CITY OF EAGLE GROVE, IOWA

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

JUNE 30, 2010

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

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CITY OF EAGLE GROVE, IOWA
OFFICIALS

June 30, 2010

Title	Name of Official	Term Expires
Mayor	Ray Kellogg	December 2011
Council Person	Wally Lorenzen	December, 2013
Council Person	Darrell Determann	December 2011
Council Person	Sandy McGrath	December 2011
Council Person	Josh Schlid	December 2013
Council Person	Matt Jergens	December 2013
Council Person	Ron Jensen	Resigned (effective 11/1/10)
Council Person	Tony Axtell	December 2011
City Administrator	Jordan Fuller	Resigned (effective 08/31/10)
Public Works Director	Robert Lunda	
Finance Officer	Susan J. Maier, CPA	

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

Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eagle Grove, Iowa, as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Eagle Grove's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U. S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eagle Grove as of June 30, 2010, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2010, on our consideration of the City of Eagle Grove's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 24 through 25 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eagle Grove's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

December 13, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

2010 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities decreased 6%, or approximately $183,000, from fiscal 2009 to fiscal 2010.
- Disbursements increased 3%, or approximately $83,000, in fiscal 2010 from fiscal 2009.
- The City's total cash basis net assets decreased 12%, or approximately $236,000 from June 30, 2009 to June 30, 2010. The City's governmental activities cash balance decreased $238,000 while its business type activities increased approximately $2,000.

USING THIS ANNUAL REPORT

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

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

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets-Cash Basis. This statement provides information about the activities of the City as a whole and presents an overview of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental and proprietary funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

- Business Type Activities include the water, sanitary sewer system, and the related meter deposits. These activities are financed primarily by user charges. The city also maintains two internal service funds. They are used to account for the city's partial self-funding of employee health insurance and to recapture and set aside money to replace city equipment.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic service. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Employee Benefits, 3) the Debt Service Fund, 4) Capital Projects Funds and 5) the Permanent Funds. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

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

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sanitary sewer, and meter deposits. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

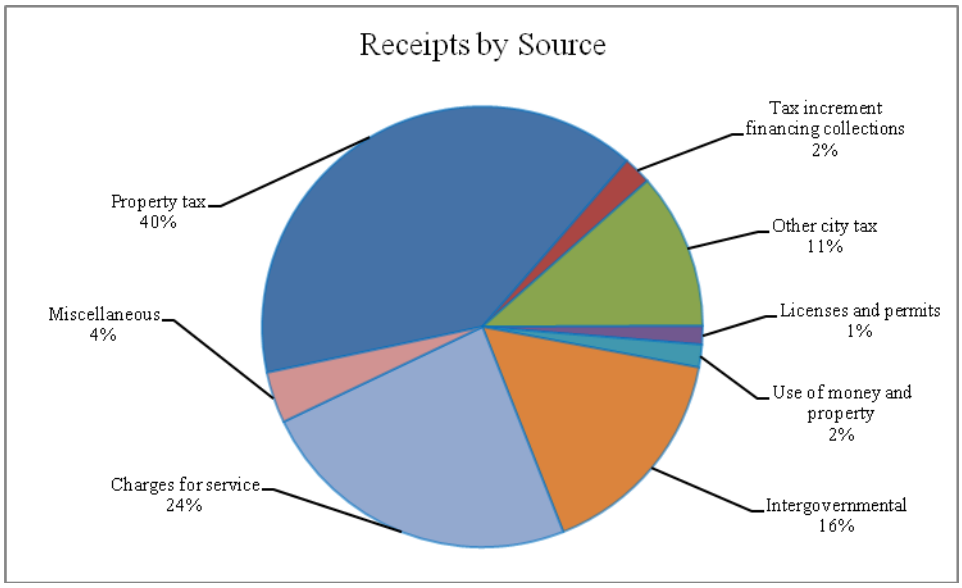
The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

