culture and recreation	355,184	342,718	-	-	355,184	342,718
Community and economic development	270,039	140,888	-	-	270,039	140,888
General government	285,350	320,066	-	-	285,350	320,066
Interest on long-term debt	217,953	234,485	190,986	208,844	408,939	443,329
Electric	-	-	3,919,697	2,963,169	3,919,697	2,963,169
Water	-	-	699,748	778,894	699,748	778,894
Sewer	-	-	1,036,288	1,097,900	1,036,288	1,097,900
Community center	-	-	273,497	309,289	273,497	309,289
Fitness center	-	-	271,450	230,275	271,450	230,275
Loss on disposition of assets	-	66,298	7,040	11,483	7,040	77,781
Total	<u>5,784,581</u>	<u>5,462,668</u>	<u>6,398,706</u>	<u>5,599,854</u>	<u>12,183,287</u>	<u>11,062,522</u>
Changes in net assets						
Before transfers	(1,896,834)	(1,587,767)	(575,802)	(26,330)	(2,472,636)	(1,614,097)
Transfers	27,800	(184,507)	(27,800)	184,507	-	-
Capital transfers to business type activities	-	(98,044)	-	98,044	-	-
Net assets, beginning of year	<u>10,995,305</u>	<u>12,865,623</u>	<u>45,731,701</u>	<u>45,475,480</u>	<u>56,727,006</u>	<u>58,341,103</u>
Net assets, end of year	<u>\$ 9,126,271</u>	<u>\$10,995,305</u>	<u>\$45,128,099</u>	<u>\$45,731,701</u>	<u>\$54,254,370</u>	<u>\$56,727,006</u>

CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Net assets of governmental activities decreased \$1,869,034 during the year. Revenues for governmental activities increased by \$12,846 over the prior year as a result of property taxes increasing approximately \$98,460 from an increase in rates and assessed values, a increase of \$47,077 in road use tax, and an increase of \$26,173 in charges for services. However, these increases were offset by a decrease in operating grants, TIF receipts, sales taxes, interest income, and miscellaneous income in comparison to the prior year

The cost of all governmental activities this year was \$5,784,581 compared to \$5,462,668 last year. The nearly 6% (\$321,913) increase in expenses was primarily due to an increase in road and street projects in the current year.

Net assets of business type activities decreased by \$603,602 or 1.3% from the prior year. Charges for services increased \$353,118, but were offset by a decrease in interest income and miscellaneous income totaling \$103,660 and a \$798,852 increase operating expenses (primarily attributable to the Electric Fund).

INDIVIDUAL MAJOR FUND ANALYSIS

The General Fund showed a increase in fund balance of \$142,006 at June 30, 2010. Revenues increased by \$51,231, while expenditures decreased by \$229,548 over the prior year. Other financing sources decreased \$80,000 in the current in comparison to the prior year.

The Road Use Tax Fund, which accounts for road construction and maintenance, had a decrease in fund balance of \$205,538 at June 30, 2010, primarily due to capital project expenditures.

The Sales Tax Projects Fund, which accounts for the tax revenues and the capital improvements, purchases of equipment and community programs and services for which they are used, had a increase of \$21,129 in fund balance at June 2010.

The Electric Fund, which accounts for the operation and maintenance of the City's electric system, had net assets of \$18,453,901 at June30, 2010 compared to net assets of \$18,345,721 at June 30, 2009.

The Water Fund, which accounts for the operation and maintenance of the City's water system, had net assets of \$7,652,082 at June 30, 2010 compared to net assets of \$7,796,004 at June 30, 2009.

The Sewer Fund, which accounts for the operation and maintenance of the City's sewer system, had net assets of \$17,416,071 at June 30, 2010 compared to net assets of \$17,909,147 at June 30, 2009.

The Community Center Fund, which accounts for the operation of the City's Community Center, had net assets of \$910,904 at June 30, 2010 compared to net assets of \$953,632 at June 30, 2009.

The Fitness Center fund, which accounts for the operation of the City's Fitness Center, had net assets of \$695,141 at June 30, 2010 compared to net assets of \$727,197 at June 30, 2010.

**CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

BUDGETARY HIGHLIGHTS

The City's receipts were \$355,539 greater than budgeted receipts, a favorable variance of 3.81%. The most significant variance resulted from receiving more in charges for services than originally anticipated. The budget included investment income, miscellaneous income, and charges for services for the proprietary funds also.

The City's disbursements were \$1,626,178 less than budgeted disbursements, a favorable variance of 13.17 %. The largest variance was in business type activities, being \$808,431 less than budgeted disbursements due to less anticipated spending.

CAPITAL ASSET AND DEBT ADMINISTRATION

The city's capital assets include land, infrastructure, buildings, equipment and vehicles as well as construction in progress. Capital assets and construction in progress of governmental activities totaled \$11,580,432, net of accumulated depreciation, at June 30, 2010. Capital assets and construction in progress of business type activities totaled \$44,167,787, net of accumulated depreciation, at June 30, 2010, See note 3 to the financial statements for more information about the City's capital assets.

At June 30, 2010, the City had \$4,935,000 in total long-term debt outstanding for governmental activities. The City also had \$3,911,977 in total long-term debt outstanding for business type activities. Additional information about the City's long-term debt is presented in Note 4 to the financial statements.

THE FUTURE OF THE CITY OF ELDRIDGE, IOWA

The City of Eldridge, Iowa remains in a good position to continue operations into the next fiscal year. Taxable values have increased along with the estimated levy rates. These increases will provide sufficient property tax dollars for future operations. The projected tax levy rates per \$1,000 of taxable value for the 2010-2011 fiscal year are:

<u>Tax Levy Purpose</u>	<u>Estimated Levy Rate</u>
Regular General Levy	\$ 6.49
Tort Liability Levy	.12
Debt Service Levy	.14
Total Tax Levy	<u>\$ 6.75</u>
Agricultural Land Levy	<u>\$ 2.58</u>

**CITY OF ELDRIDGE, IOWA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2010**

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and operating activities. If you have any questions or require additional information, please contact either the City Clerk or the City Administrator at City Hall, 305 N. Third Street, Eldridge, Iowa, 52748 or by telephone at 563-285-4841.

John R. Dowd
City Administrator

BASIC FINANCIAL STATEMENTS

CITY OF ELDRIDGE, IOWA
STATEMENT OF NET ASSETS
June 30, 2010

	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 2,650,897	\$ 3,524,168	\$ 6,175,065
Receivables:			
Property tax			
Current year	12,684	-	12,684
Succeeding year	1,713,131	-	1,713,131
Other tax	51,005	-	51,005
Customer accounts and unbilled usage	-	474,751	474,751
Other	114,753	-	114,753
Inventories	32,598	459,581	492,179
Prepaid insurance	38,716	41,925	80,641
Restricted cash and investments	-	655,605	655,605
Construction in progress	72,122	584,757	656,879
Capital assets, net of accumulated depreciation	11,508,310	43,583,030	55,091,340
	<u>16,194,216</u>	<u>49,323,817</u>	<u>65,518,033</u>
Total assets			
LIABILITIES			
Accounts payable	273,599	34,992	308,591
Accrued interest payable	16,765	13,845	30,610
Salaries and benefits payable	16,784	12,843	29,627
Accrued expenses	1,264	59,800	61,064
Deferred revenue:			
Succeeding year property tax	1,713,131	-	1,713,131
Long-term liabilities:			
Portion due or payable within one year:			
Customer deposits	-	52,530	52,530
General obligation bonds and notes	350,000	-	350,000
Revenue bonds	-	385,000	385,000
Capital leases	-	4,298	4,298
Compensated absences	48,905	53,973	102,878
Portion due or payable after one year:			
General obligation bonds and notes	4,585,000	-	4,585,000
Revenue bonds	-	3,520,000	3,520,000
Capital leases	-	2,679	2,679
Compensated absences	62,497	55,758	118,255
	<u>7,067,945</u>	<u>4,195,718</u>	<u>11,263,663</u>
Total liabilities			
NET ASSETS			
Invested in capital assets, net of related debt	6,645,432	40,255,810	46,901,242
Restricted for:			
Road purposes	149,439	-	149,439
Revenue bonds retirement	-	603,075	603,075
Unrestricted	2,331,400	4,269,214	6,600,614
	<u>9,126,271</u>	<u>45,128,099</u>	<u>54,254,370</u>
Total net assets			

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

FUNCTIONS/PROGRAMS	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Governmental activities:			
Public safety	\$ 719,231	\$ 99,476	\$ 350
Public works	3,936,824	235,748	-
Culture and recreation	355,184	58,553	-
Community and economic development	270,039	850	-
General government	285,350	129,307	-
Interest on long-term debt	217,953	-	-
Total governmental activities	5,784,581	523,934	350
Business type activities:			
Electric	3,919,697	4,076,393	168
Water	699,748	645,183	-
Sewer	1,036,288	588,831	-
Community center	273,497	226,854	-
Fitness center	271,450	239,407	-
Interest on long-term debt	190,986	-	-
Total business type activities	6,391,666	5,776,668	168
TOTAL	\$ 12,176,247	\$ 6,300,602	\$ 518

General revenues:
Property tax levied for:
 General purpose
 Debt service
Tax increment financing
Franchise tax
Road use tax
Local option sales tax
Assessments
Interest on investments
Transfers
Miscellaneous
Loss on disposition of assets
Total general revenues

CHANGES IN NET ASSETS

NET ASSETS, BEGINNING OF YEAR

NET ASSETS, END OF YEAR

**Net (Expense) Revenue
and Changes in Net Assets**

<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ (619,405)	-	\$ (619,405)
(3,701,076)	-	(3,701,076)
(296,631)	-	(296,631)
(269,189)	-	(269,189)
(156,043)	-	(156,043)
(217,953)	-	(217,953)
(5,260,297)	-	(5,260,297)
-	156,864	156,864
-	(54,565)	(54,565)
-	(447,457)	(447,457)
-	(46,643)	(46,643)
-	(32,043)	(32,043)
-	(190,986)	(190,986)
-	(614,830)	(614,830)
\$ (5,260,297)	\$ (614,830)	\$ (5,875,127)
1,579,291	-	1,579,291
37,682	-	37,682
456,173	-	456,173
46,813	-	46,813
445,913	-	445,913
647,729	-	647,729
4,867	-	4,867
5,343	10,299	15,642
27,800	(27,800)	-
139,652	35,769	175,421
-	(7,040)	(7,040)
3,391,263	11,228	3,402,491
(1,869,034)	(603,602)	(2,472,636)
10,995,305	45,731,701	56,727,006
\$ 9,126,271	\$ 45,128,099	\$ 54,254,370

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2010

	<u>Special Revenue</u>			Other Nonmajor Governmental Funds	Total All Funds
	General Fund	Road Use Tax Fund	Sales Tax Projects Fund		
ASSETS					
Cash and investments	\$ 1,187,968	\$ 73,325	\$ 926,494	\$ 463,110	\$ 2,650,897
Receivables:					
Property tax					
Current year	10,820	-	-	1,864	12,684
Succeeding year	1,675,532	-	-	37,599	1,713,131
Other tax	-	-	51,005	-	51,005
Other	27,703	81,137	5,913	-	114,753
Accrued interest	-	-	-	-	-
Inventories	32,598	-	-	-	32,598
Prepaid insurance	38,716	-	-	-	38,716
Due from other funds	-	-	-	24,453	24,453
TOTAL ASSETS	<u>2,973,337</u>	<u>154,462</u>	<u>983,412</u>	<u>527,026</u>	<u>4,638,237</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	8,508	5,023	260,068	-	273,599
Accrued interest payable	-	-	-	16,765	16,765
Salaries and benefits payable	16,784	-	-	-	16,784
Accrued expenses	1,264	-	-	-	1,264
Due to other funds	5,436	-	-	19,017	24,453
Deferred revenue:					
Succeeding year property tax	1,675,532	-	-	37,599	1,713,131
Compensated absences	48,905	-	-	-	48,905
Total liabilities	<u>1,756,429</u>	<u>5,023</u>	<u>260,068</u>	<u>73,381</u>	<u>2,094,901</u>
FUND BALANCES					
Restricted for:					
Road purposes	-	149,439	-	-	149,439
Unrestricted:					
Designated for:					
Equipment replacement	214,130	-	-	-	214,130
Capital projects	-	-	-	80,554	80,554
Other purposes	180,713	-	723,344	339,111	1,243,168
Undesignated	822,065	-	-	33,980	856,045
Total fund balances	<u>1,216,908</u>	<u>149,439</u>	<u>723,344</u>	<u>453,645</u>	<u>2,543,336</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,973,337</u>	<u>\$ 154,462</u>	<u>\$ 983,412</u>	<u>\$ 527,026</u>	<u>\$ 4,638,237</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total governmental fund balance (page 15) \$ 2,543,336

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds. The cost of the assets is \$27,697,454 and the accumulated depreciation is \$16,189,144. The cost of assets under construction is \$72,122. 11,580,432

Long-term liabilities, including bonds payable, capital leases, and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. (4,997,497)

Net assets of governmental activities (page 12) \$ 9,126,271

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	<u>Special Revenue</u>			Other Nonmajor Governmental Funds	Total All Funds
	<u>General Fund</u>	<u>Road Use Tax Fund</u>	<u>Sales Tax Projects Fund</u>		
REVENUES					
Property tax	\$ 1,579,291	\$ -	\$ -	\$ 37,682	\$ 1,616,973
Tax increment financing	-	-	-	456,173	456,173
Other taxes	46,813	-	619,331	33,265	699,409
Licenses and permits	106,688	-	-	-	106,688
Rent	44,186	-	-	-	44,186
Intergovernmental	350	445,906	-	-	446,256
Charges for services	417,246	-	-	-	417,246
Interest on investments	5,343	-	-	-	5,343
Miscellaneous	10,936	81,137	-	3,400	95,473
Total revenues	<u>2,210,853</u>	<u>527,043</u>	<u>619,331</u>	<u>530,520</u>	<u>3,887,747</u>
EXPENDITURES					
Operating:					
Public safety	673,596	-	-	30,000	703,596
Public works	569,212	53,965	-	161,005	784,182
Culture and recreation	279,744	-	-	3,453	283,197
Community and economic development	58,320	-	-	141,719	200,039
General government	263,428	-	10,754	-	274,182
Debt service	8,519	-	-	657,458	665,977
Capital projects	222,828	653,616	327,448	337,396	1,541,288
Total expenditures	<u>2,075,647</u>	<u>707,581</u>	<u>338,202</u>	<u>1,331,031</u>	<u>4,452,461</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>135,206</u>	<u>(180,538)</u>	<u>281,129</u>	<u>(800,511)</u>	<u>(564,714)</u>
OTHER FINANCING SOURCES (USES)					
Operating transfers in	38,800	-	-	496,000	534,800
Operating transfers out	(32,000)	(25,000)	(260,000)	(190,000)	(507,000)
Total other financing sources (uses)	<u>6,800</u>	<u>(25,000)</u>	<u>(260,000)</u>	<u>306,000</u>	<u>27,800</u>
NET CHANGE IN FUND BALANCE	142,006	(205,538)	21,129	(494,511)	(536,914)
FUND BALANCE, BEGINNING OF YEAR	<u>1,074,902</u>	<u>354,977</u>	<u>702,215</u>	<u>948,156</u>	<u>3,080,250</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,216,908</u>	<u>\$ 149,439</u>	<u>\$ 723,344</u>	<u>\$ 453,645</u>	<u>\$ 2,543,336</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2010