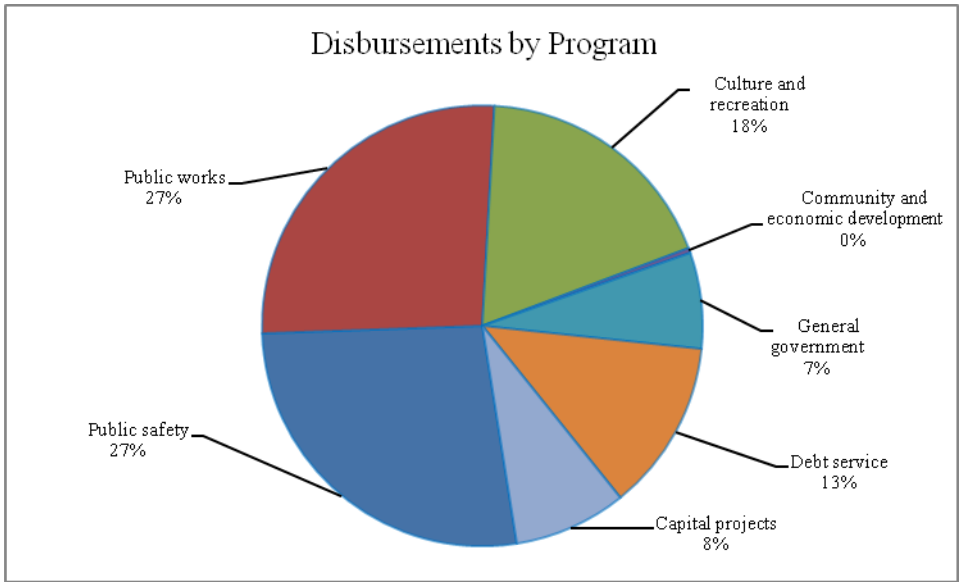
Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from $1.50 million to $1.26 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)	Year ended June 30	
	2010	2009
Receipts and transfers:		
Program receipts:		
Charges for service	$ 618	$ 649
Operating grants, contributions and restricted interest	415	436
Capital grants, contributions and restricted interest	-	-
General receipts:		
Property tax	1,026	1,101
Tax increment financing	54	75
Local option sales tax	296	298
Unrestricted investment earnings	15	52
Bond proceeds	61	-
Sale of assets	6	21
Other general receipts	160	169
Transfer in	39	72
Total receipts and transfers	2,690	2,873
Disbursements:		
Public safety	778	770
Public works	810	810
Culture and recreation	531	520
Community and economic development	10	12
General government	202	161
Debt service	360	479
Capital projects	237	93
Total disbursements	2,928	2,845
Increase in cash basis net assets	(238)	28
Cash basis net assets beginning of year	1,502	1,474
Cash basis net assets end of year	$ 1,264	$ 1,502





The City's total receipts for governmental activities decreased by 6%, or approximately $183,000. The total cost of all programs and services increased by approximately $83,000, or 3%.

The cost of all governmental activities this year was $2.9 million compared to $2.8 million last year. However, as shown in the Statement of Activities and Net Assets on page 10, the amount taxpayers ultimately financed for these activities was $1.9 million because some of the cost was paid by those who directly benefited from the programs ($618,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest ($415,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2010 from approximately $1.1 million to approximately $1.0 million. The City paid for the remaining "public benefit" portion of governmental activities with approximately $1,376,000 in tax (some of which could only be used for certain programs), and with other receipts, such as interest and general entitlements.