Net change in fund balances - total governmental funds (page 17) \$ (536,914)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year as follows:

Depreciation expense	(2,078,419)
Expenditures for capital assets	311,225
Loss on disposition of capital assets	-
	(1,767,194)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. Current year repayments, as follows:

Bond principal	440,000
Capital lease	8,024
Compensated absences	(12,950)
	435,074

Changes in net assets of governmental activities (page 14) \$ (1,869,034)

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
STATEMENTS OF NET ASSETS - PROPRIETY FUND
June 30, 2010

	<u>Electric Fund</u>	<u>Water Fund</u>
ASSETS		
Cash and investments	\$ 2,803,474	\$ (31,039)
Receivables:		
Customer accounts and unbilled usage	331,322	76,736
Due from other funds	67,446	(67,446)
Inventories	416,173	24,506
Prepaid insurance	14,472	7,128
Restricted assets:		
Cash and investments	386,500	142,605
Construction in progress	584,757	-
Capital assets, net of accumulated depreciation	<u>17,014,186</u>	<u>8,232,405</u>
Total assets	<u>21,618,330</u>	<u>8,384,895</u>
LIABILITIES		
Accounts payable	25,039	8,007
Salaries and benefits payable	2,720	1,474
Accrued expenses	59,800	-
Payable from restricted assets:		
Customer deposits	36,425	16,105
Revenue bonds	205,000	95,000
Accrued interest payable	10,714	2,227
Capital leases	-	-
Compensated absences	53,973	-
Long-term liabilities:		
Revenue bonds	2,715,000	610,000
Capital leases	-	-
Compensated absences	<u>55,758</u>	<u>-</u>
Total liabilities	<u>3,164,429</u>	<u>732,813</u>
NETS ASSETS		
Invested in capital assets, net of related debt	14,678,943	7,527,405
Restricted for:		
Revenue bonds retirement	350,075	126,500
Unrestricted:		
Designated for:		
Equipment replacement	353,507	86,810
Capital projects	(195,234)	-
Undesignated	<u>3,266,610</u>	<u>(88,633)</u>
Total net assets	<u>\$ 18,453,901</u>	<u>\$ 7,652,082</u>

<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Fitness Center Fund</u>	<u>Total All Funds</u>
\$ 668,948	\$ 39,190	\$ 43,595	\$ 3,524,168
66,693	-	-	474,751
-	-	-	-
8,896	7,531	2,475	459,581
12,011	4,331	3,983	41,925
126,500	-	-	655,605
-	-	-	584,757
<u>16,818,325</u>	<u>861,131</u>	<u>656,983</u>	<u>43,583,030</u>
<u>17,701,373</u>	<u>912,183</u>	<u>707,036</u>	<u>49,323,817</u>
1,913	33	-	34,992
2,485	1,246	4,918	12,843
-	-	-	59,800
-	-	-	52,530
85,000	-	-	385,000
904	-	-	13,845
-	-	4,298	4,298
-	-	-	53,973
195,000	-	-	3,520,000
-	-	2,679	2,679
-	-	-	55,758
<u>285,302</u>	<u>1,279</u>	<u>11,895</u>	<u>4,195,718</u>
16,538,325	861,131	650,006	40,255,810
126,500	-	-	603,075
74,297	-	-	514,614
-	-	-	(195,234)
<u>676,949</u>	<u>49,773</u>	<u>45,135</u>	<u>3,949,834</u>
<u>\$ 17,416,071</u>	<u>\$ 910,904</u>	<u>\$ 695,141</u>	<u>\$ 45,128,099</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS
Year Ended June 30, 2010

	<u>Electric Fund</u>	<u>Water Fund</u>
OPERATING REVENUES		
Charges for services	\$ 4,076,393	\$ 645,183
Miscellaneous	<u>5,564</u>	<u>26,531</u>
Total operating revenues	<u>4,081,957</u>	<u>671,714</u>
OPERATING EXPENSES		
Business type activities:		
Cost of sales and services	3,427,415	440,725
Depreciation	<u>492,282</u>	<u>259,023</u>
Total operating expenses	<u>3,919,697</u>	<u>699,748</u>
NET INCOME (LOSS) FROM OPERATIONS	<u>162,260</u>	<u>(28,034)</u>
OTHER INCOME (EXPENSE)		
Loss on disposition of assets	-	-
Interest on investments	6,570	345
Interest expense	<u>(136,590)</u>	<u>(40,293)</u>
Total other revenues (expenses)	<u>(130,020)</u>	<u>(39,948)</u>
OTHER FINANCING SOURCES (USES)		
Operating transfer in	75,940	-
Operating transfer out	<u>-</u>	<u>(75,940)</u>
Total other financing sources (uses)	<u>75,940</u>	<u>(75,940)</u>
NET INCOME (LOSS)	108,180	(143,922)
NET ASSETS, BEGINNING OF YEAR	<u>18,345,721</u>	<u>7,796,004</u>
NET ASSETS, END OF YEAR	<u>\$ 18,453,901</u>	<u>\$ 7,652,082</u>

<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Fitness Center Fund</u>	<u>Total All Funds</u>
\$ 588,831	\$ 226,854	\$ 239,407	\$ 5,776,668
91	3,238	513	35,937
<u>588,922</u>	<u>230,092</u>	<u>239,920</u>	<u>5,812,605</u>
330,359	243,562	251,621	4,693,682
705,929	29,935	19,829	1,506,998
<u>1,036,288</u>	<u>273,497</u>	<u>271,450</u>	<u>6,200,680</u>
<u>(447,366)</u>	<u>(43,405)</u>	<u>(31,530)</u>	<u>(388,075)</u>
(7,040)	-	-	(7,040)
2,707	677	-	10,299
<u>(13,577)</u>	<u>-</u>	<u>(526)</u>	<u>(190,986)</u>
<u>(17,910)</u>	<u>677</u>	<u>(526)</u>	<u>(187,727)</u>
-	-	-	75,940
<u>(27,800)</u>	<u>-</u>	<u>-</u>	<u>(103,740)</u>
<u>(27,800)</u>	<u>-</u>	<u>-</u>	<u>(27,800)</u>
(493,076)	(42,728)	(32,056)	(603,602)
<u>17,909,147</u>	<u>953,632</u>	<u>727,197</u>	<u>45,731,701</u>
<u>\$ 17,416,071</u>	<u>\$ 910,904</u>	<u>\$ 695,141</u>	<u>\$ 45,128,099</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2010