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

	Year ended June 30,	
	2010	2009
Receipts:		
Charges for service:		
Water	$ 655	$ 513
Sewer rental	540	523
Other	10	12
General receipts:		
Unrestricted interest on investments	5	9
Other	4	-
Total receipts	1,214	1,057
Disbursements and transfers:		
Water	657	676
Sewer rental	507	454
Other	9	9
Transfers	39	72
Total disbursements and transfers	1,212	1,211

Increase (decrease) in cash balance	2	(154)
Cash basis net assets beginning of year	521	675
Cash basis net assets end of year	$ 523	$ 521

Total business type activities receipts for the fiscal year were approximately $1,214,000 compared to $1,057,000 last year. The cash balance increased by approximately $2,000 from the prior year. Total disbursements for the fiscal year increased approximately $1,000 compared to the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Eagle Grove completed the year, its governmental funds reported a combined fund balance of $1,199,996, a decrease of approximately $183,000 from last year's total of $1,383,471. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased $143,744 from the prior year to approximately $604,000. Contributing to the reduction in cash balance was tuckpointing on city hall and a reduction in grant dollars received during the year.

- The Road Use Tax Fund cash balance decreased by $26,410 to $69,352 during the fiscal year. The decrease is due to road maintenance expenditures continuing to remain at a high level.

- The Employee Benefit Fund increased by $4,225 to $87,739 during the fiscal year. This was due to the cost of employee benefits being lower than expected for fiscal year 2010.

- The Solid Waste Fund decreased by $3,393 to $3,347 during the fiscal year. This decrease was a result of the regular activities of the solid waste fund.

- The LOST Fund decreased by $40,262 to $204,177 during the fiscal year. The decrease was due to planned transfers to the debt service fund.

- The Debt Service Fund has a balance of $9,031, an increase of $3,990 from fiscal year 2009.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by $27,575 to $95,902. The decrease is partially a result of continued high chemical costs.

- The Sewer Fund cash balance increased by $50,094 to $352,831, due primarily to planning for major improvements needed on the system.

- The Meter Deposit fund cash balance remained steady with $58,636 at June 30, 2010.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved in May 2010 and consisted of an increase in transfers of $127,000.

DEBT ADMINISTRATION

At June 30, 2010, the City had approximately $4,976,000 in bonds and other long-term debt, compared to approximately $5,308,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)	Year ended June 30, 2010	Year ended June 30, 2009
General obligation bonds	$ 3,065	$ 3,233
Revenue notes	1,911	2,075
Total	$ 4,976	$ 5,308

Debt decreased during the year ended June 30, 2010. The City borrowed additional funds from a short term note in order to repay grant dollars received for the trail project that is not moving forward. The City's remaining bonds were paid as scheduled during FY 2010.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of $3,065,000 is within its constitutional debt limit of $4.997 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Eagle Grove's elected and appointed officials and citizens considered many factors when setting the fiscal year 2011 budget, tax rates and fees that will be charged for various City activities.

Property valuations increased by approximately $929,000 for the 2011 fiscal year. This results in approximately $7,500 in additional revenue available from taxes for the General Fund. It is always a difficult task trying to put the budget together not knowing what the State Legislature would do. Current state budget difficulties are expected to trickle down and affect the City. In these uncertain economic times, it is a big concern again this year.

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

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City of Eagle Grove's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Susan Maier, City Finance Officer, 210 East Broadway, P.O. Box 165, Eagle Grove, Iowa 50533.