	Electric Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	\$ 4,130,165	\$ 659,235
Cash received from other revenues	5,564	26,531
Cash paid for personal services	(287,158)	(156,922)
Cash paid to suppliers	(3,241,559)	(319,314)
Net cash provided (used) by operating activities	607,012	209,530
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Advances from other funds, net of advance repayments	75,940	(75,940)
CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES		
Acquisition of capital assets	(592,317)	(12,467)
Issuance of revenue bonds	-	705,000
Principal paid on revenue bonds and capital leases	(200,000)	(835,000)
Amounts paid (to) from other funds	67,444	(67,444)
Interest paid on revenue bonds and capital leases	(137,319)	(35,640)
Other interest	-	(5,396)
Net cash provided (used) by capital and related financing activities	(862,192)	(250,947)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments	6,570	345
NET DECREASE IN CASH	(172,670)	(117,012)
CASH AND INVESTMENTS, BEGINNING OF YEAR	3,362,644	228,578
CASH AND INVESTMENTS, END OF YEAR	\$ 3,189,974	\$ 111,566

<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Fitness Center Fund</u>	<u>Total All Funds</u>
\$ 602,935	\$ 226,854	\$ 239,407	\$ 5,858,596
91	3,238	513	35,937
(251,979)	(132,426)	(169,124)	(997,609)
(223,180)	(112,948)	(86,515)	(3,983,516)
<u>127,867</u>	<u>(15,282)</u>	<u>(15,719)</u>	<u>913,408</u>
<u>(27,800)</u>	<u>-</u>	<u>-</u>	<u>(27,800)</u>
(187,794)	-	-	(792,578)
-	-	-	705,000
(85,000)	-	(6,300)	(1,126,300)
-	-	-	-
(13,825)	-	(526)	(187,310)
-	-	-	(5,396)
<u>(286,619)</u>	<u>-</u>	<u>(6,826)</u>	<u>(1,406,584)</u>
<u>2,707</u>	<u>677</u>	<u>-</u>	<u>10,299</u>
(183,845)	(14,605)	(22,545)	(510,677)
<u>979,293</u>	<u>53,795</u>	<u>66,140</u>	<u>4,690,450</u>
<u>\$ 795,448</u>	<u>\$ 39,190</u>	<u>\$ 43,595</u>	<u>\$ 4,179,773</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
Year Ended June 30, 2010

	Electric Fund	Water Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 162,260	\$ (28,034)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	492,282	259,023
Increase in customer accounts and unbilled usage receivable	53,772	14,052
Decrease (increase) in inventories	-	2,100
(Increase) decrease in prepaid insurance	(3,222)	(1,308)
Decrease in other assets	100	6
Decrease in accounts payable	(108,291)	(36,551)
Increase (decrease) in accrued wages	(72)	142
Increase in accrued expenses	-	-
Increase in customer deposits	1,355	100
Increase in compensated absences	8,828	-
	<u>\$ 607,012</u>	<u>\$ 209,530</u>
Net cash provided (used) by operating activities		
Reconciliation of cash and investments at year end to specific assets included in the statement of net assets:		
Current assets:		
Cash and investments	2,803,474	(31,039)
Restricted assets:		
Cash and investments:		
Revenue bonds retirement	350,075	126,500
Customer deposits	36,425	16,105
	<u>\$ 3,189,974</u>	<u>\$ 111,566</u>
Cash and investments, end of year		

<u>Sewer Fund</u>	<u>Community Center Fund</u>	<u>Fitness Center Fund</u>	<u>Total All Funds</u>
\$ (447,366)	\$ (43,405)	\$ (31,530)	\$ (388,075)
705,929	29,935	19,829	1,506,998
14,286	-	-	82,110
-	484	1,446	4,030
(761)	(496)	(1,302)	(7,089)
3,602	900	-	4,608
(147,992)	(34)	(5,176)	(298,044)
169	(2,666)	1,014	(1,413)
-	-	-	-
-	-	-	1,455
-	-	-	8,828
<u>\$ 127,867</u>	<u>\$ (15,282)</u>	<u>\$ (15,719)</u>	<u>\$ 913,408</u>
668,948	39,190	43,595	3,524,168
126,500	-	-	603,075
-	-	-	52,530
<u>\$ 795,448</u>	<u>\$ 39,190</u>	<u>\$ 43,595</u>	<u>\$ 4,179,773</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

The City of Eldridge, Iowa (the City) is a political subdivision of the State of Iowa located in Scott County and operates under the Home rule provisions of the constitution of Iowa. The City also 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, recreation, community and economic development, and general governmental services. The City also provides electric, water, sewer and sanitation utilities.

Reporting Entity

For financial reporting purposes, the City of Eldridge, 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. Under these criteria, it has been determined that the City has no component units for which it is financially accountable.

Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities report information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property 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 Net Assets presents the City's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories.

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

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

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

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Government-wide Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues included 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 and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

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

The City reports the following major governmental funds:

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

Special Revenue Funds - The Road Use Tax Fund is used to account for road construction and maintenance. The Sales Tax Projects Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment and community programs and services.

The City reports the following major proprietary funds:

Electric Fund - The Electric fund is used to account for the operation and maintenance of the City's electric system.

Water Fund - The Water Fund is used to account for the operation and maintenance of the City's water system.

Sewer Fund - The Sewer Fund is used to account for the operation and maintenance of the City's sewer system.

Community Center Fund - The Community Center Fund is used to account for the operation of the City's community center.

Fitness Center Fund - The Fitness Center Fund is used to account for the operation of the City's fitness center.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been satisfied. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal on long-term debt and claims and judgments are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments

For purposes of financial reporting and the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Investments with an original maturity of greater than three months that can be redeemed anytime before maturity are also considered to be cash equivalents. Investments consist of certificates of deposit and are carried at cost, which approximates market.

Taxes Receivable, Including Tax Increment Financing

Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting,

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represents taxes collected by the County but not remitted to the City at June 30, 2010 and unpaid taxes. The succeeding year property tax receivable represents taxes certified by the City to be collected in the next fiscal year for the purpose set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1.5% per month penalty for delinquent payments, are based on January 1, 2008 assessed property valuations, are for the tax accrual period July 1, 2009 through June 30, 2010 and reflect tax asking contained in the budget certified to the County Board of Supervisors in March 2009.

Customer Accounts and Unbilled Usage

Customer accounts receivable are recorded in proprietary funds at the time the service is billed. Unbilled usage for service consumed between periodic scheduled billing dates is estimated and is recognized as revenue in the period in which the service is provided.

Due From and Due To Other Funds

During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2010, balances of interfund amounts receivable or payable have been recorded in the fund financial statements.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost (first-in, first-out method) or market (net realizable value). Inventories in the proprietary funds consist of materials and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets

Restricted assets in governmental funds include funds set aside for road purposes. Funds set aside in proprietary funds for payment of revenue bonds are classified as restricted assets since their use is restricted by applicable bond covenants. Other restricted assets in proprietary funds include customer deposits restricted for application to unpaid customer accounts or for refund to customers.

Capital Assets

Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs not adding to the value of the asset or materially extending assets lives are not capitalized. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land, building and improvements	\$ 25,000
Equipment and vehicles	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	40-50 years
Improvements other than buildings	10-25 years
Vehicles	6-10 years
Equipment	4-15 years
Infrastructure	12-50 years

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Revenue

Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the statement of net assets consists of succeeding year property tax and tax increment financing receivable that will not be recognized as revenue until the year for which they are levied.

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick leave, personal leave and compensatory time benefits. Vacation benefits must be used during employment. Sick leave benefits may be used during employment or accumulated up to the maximum hours limit established by the City for payment upon retirement or disability. Personal leave benefits may be used during employment or accumulated up to the maximum hours limit established by the City for payment upon leaving the City's employment unless terminated for cause. Compensatory time benefits may be used during employment or accumulated up to the maximum hour limit established by the City for payment upon leaving the City's employment.