Basic Financial Statements

CITY OF EAGLE GROVE, IOWA

Exhibit A

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

		Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Functions/Programs							
Primary Government							
Governmental activities:							
Public safety	$ 777,548	199,362	28,599	-	(549,587)	-	(549,587)
Public works	825,836	340,172	358,208	-	(127,456)	-	(127,456)
Culture and recreation	531,674	78,040	44,686	-	(408,948)	-	(408,948)
Community and economic development	10,492	-	-	-	(10,492)	-	(10,492)
General government	201,570	-	-	-	(201,570)	-	(201,570)
Debt service	360,764	-	-	-	(360,764)	-	(360,764)
Capital projects	237,287	-	-	-	(237,287)	-	(237,287)
Total governmental activities	2,945,171	617,574	431,493	-	(1,896,104)	-	(1,896,104)
Business type activities							
Water	656,991	655,382	-	-	-	(1,609)	(1,609)
Sewer	507,523	540,287	-	-	-	32,764	32,764
Other	8,880	9,700	-	-	-	820	820
Total business type activities	1,173,394	1,205,369	-	-	-	31,975	31,975
Total primary government	4,118,565	1,822,943	431,493	-	(1,896,104)	31,975	(1,864,129)
General Receipts:							
Property tax levied for:							
General purposes					$ 1,026,590	-	1,026,590
Tax increment financing					53,654	-	53,654
Local option sales tax					296,271	-	296,271
Unrestricted interest on investments					15,414	5,244	20,658
Bond Proceeds					60,632	-	60,632
Sale of assets					6,436	3,751	10,187
Miscellaneous					160,141	-	160,141
Operating transfers in (out)					39,060	(39,060)	-
Total general receipts and transfers					1,658,198	(30,065)	1,628,133
Change in cash basis net assets					(237,906)	1,910	(235,996)
Cash beginning of year					1,502,373	521,219	2,023,592
Cash end of year					1,264,467	523,129	1,787,596
Cash Basis Net Assets:							
Restricted							
Streets					400,803	-	400,803
Capital projects					89,186	-	89,186
Debt service					9,031	308,748	317,779
Other purposes					96,860	-	96,860
Unrestricted					668,587	214,381	882,968
					$ 1,264,467	523,129	1,787,596

See Notes to Financial Statements

CITY OF EAGLE GROVE, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

		SPECIAL REVENUE		
	General	Road Use Tax	Employee Benefits	Solid Waste
Receipts:				
Property tax	$ 554,240	-	325,282	-
Tax increment financing collections	-	-	-	-
Other city tax	27,737	-	-	-
Licenses and permits	7,300	-	-	-
Use of money and property	42,382	-	-	-
Intergovernmental	83,380	344,331	-	-
Charges for service	356,248	-	-	261,326
Miscellaneous	61,347	-	23,833	-
Total receipts	1,132,634	344,331	349,115	261,326
Disbursements:				
Operating:				
Public safety	608,173	-	165,647	-
Public works	98,414	370,741	47,934	257,198
Culture and recreation	423,910	-	103,814	-
Community and economic development	9,669	-	613	-
General government	175,188	-	26,882	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	1,315,354	370,741	344,890	257,198
Excess (deficiency) of receipts over (under) disbursements	(182,720)	(26,410)	4,225	4,128
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Sale of assets	2,686	-	-	-
Operating transfers in	36,290	-	-	-
Operating transfers out	-	-	-	(7,521)
Total other financing sources (uses)	38,976	-	-	(7,521)
Net change in cash balances	(143,744)	(26,410)	4,225	(3,393)
Cash balances beginning of year	747,860	95,762	83,514	6,740
Cash balances end of year	$ 604,116	69,352	87,739	3,347
Cash Basis Fund Balances				
Unreserved:				
General fund	604,116	-	-	-
Special revenue funds	-	69,352	87,739	3,347
Capital projects fund	-	-	-	-
Debt service fund	-	-	-	-
Permanent fund	-	-	-	-
Total cash basis fund balances	$ 604,116	69,352	87,739	3,347

See Notes to Financial Statements

Exhibit B

LOST	Debt Service	Other Nonmajor Governmental Funds	Total
-	89,421	57,647	$ 1,026,590
-	-	53,654	53,654
296,271	-	-	324,008
-	-	-	7,300
436	-	218	43,036
-	-	3,782	431,493
-	-	-	617,574
-	2,400	9,356	96,936
296,707	91,821	124,657	2,600,591
-	-	-	773,820
-	-	-	774,287
-	-	-	527,724
-	-	210	10,492
-	-	-	202,070
-	319,333	41,431	360,764
144,526	-	92,761	237,287
144,526	319,333	134,402	2,886,444
152,181	(227,512)	(9,745)	(285,853)
-	-	60,632	60,632
-	-	-	2,686
-	231,502	24,202	291,994
(192,443)	-	(52,970)	(252,934)
(192,443)	231,502	31,864	102,378
(40,262)	3,990	22,119	(183,475)
244,439	5,041	200,115	1,383,471
204,177	9,031	222,234	$ 1,199,996
-	-	-	604,116
204,177	-	36,188	400,803
-	-	89,186	89,186
-	9,031	-	9,031
-	-	96,860	96,860
204,177	9,031	222,234	1,199,996

CITY OF EAGLE GROVE, IOWA

Exhibit C

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets-
Governmental Funds

As of and for the year ended June 30, 2010

Total governmental funds cash balances	$ 1,199,996
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
The Internal Service Fund is used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individual funds and to charge the cost of using city equipment to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.	64,471
Cash basis net assets of governmental activities	1,264,467
Net change in cash balances	(183,475)
Amounts reported for governmental activities in the Statement of Activities and Net Assets are different because:	
The Internal Service fund is used by management to charge the costs of employee health benefits and the use of city equipment to individual funds. The change on net assets of the Internal Service Funds is reported with the governmental activities.	(54,431)
Change in cash balance of governmental activities	$ (237,906)

See Notes to the Financial Statements

CITY OF EAGLE GROVE, IOWA

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Enterprise Funds			
	Water	Sewer	Meter Deposits	Total
Operating receipts:				
Charges for service	$ 655,382	540,287	9,700	$ 1,205,369
Total operating receipts	655,382	540,287	9,700	1,205,369
Operating disbursements:				
Business type activities	599,134	302,955	8,880	910,969
Total operating disbursements	599,134	302,955	8,880	910,969
Excess of operating receipts over operating disbursements	56,248	237,332	820	294,400
Non-operating receipts:				
Interest on investments	$ 3,243	1,454	-	4,697
Debt service	(63,630)	(173,068)	-	(236,698)
Sale of assets	-	-	-	-
Total non-operating receipts	(60,387)	(171,614)	-	(232,001)
Excess of receipts and non-operating receipts over disbursements and non-operating disbursements	(4,139)	65,718	820	62,399
Other Financing Sources (Uses)				
Operating transfers out	(23,436)	(15,624)	-	(39,060)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(27,575)	50,094	820	23,339
Cash balances beginning of year	123,477	302,737	57,816	484,030
Cash balances end of year	$ 95,902	$ 352,831	$ 58,636	$ 507,369
Cash Basis Fund Balances				
Reserved for debt service	50,000	200,112	58,636	308,748
Unreserved	45,902	152,719	-	198,621
Total cash basis fund balances	$ 95,902	$ 352,831	$ 58,636	$ 507,369

See Notes to Financial Statements

Exhibit D

Internal Service Funds		
Employee Health	Equipment Replacement	Total
$ 10,000	42,500	$ 52,500
10,000	42,500	52,500
7,455	129,499	136,954
7,455	129,499	136,954
2,545	(86,999)	(84,454)
-	1,093	1,093
-	-	-
-	7,501	7,501
-	8,594	8,594
2,545	(78,405)	(75,860)
-	-	-
2,545	(78,405)	(75,860)
6,748	149,343	156,091
$ 9,293	70,938	$ 80,231
-	-	-
9,293	70,938	80,231
$ 9,293	$ 70,938	$ 80,231

CITY OF EAGLE GROVE, IOWA

Exhibit E

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets-
Proprietary Funds

As of and for the year ended June 30, 2010

Total enterprise funds cash balances	$	507,369
Amounts reported for business-type activities in the Statement of Activities and Net Assets are different because:		
The Internal Service Fund is used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individual funds and to charge the cost of using city equipment to individual funds. The assets of the Internal Service Fund are included in business-type activities in the Statement of Net Assets.		15,760
Cash basis net assets of business type activities		523,129
Net change in cash balances		23,339
Amounts reported for business-type activities in the Statement of Activities and Net Assets are different because:		
The Internal Service fund is used by management to charge the costs of employee health benefits and the use of city equipment to individual funds. The change in net assets of the Internal Service Funds is reported with the business-type activities.		(21,429)
Change in cash balance of business-type activities	$	1,910