A liability is recorded when incurred in the government-wide and proprietary fund financial statements. The governmental funds financial statements report a liability for accrued vacation, accrued personal leave and accrued compensatory time only. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2009. The compensated absences liability attributable to the governmental activities will be paid primarily by the general fund.

Long-term Liabilities

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the statement of net assets and the proprietary fund statement of net assets.

Fund Equity

In the governmental fund financial statements, restrictions of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as required supplementary information.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 2 - CASH AND INVESTMENTS

Deposit Accounts

The City's cash and investments at June 30, 2010 consist of the following:

Petty cash fund on hand	\$ 830
Checking accounts	645,282
Money market accounts	6,184,558
Certificates of deposit	-
Total	<u>\$ 6,830,670</u>

At June 30, 2010, the carrying amount of the City's deposits was \$6,830,670 and the related bank balance was \$6,886,972.

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.

Investments

The City had no investments at June 30, 2010. The City is authorized by state 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 meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2010 was as follows:

	<u>Balance June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Governmental activities				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ 12,541	\$ 229,604	\$ (170,023)	\$ 72,122
Land	<u>1,255,500</u>	<u>-</u>	<u>-</u>	<u>1,255,500</u>
Total	<u>1,268,041</u>	<u>229,604</u>	<u>(170,023)</u>	<u>1,327,622</u>
<i>Capital assets being depreciated:</i>				
Buildings	1,542,304	-	-	1,542,304
Equipment and vehicles	974,960	69,080	-	1,044,040
Infrastructure, road network	<u>23,685,586</u>	<u>170,023</u>	<u>-</u>	<u>23,855,609</u>
Total	<u>26,202,850</u>	<u>239,103</u>	<u>-</u>	<u>26,441,953</u>
Less accumulated depreciation	<u>14,110,724</u>	<u>2,078,419</u>	<u>-</u>	<u>16,189,143</u>
Net	<u>12,092,126</u>	<u>(1,839,316)</u>	<u>-</u>	<u>10,252,810</u>
Governmental activities capital assets, net	<u>\$ 13,360,167</u>	<u>\$ (1,609,712)</u>	<u>\$ (170,023)</u>	<u>\$ 11,580,432</u>
Business type activities				
<i>Capital assets not being depreciated:</i>				
Construction in progress	\$ 95,425	\$ 566,883	\$ (77,551)	\$ 584,757
Land	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>120,000</u>
Total	<u>215,425</u>	<u>566,883</u>	<u>(77,551)</u>	<u>704,757</u>
<i>Capital assets being depreciated:</i>				
Buildings	34,669,273	270,292	-	34,939,565
Equipment and vehicles	1,163,389	50,684	(31,000)	1,183,073
Infrastructure	<u>17,493,305</u>	<u>-</u>	<u>-</u>	<u>17,493,305</u>
Total	<u>53,325,967</u>	<u>320,976</u>	<u>(31,000)</u>	<u>53,615,943</u>
Less accumulated depreciation	<u>8,650,875</u>	<u>1,506,998</u>	<u>(4,960)</u>	<u>10,152,913</u>
Net	<u>44,675,092</u>	<u>(1,186,022)</u>	<u>(26,040)</u>	<u>43,463,030</u>
Business type activities capital assets, net	<u>\$ 44,890,517</u>	<u>\$ (619,139)</u>	<u>\$ (103,591)</u>	<u>\$ 44,167,787</u>

CITY OF ELDRIDGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 3 - CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2010 was charged to functions of the City as follows:

Governmental activities:	
Public safety	\$ 15,635
Public works	2,005,040
General government	10,762
Culture and recreation	46,982
Total governmental activities	<u>\$ 2,078,419</u>
Business type activities:	
Electric	\$ 492,282
Water	259,023
Sewer	705,929
Community center	29,935
Fitness center	19,829
Total business type activities	<u>\$ 1,506,998</u>

NOTE 4 - LONG-TERM LIABILITIES

A summary of transactions that occurred regarding bond and note obligations for the year ended June 30, 2010 as follows:

	<u>Beginning of Year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation bonds/notes	<u>\$5,375,000</u>	<u>\$ -</u>	<u>\$ 440,000</u>	<u>\$4,935,000</u>	<u>\$ 350,000</u>
Business type activities:					
Revenue bonds	<u>\$4,320,000</u>	<u>\$ 705,000</u>	<u>\$1,120,000</u>	<u>\$3,905,000</u>	<u>\$ 385,000</u>

CITY OF ELDRIDGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

General Obligation Bonds

Three issues of unmatured general obligation bonds, totaling \$4,860,000 were outstanding at June 30, 2010. These bonds bear interest at rates ranging from 3.70% to 4.40% and mature in varying annual amounts from \$95,000 to \$520,000 with the final maturities due in the year ending June 30, 2027.

Details of the general obligation bonds payable at June 30, 2010 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2010</u>
GO Refunding Bonds, Series 2001	Nov. 15, 2001	4.00- 4.40%	June 1, 2013	\$ 95,000- 100,000	\$1,010,000	\$ 290,000
GO Refunding Urban Bonds, Series 2001A	Nov. 15, 2001	3.70- 3.90%	June 1, 2011	70,000	735,000	70,000
GP Bonds, Series 2007	Nov. 15, 2007	4.00- 4.25%	June 1, 2027	105,000- 520,000	4,685,000	<u>4,500,000</u>
Total						<u>\$4,860,000</u>

A summary of the annual general obligation bond principal and interest requirements to maturity by year is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 275,000	\$ 198,251	\$ 473,251
2012	235,000	187,121	422,121
2013	335,000	177,436	512,436
2014	380,000	163,656	543,656
2015	495,000	148,456	643,456
2016-2020	1,310,000	515,880	1,825,880
2021-2025	1,260,000	283,224	1,543,224
2026-2027	<u>570,000</u>	<u>36,129</u>	<u>606,129</u>
Totals	<u>\$4,860,000</u>	<u>\$1,710,153</u>	<u>\$6,570,153</u>

CITY OF ELDRIDGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

General Obligation Capital Loan Notes

Details of the general obligation capital loan payable June 30, 2010 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2010</u>
GO Capital Loan Notes, Series 2007	Sept. 4, 2007	3.90%	Dec. 1, 2010	\$ 75,000-90,000	\$ 500,000	<u>\$ 75,000</u>

A summary of the annual general obligation capital loan notes principal and interest requirement to maturity by year is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	<u>\$ 75,000</u>	<u>\$ 1,463</u>	<u>\$ 76,463</u>

Revenue Bonds

Three issues of unmatured revenue bonds, totaling \$3,905,000 were outstanding at June 30, 2010. These bonds bear interest at rates ranging from 3.20% to 4.60% and mature in varying annual amounts from \$85,000 to \$320,000, with the final maturities due in the year ending June 30, 2020.

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

- a) The bonds will only be redeemed from the future earnings of the water, sewer, and electric enterprise activity and the bond holders have a lien on the future earnings of the funds.
- b) Sufficient water, sewer, and electric rates will be imposed to maintain a net revenue balance equal to at least 125% of the annual payments of principal and interest coming due in the same year.
- c) Monthly transfers shall be made to water, sewer, and electric improvement funds until specific minimum balances have been accumulated. These balances are restricted solely for the purpose of paying principal and interest on the bonds.
- d) A sewer debt reserve fund will be maintained in an amount equal to the lesser of the maximum annual amount of principal and interest coming due on the bonds or 10% of the original principal amount of the bonds.

CITY OF ELDRIDGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 4 - LONG-TERM LIABILITIES (CONTINUED)

Revenue Bonds (Continued)

- e) An electric debt reserve fund will be maintained in an amount equal to the lesser of the maximum annual amount of principal and interest coming due on the bonds in any succeeding fiscal year, 10% of the original principal amount of the bonds or 125% of the average annual principal and interest coming due on the bonds.
- f) A water debt reserve fund will be maintained in an amount equal to the lesser of 10% of the stated principal amount of the bonds, the maximum annual amount of principal and interest coming due on the bonds in any succeeding fiscal year, or 125% of the average annual principal and interest coming due on the bonds.

During the year ended June 30, 2010, the City was in compliance with the revenue bond provisions.

Details of the revenue bonds payable at June 30, 2010 are as follows:

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2010</u>
Water Revenue Bonds, Series 2010	May 27, 2010	1.50-3.40%	June 1, 2017	\$ 95,000-115,000	\$ 705,000	\$ 705,000
Sewer Revenue Refunding Bonds Series 2003	May 1, 2003	3.20-4.00%	June 1, 2013	\$ 85,000-100,000	\$ 765,000	\$ 280,000
Electric Revenue Bonds, Series 2006	Aug. 29, 2006	4.375-4.50%	June 1, 2021	\$ 205,000-335,000	\$3,665,000	<u>\$2,920,000</u>
Total						<u>\$3,905,000</u>

A summary of the annual obligation bond principal and interest requirements to maturity by year is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 385,000	\$ 156,901	\$ 541,901
2012	405,000	143,170	548,170
2013	420,000	128,349	548,349
2014	340,000	112,510	452,510
2015	350,000	99,610	449,610
2016-2021	<u>2,005,000</u>	<u>300,296</u>	<u>2,305,296</u>
Totals	<u>\$3,905,000</u>	<u>\$ 940,836</u>	<u>\$4,845,836</u>

CITY OF ELDRIDGE
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 5 - CAPITAL LEASES PAYABLE

A summary of capital lease obligations at June 30, 2010 is as follows:

Capital lease payable to leasing company, due in monthly installments of \$330, including interest at 5.01%, through November 2010, secured by equipment	\$ 1,630
Capital lease payable to leasing company, due in monthly installments of \$239, including interest at 5.01%, through March 2012, secured by equipment	<u>5,347</u>
Total capital lease obligations	6,977
Less current installments	<u>4,298</u>
Capital lease obligations, net of current installments	<u>\$ 2,679</u>

Annual maturities of capital lease obligations for each of the years subsequent to June 30, 2010 are as follows:

<u>Year Ending</u> <u>June 30,</u>	
2011	\$ 4,298
2012	<u>2,679</u>
Total	<u>\$ 6,977</u>

NOTE 6 - INTERFUND LOANS/ADVANCES/TRANSFERS

The City had one interfund loan balance during the fiscal year ended June 30, 2010 resulting from the electric fund aiding in the finance of a water tower in a prior year. The electric fund loan is scheduled to mature during the year ending June 30, 2011.

At June 30, 2010, interfund loans were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Water Fund	Electric Fund	<u>\$ 67,446</u>

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 6 - INTERFUND LOANS/ADVANCES/TRANSFERS (CONTINUED)

The city's cash management procedures occasionally result in short-term advances between funds that are repaid upon City Board approval from future revenues.

At June 30, 2010, interfund advances were as follows:

<u>Due From</u>	<u>Due To</u>	<u>Amount</u>
Blackhawk Trail TIF Area Fund	LeClaire Road TIF Fund	\$ 19,017
General Fund	Blackhawk Trail TIF Area Fund	5,436
Electric Projects Fund	Electric Fund	240,516
		<u>\$ 264,969</u>

Such interfund advances are not reported as operating transfers.

Interfund transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

A summary of interfund transfers that occurred during the year ended June 30, 2010 is as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
General Fund	General Equipment Replacement Fund	\$ 75,000
General Fund	Park Board Fund	75,000
General Fund	Insurance Self Funding Fund	32,000
Road Use Tax Fund	Street Projects Fund	25,000
Sales Tax Projects Fund	Park Board Fund	75,000
Sales Tax Projects Fund	Debt Service Fund	160,000
Sales Tax Projects Fund	Street Projects Fund	25,000
Blackhawk Trail TIF Area Fund	Debt Service Fund	190,000
Electric Fund	Electric Depreciation Fund	60,000
Electric Fund	Electric Projects Fund	250,000
Electric Fund	Utility Insurance Self Funding Fund	6,630
Water Fund	Water Depreciation Fund	38,450
Water Fund	Electric Fund	72,840
Water Fund	Utility Insurance Self Funding Fund	3,100
Sewer Fund	Debt Service Fund	21,000
Sewer Fund	Sewer Equipment Replacement Fund	30,000
Sewer Fund	Sewer Projects Fund	178,260
Sewer Fund	Insurance Self Funding Fund	6,800
Total		<u>\$1,324,080</u>

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 7 - 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.

Plan members are required to contribute 4.3% of their annual covered salary and the City is required to contribute 6.65% of annual covered payroll except for police employees, in which case the percentages are 6.14% and 9.20%, respectively. The contribution rates for police employees and the City were 5.63% and 8.45%, respectively, for the year ended June 30, 2009 and 5.64% and 8.47%, respectively for the year ended June 30, 2008. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2010, 2009 and 2008 were \$105,751, \$97,329, and \$88,144, respectively, equal to the required contribution for each year.

NOTE 8 - COMPENSATED ABSENCES

The City's liability for compensated absences at June 30, 2010 is as follows:

<u>Type of Benefit</u>	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Personal	\$ 12,572	\$ 16,089	\$ 28,661
Vacation	31,673	34,445	66,118
Compensatory Time	4,660	3,438	8,098
Sick Leave	62,497	55,759	118,256
Totals	<u>\$ 111,402</u>	<u>\$ 109,731</u>	<u>\$ 221,133</u>

The City maintains accrued leave reserves to offset the approximate liability for compensated absences. Employees may earn up to 160 hours per year of vacation, depending on years of service. Employees may carry a maximum of 80 hours to the subsequent anniversary year. Any unused vacation accumulated above these limits is forfeited. The City's sick leave policy allows its employees to accumulate up to 720 hours of sick leave which is payable when used or a maximum of 280 hours which is payable upon retirement or disability. No leave is paid when employment is terminated for any other reason. Employees earn 40 hours of personal leave per year and may accumulate up to 80 hours of personal leave. Employees may enter into an agreement with the City to earn compensatory time rather than being paid overtime for additional hours over 40 per week worked. Employees can accumulate up to 40 hours of compensatory time.

CITY OF ELDRIDGE, IOWA
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 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.

NOTE 10 - CONTRACT COMMITMENTS

The City has entered into a contract in the amount of \$533,349 for construction of an electrical feeder. The project is being financed through charges for services and is recorded as construction in progress in the statement of net assets. As of June 30, 2010, \$531,012 of the total project had been paid. The project is scheduled to be completed in December 2010.

The City has entered into a contract in the amount of \$90,152 for engineering of a multi-purpose trail. The project is being financed through federal funding and is recorded as construction in progress in the statement of net assets. As of June 30, 2010, \$72,172 of the total project had been paid. The project is scheduled to be completed in 2011.