See Notes to the Financial Statements

(1) Summary of Significant Accounting Policies

The City of Eagle Grove is a political subdivision of the State of Iowa located in Wright County. It was first incorporated in 1882 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer, solid waste and landfill utilities and services for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Eagle Grove has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all other potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

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

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

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Wright County Conference Board, Wright County Emergency Management Commission, Wright County Joint E911 Service Board, Law Enforcement Center Commission, Wright County Landfill Authority, and MIDAS Council of Governments.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets – Cash Basis reports information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type

activities, which rely to a significant extent on fees and charges for services.

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

> *Restricted net assets* result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
>
> *Unrestricted net assets* consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

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

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

The City reports the following major governmental funds:

> The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.
>
> Special Revenue:
>
>> The Road Use Tax Fund is used to account for road construction and maintenance.
>>
>> The Employee Benefits Fund is utilized to account for the property tax levied for the purpose of paying employee benefits for city employees.
>>
>> The Solid Waste Fund is utilized to account for fees received and expenditures made for solid waste removal.
>>
>> The LOST Fund is used to account for local option sales tax receipts.
>
> The Debt Service Fund is used to account for the property taxes collected for and the payment of general obligation debt of the City.

The City reports the following major proprietary funds:

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

distribution system. It also accounts for the payment of interest and principal on the City's Water Revenue Loan Notes and the reserve funds which have a balance of $50,000 and are required by the loan. The funds may be utilized to pay for additional improvements to the water distribution system.

The Sewer Fund accounts for operation and maintenance of the City's wastewater treatment and sanitary sewer system. It also accounts for the payment of interest and principal on the City's SRF Revenue Notes and the reserve funds which have a balance of $200,112 and are required by the loans. The funds may be utilized to pay principal or interest on the SRF loan and for additional improvements, extensions or reports to the system.

The Meter Deposits fund accounts for deposits received from utility customers when they open a new account.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

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

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

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

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Investments

The City's deposits at June 30, 2010 (which include certificates of deposit totaling $1,128,950) were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of $156,931 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk – The City's investment in the Iowa Public Agency Investment Trust is unrated.

Interest received on cash balances of the City of Eagle Grove amounted to $20,659 for the year ended June 30, 2010. These receipts are included under Use of Money and Property for Governmental Funds and Interest on Investments for proprietary activities.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation, urban renewal tax increment financing revenue bonds, revenue notes and other long-term debt are as follows:

Year Ending	General Obligation		Revenue Notes		Total Debt	
June 30,	Principal	Interest	Principal	Interest	Principal	Interest
2011	482,755	118,160	173,000	60,021	655,755	171,181
2012	245,851	99,966	176,000	52,800	421,851	152,766
2013	186,612	91,246	121,000	46,860	307,612	138,106
2014	192,409	84,884	124,000	43,230	316,409	128,114
2015	198,244	78,279	129,000	39,510	327,244	117,789
2016	172,612	72,239	133,000	35,640	305,612	107,879

2017	140,201	67,093	138,000	31,650	278,201	98,743
2018	151,161	61,784	142,000	27,510	293,161	89,294
2019	157,166	55,879	125,000	20,520	282,166	76,399
2020	162,645	49,579	130,000	19,500	292,645	69,079
2021	145,000	42,900	124,000	15,880	269,000	58,780
2022	150,000	36,935	128,000	12,040	278,000	48,975
2023	160,000	30,600	132,000	7,850	292,000	38,450
2024	165,000	23,660	136,000	3,960	301,000	27,620
2025	175,000	16,330	-	-	175,000	16,330
2026	180,000	8,370	-	-	180,000	8,370
	3,064,656	937,904	1,911,000	416,971	4,975,656	1,354,875

Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay $500,000 in water revenue notes issued in September 1999. Proceeds from the notes provided financing for improvements made to the City's water system.