The City has entered into a contract in the amount of \$63,957 for drainage improvements at Rustic Ridge. The project will be financed through intergovernmental revenues. The project is scheduled to be completed by March 2011.

The City has entered into a contract in the amount of \$309,894 for storm sewer replacement at 1st Street and Donahue Street. The project will be financed through intergovernmental revenues. The project is scheduled to be completed in March 2011.

NOTE 11 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 23, 2010, the date the financial statements were available for issuance.

This information is an integral part of the
accompanying financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ELDRIDGE, IOWA
BUDGET COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
Year Ended June 30, 2010

	<u>Governmental Funds Actual</u>	<u>Proprietary Funds Actual</u>	<u>Total Actual</u>	<u>Budget</u>	<u>Budget to Actual Variance</u>
RECEIPTS					
Property tax	\$ 1,672,352	\$ -	\$ 1,672,352	\$ 1,611,116	\$ 61,236
Tax increment financing	454,543	-	454,543	457,110	(2,567)
Other taxes	697,394	-	697,394	725,030	(27,636)
Licenses and permits	106,688	-	106,688	48,750	57,938
Use of money and property	52,139	14,908	67,047	73,935	(6,888)
Intergovernmental	446,256	-	446,256	409,425	36,831
Charges for services	389,543	5,858,802	6,248,345	5,535,790	712,555
Miscellaneous	(46,302)	35,937	(10,365)	465,565	(475,930)
Total receipts	<u>3,772,613</u>	<u>5,909,647</u>	<u>9,682,260</u>	<u>9,326,721</u>	<u>355,539</u>
DISBURSEMENTS					
Public safety	696,598	-	696,598	842,685	146,087
Public works	788,948	-	788,948	936,130	147,182
Culture and recreation	300,528	-	300,528	595,003	294,475
Community and economic development	199,329	-	199,329	204,800	5,471
General government	311,762	-	311,762	499,575	187,813
Debt service	658,127	-	658,127	657,711	(416)
Capital projects	1,271,220	-	1,271,220	1,308,355	37,135
Business type activities	-	6,492,869	6,492,869	7,301,300	808,431
Total disbursements	<u>4,226,512</u>	<u>6,492,869</u>	<u>10,719,381</u>	<u>12,345,559</u>	<u>1,626,178</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(453,899)</u>	<u>(583,222)</u>	<u>(1,037,121)</u>	<u>(3,018,838)</u>	<u>1,981,717</u>
OTHER FINANCING SOURCES (USES)	<u>27,800</u>	<u>(27,800)</u>	<u>-</u>	<u>705,000</u>	<u>(705,000)</u>
NET CHANGE IN FUND BALANCES	<u>(426,099)</u>	<u>(611,022)</u>	<u>(1,037,121)</u>	<u>(2,313,838)</u>	<u>1,276,717</u>
FUND BALANCES, BEGINNING OF YEAR	<u>2,970,903</u>	<u>4,690,450</u>	<u>7,661,353</u>	<u>7,653,145</u>	<u>8,208</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,544,804</u>	<u>\$ 4,079,428</u>	<u>\$ 6,624,232</u>	<u>\$ 5,339,307</u>	<u>\$ 1,284,925</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
BUDGET TO GAAP RECONCILIATION
GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
Year ended June 30, 2010

	<u>Governmental Funds</u>			<u>Proprietary Funds</u>		
	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>	<u>Cash Basis</u>	<u>Accrual Adjustments</u>	<u>Modified Accrual Basis</u>
Receipts/revenues	\$ 3,772,613	\$ 115,134	\$ 3,887,747	\$ 5,909,647	\$ (86,743)	\$ 5,822,904
Expenditures/expenses	<u>4,226,512</u>	<u>225,949</u>	<u>4,452,461</u>	<u>6,492,869</u>	<u>(94,163)</u>	<u>6,398,706</u>
Net	(453,899)	(110,815)	(564,714)	(583,222)	7,420	(575,802)
Other financing sources and transfer, net	27,800	-	27,800	(27,800)	-	(27,800)
Beginning fund balances/net assets	<u>2,970,903</u>	<u>109,347</u>	<u>3,080,250</u>	<u>4,690,450</u>	<u>41,041,251</u>	<u>45,731,701</u>
Ending fund balances/net assets	<u>\$ 2,544,804</u>	<u>\$ (1,468)</u>	<u>\$ 2,543,336</u>	<u>\$ 4,079,428</u>	<u>\$ 41,048,671</u>	<u>\$ 45,128,099</u>

These financial statements should be read only in connection with
the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –
BUDGETARY REPORTING
Year Ending June 30, 2010

The budgetary comparison is presented as required supplementary information in accordance with Government 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. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized in the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based on nine major classes of disbursements known as functions, not by fund or fund type. 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 funds, capital projects funds, and proprietary funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund or fund type.

OTHER SUPPLEMENTARY INFORMATION

**CITY OF ELDRIDGE, IOWA
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010**

	<u>Hotel Tax Fund</u>	<u>LeClaire Road Tax Increment Financing Fund</u>	<u>Blackhawk Trail Tax Increment Financing Fund</u>
ASSETS			
Cash and investments	\$ 4,822	\$ 257,747	\$ 69,947
Receivables:			
Property tax			
Current year	-	328	1,302
Succeeding year	-	-	
Due from other funds	<u>-</u>	<u>19,017</u>	<u>5,436</u>
Total assets	<u>4,822</u>	<u>277,092</u>	<u>76,685</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accrued interest payable	-	471	-
Due to other funds	-	-	19,017
Deferred revenue:			
Succeeding year property tax	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>471</u>	<u>19,017</u>
FUND BALANCES			
Unrestricted:			
Designated for:			
Capital projects	-	-	-
Other purposes	4,822	276,621	57,668
Undesignated	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>4,822</u>	<u>276,621</u>	<u>57,668</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,822</u>	<u>\$ 277,092</u>	<u>\$ 76,685</u>

Schedule 1

<u>Capital Improvement Fund</u>	<u>Street Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
\$ 83,859	\$ (3,305)	\$ 50,040	\$ 463,110
-	-	234	1,864
-	-	37,599	37,599
-	-	-	24,453
<u>83,859</u>	<u>(3,305)</u>	<u>87,873</u>	<u>527,026</u>
-	-	16,294	16,765
-	-	-	19,017
-	-	37,599	37,599
-	-	53,893	73,381
83,859	(3,305)	-	80,554
-	-	-	339,111
-	-	33,980	33,980
<u>83,859</u>	<u>(3,305)</u>	<u>33,980</u>	<u>453,645</u>
<u>\$ 83,859</u>	<u>\$ (3,305)</u>	<u>\$ 87,873</u>	<u>\$ 527,026</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2010

	Hotel Tax Fund	LeClaire Road Tax Increment Financing Fund	Blackhawk Trail Tax Increment Financing Fund
REVENUES			
Property tax	\$ -	\$ -	\$ -
Tax increment financing	-	331,024	125,149
Other taxes	28,398	-	-
Miscellaneous	-	-	-
Total revenues	<u>28,398</u>	<u>331,024</u>	<u>125,149</u>
EXPENDITURES			
Operating:			
Public safety	30,000	-	-
Public works	-	-	-
Culture and recreation	3,453	-	-
Community and economic development	-	141,719	-
Debt service	-	248,528	-
Capital projects	-	-	-
Total expenditures	<u>33,453</u>	<u>390,247</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,055)</u>	<u>(59,223)</u>	<u>125,149</u>
OTHER FINANCING SOURCES (USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	(190,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(190,000)</u>
NET CHANGES IN FUND BALANCES	(5,055)	(59,223)	(64,851)
FUND BALANCES, BEGINNING OF YEAR	<u>9,877</u>	<u>335,844</u>	<u>122,519</u>
FUND BALANCES, END OF YEAR	<u>\$ 4,822</u>	<u>\$ 276,621</u>	<u>\$ 57,668</u>