The notes are payable solely from water customer net receipts and. are payable through 2012. The total principal and interest remaining to be paid on the notes is $127,380. For the current year, principal and interest paid and total customer net receipts were $63,230 and $56,248, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay $2,604,000 in sewer revenue notes issued starting in June of 2000 through August of 2004. Proceeds from the notes provided financing for improvements made to the City's wastewater treatment facilities.

The notes are payable solely from sewer customer net receipts and are payable through 2024. The total principal and interest remaining to be paid on the notes is $2,215,154. For the current year, principal and interest paid and total customer net receipts were $168,962 and $237,332 respectively.

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

a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
b. Sufficient monthly transfers shall be made to separate Sewer and Water sinking funds for the purpose of making the notes' principal and interest payments when due.
c. Transfers of 25% of the monthly sewer sinking fund deposit to sewer revenue reserve fund shall be made until the maximum principal and interest due in any year under the SRF loans has been accumulated, approximately $148,000. This fund was 100% funded as of June 30, 2008 and is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
d. The city was also required to establish a water reserve fund and accumulate $50,000 in the fund. This

fund is restricted for the purpose of paying principal and interest on the water revenue bonds should there be insufficient funds in the Water Sinking Fund to make said payments.

e. Sufficient rates are to be charged to generate Net Revenues adequate to pay the principal and interest on the bonds and to create/maintain the reserves required by the bonds. The Net Revenues are also to be equal to or greater than 110 percent of the principal and interest requirements of the succeeding fiscal year.

A summary of changes in long-term debt for the year ended June 30, 2010 is as follows:

	G.O. Bonds	Revenue Bonds	Total
Balance, beginning of year	3,232,754	2,075,000	5,307,754
Additions	60,632	-	60,632
Decreases	228,730	164,000	392,730
Balance, end of year	3,064,656	1,911,000	4,975,656

Interest rates on the general obligation bonds range from 4.50-4.80%. Interest rates on the revenue bonds range from 3.00-4.80%.

(4) Pension and Retirement Benefits

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

Most regular plan members are required to contribute 4.30% of their annual covered salary and the City is required to contribute 6.65% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were $79,262, $72,935, and $66,232, respectively, equal to the required contributions for each year.

(5) Compensated Absences

City employees accumulate vacation and sick leave hours for subsequent use. Earned vacation is paid when used or when employment is terminated. Upon retirement, employees are paid one (1) day's pay for every four (4) days of sick time remaining on the employee's retirement day.

These accumulations are not recognized as expenditures by the City until they are paid. The City's approximate maximum liability for unrecognized accrued employee benefits, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount 6-30-10
Sick pay and personal days	$ 202,344
Vacation pay	45,717
Total	$ 248,061

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

The City by resolution sets the rules for vacation policy as follows:

After one calendar year of employment	5 days
After two consecutive calendar years of employment	10 days
After seven consecutive calendar years of employment	15 days
After twelve consecutive calendar years of employment	20 days

Vacation must be used in the year following the year earned except that no more than 10 days may be carried into the following year.

(6) Interfund Transfers

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

Transfer In	Transfer From	Amount
General	Special Revenue Fund	
	TIF	$ 12,500
	Emergency	16,269
	Solid Waste	7,521
		36,290
2006 Project Fund	TIF	7,867
	LOST	1
		7,868
Three Rivers Trail	TIF	16,334
Debt Service	LOST	192,442
	Water	23,436
	Sewer	15,624
		231,502
		$ 291,994

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

statutorily required to disburse the resources.

(7) Wright County Landfill Authority

The City, in conjunction with twelve other municipalities, is a member of the Wright County Landfill Authority. The Authority was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. The Landfill has been closed. On dissolution of the corporation, the net assets of the Authority will be prorated among municipalities. The Authority is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction.