Schedule 2

<u>Capital Improvement Fund</u>	<u>Street Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
\$ -	\$ -	\$ 37,682	\$ 37,682
-	-	-	456,173
-	4,867	-	33,265
3,400	-	-	3,400
<u>3,400</u>	<u>4,867</u>	<u>37,682</u>	<u>530,520</u>
-	-	-	30,000
-	161,005	-	161,005
-	-	-	3,453
-	-	-	141,719
-	-	408,930	657,458
31,172	306,224	-	337,396
<u>31,172</u>	<u>467,229</u>	<u>408,930</u>	<u>1,331,031</u>
<u>(27,772)</u>	<u>(462,362)</u>	<u>(371,248)</u>	<u>(800,511)</u>
75,000	50,000	371,000	496,000
-	-	-	(190,000)
<u>75,000</u>	<u>50,000</u>	<u>371,000</u>	<u>306,000</u>
47,228	(412,362)	(248)	(494,511)
<u>36,631</u>	<u>409,057</u>	<u>34,228</u>	<u>948,156</u>
<u>\$ 83,859</u>	<u>\$ (3,305)</u>	<u>\$ 33,980</u>	<u>\$ 453,645</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

CITY OF ELDRIDGE, IOWA
SCHEDULE OF REVENUES BY SOURCES AND EXPENDITURES BY FUNCTION -
ALL GOVERNMENTAL FUNDS FOR THE LAST EIGHT YEARS

	Modified Accrual Basis		
	2010	2009	2008
REVENUES			
Property tax	\$ 1,616,973	\$ 1,518,513	\$ 1,424,081
Tax increment financing	456,173	504,799	256,816
Other taxes	699,409	723,006	756,938
Licenses and permits	106,688	114,074	107,579
Use of money and property	49,529	75,566	148,125
Intergovernmental	446,256	403,566	415,278
Charges for services	417,246	383,686	379,301
Miscellaneous	95,473	151,690	287,603
	<u>\$ 3,887,747</u>	<u>\$ 3,874,900</u>	<u>\$ 3,775,721</u>
EXPENDITURES			
Operating:			
Public safety	\$ 703,596	\$ 778,645	\$ 711,247
Public works	784,182	849,129	1,208,859
Culture and recreation	283,197	328,886	356,669
Community and economic development	200,039	140,135	68,820
General government	274,182	279,087	500,616
Debt service	665,977	662,043	432,333
Capital projects	1,541,288	1,206,862	813,190
	<u>\$ 4,452,461</u>	<u>\$ 4,244,787</u>	<u>\$ 4,091,734</u>

Note: The City of Eldridge, Iowa implemented Governmental Accounting Standards Board (GASB) Statement No. 34 in the year ended June 30, 2003.

Schedule 3

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 1,362,577	\$ 1,268,026	\$ 1,182,351	\$ 1,014,645	\$ 965,052
333,971	491,543	561,576	653,347	514,775
729,709	716,783	643,067	593,202	551,209
160,630	144,336	127,892	127,864	113,920
167,674	134,750	77,521	56,934	38,108
407,598	409,046	388,016	468,177	715,634
334,206	208,551	184,126	154,069	140,810
183,336	332,895	84,508	68,239	359,191
<u>\$ 3,679,701</u>	<u>\$ 3,705,930</u>	<u>\$ 3,249,057</u>	<u>\$ 3,136,477</u>	<u>\$ 3,398,699</u>
\$ 706,876	\$ 682,575	\$ 698,881	\$ 589,775	\$ 607,054
1,040,989	520,029	597,320	574,077	559,056
344,664	232,845	213,124	196,599	177,953
55,373	47,912	36,156	54,946	72,054
621,626	673,350	591,459	700,392	619,053
213,336	223,840	220,535	220,633	225,280
262,939	219,226	244,551	539,307	783,880
<u>\$ 3,245,803</u>	<u>\$ 2,599,777</u>	<u>\$ 2,602,026</u>	<u>\$ 2,875,729</u>	<u>\$ 3,044,330</u>

These financial statements should be read only in connection with the accompanying notes to financial statements.

**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***

The Honorable Mayor and
Members of the City Council
City of Eldridge, Iowa:

We have audited the financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Eldridge, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City of Eldridge, Iowa's basic financial statements as listed in the table of contents, and have issued our report thereon dated October 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Eldridge, Iowa's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Eldridge, Iowa's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Eldridge, Iowa'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 deficiencies, 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 a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We do not consider the deficiency in internal control described in the Part II of the accompanying Schedule of Findings and Questioned Costs, as item 10-II-A, to be a material weakness.

A significant deficiency is a deficiency, or 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. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs, as item 10-II-A, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Eldridge, Iowa's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance 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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City of Eldridge, Iowa'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. 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 Eldridge, Iowa's responses to the 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'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 Eldridge, Iowa, and to other parties to whom the City of Eldridge, Iowa may report. The report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Eldridge, Iowa 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.

Min, City: Neal CPA PC

Clinton, Iowa
October 23, 2010

CITY OF ELDRIDGE, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010

Part I: Summary of Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) The audit did not disclose and material weaknesses in internal control over financial reporting.
- (c) A significant deficiencies in internal control over financial reporting was disclosed by the audit of the financial statements.
- (d) The audit did not disclose any noncompliance which is material to the financial statements.
- (e) The City of Eldridge, Iowa was not required to have an audit in accordance with Office of Management and Budget Circular A-133.

Part II: Findings Related to the Financial Statements

Significant Deficiencies

10-II-A Segregation of Duties

Finding: The City of Eldridge, Iowa has a limited number of employees responsible for posting, updating, and maintain the general ledger and subsidiary ledgers. From a control standpoint, this combination of responsibilities does not effectively segregate duties to prevent, or detect and correct misstatements on a timely basis.

Recommendation: We realize segregation of duties is difficult with the limited number and capabilities of office personnel. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. In addition, close supervision and review of financial information by the City Administrator, Council Members, and Board Trustees can help mitigate this condition.

Response and Corrective Action Planned: Certain duties will continue to be rotated among available personnel as feasible. Additionally, cross-training will continue to take place.

Conclusion: Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

10-III-A Certified Budget

Finding: Disbursements during the year ended June 30, 2010 did not exceed the amounts budgeted in accordance with Chapter 384.20 of the Code of Iowa which states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

10-III-B Questionable Expenditures

Finding: No expenditures that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

**CITY OF ELDRIDGE, IOWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2010**

Part III: Other Findings Related to Required Statutory Reporting (continued)

10-III-C Travel Expenses

Finding: No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

10-III-D Business Transactions.

Finding: No business transactions between the City and City officials or employees were noted.

10-III-E Bond Coverage

Finding: Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.

10-III-F Council Minutes

Finding: No transactions were found that we believe should have been approved in the Council or Utility Boards minutes but were not.

10-III-G Deposits and Investments

Finding: No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

10-III-H Revenue Bonds

Finding: The City has established the sinking reserve funds as required by revenue bonds provisions.

Part IV: Summary of Prior Findings

09-II-A Segregation of Duties

Comment still valid. Refer to current year finding 10-II-A.