The Authority, during its operation, did not accumulate sufficient financial resources for its debt and its closing costs; therefore the participating governments are obligated for a proportionate share of those costs. During the year ended June 30, 2010, the City of Eagle Grove paid the Authority $4,585 for its share of the costs. Completed financial statements for the Authority can be obtained from the Wright County Landfill.

(8) Risk Management

The City of Eagle Grove is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Property Taxes

Property taxes are recognized as income when received in accordance with the cash basis of accounting. The property tax calendar is as follows for the City of Eagle Grove. Property taxes become liens on property as of July 1, 2009 and are payable in September and March of the fiscal year. The valuation for the taxes was based on January 1, 2008 assessed property valuations, and are based on a certified budget from March of 2009.

(10) Other Post Employment Benefits (OPEB)

Plan Description – The City operates a single employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 20 active and no inactive members in the plan. Participants must be 55 or older at retirement.

The medical benefits are provided through a fully insured plan with Wellmark. Retirees under age 65 pay the same premiums for medical benefits as active members.

Funding Policy – the contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are $585 for single coverage and $1,463 for

family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2010, the City contributed $294,041 and plan members contributed $23,833 to the plan.

(11) Subsequent Events

The City issued general obligation bonds in August of 2010 in part to refinance a short term obligation of the city and in part to make some needed capital assets additions. The bond issue was for a total of $350,000, accrues interest at a rate of 3.95 percent, and is payable over the next eleven years. The anticipated amortization of the new issuance is as follows:

Year ended June 30:	Principal due	Interest due
2011	$ -	$ 10, 906
2012	31,000	13,825
2013	31,000	12,601
2014	32,000	11,376
2015	32,000	10,112
2016	34,000	8,848
2017	36,000	7,505
2018	37,000	6,083
2019	38,000	4,621
2020	39,000	3,121
2021	40,000	1,580
	350,000	90,578

Required Supplementary Information

CITY OF EAGLE GROVE, IOWA

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

REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2010

	Governmental Funds Activity	Proprietary Funds Activity	Less Funds not Required to be Budgeted	Net
Receipts				
Property tax	$ 1,026,590	-	-	1,026,590
Tax increment financing collection	53,654	-	-	53,654
Other city tax	324,008	-	-	324,008
Licenses and permits	7,300	-	-	7,300
Use of money and property	43,036	5,790	-	48,826
Intergovernmental	431,493	-	-	431,493
Charges for service	617,574	1,257,869	-	1,875,443
Miscellaneous	96,936	-	-	96,936
Total receipts	2,600,591	1,263,659	-	3,864,250
Disbursements:				
Program				
Public safety	773,820	-	-	773,820
Public works	774,287	-	-	774,287
Culture and recreation	527,724	-	-	527,724
Community and economic development	10,492	-	-	10,492
General government	202,070	-	-	202,070
Debt service	360,764	-	-	360,764
Capital projects	237,287	-	-	237,287
Business type activities	-	1,284,621	-	1,284,621
Total disbursements	2,886,444	1,284,621	-	4,171,065
Excess (deficiency) of receipts over disbursements	(285,853)	(20,962)	-	(306,815)
Other financing sources (uses)	102,378	(31,559)	-	70,819
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	(183,475)	(52,521)	-	(235,996)
Balance - beginning of year	1,383,471	640,121	-	2,023,592
Balance - end of year	$ 1,199,996	587,600	-	1,787,596

See Accompanying Independent Auditor's Report

Budgeted Amounts		
Original	Final	Final to Net Variance
975,895	975,895	$ 50,695
54,000	54,000	(346)
344,095	344,095	(20,087)
33,228	33,228	(25,928)
64,000	64,000	(15,174)
647,890	647,890	(216,397)
1,838,821	1,838,821	36,622
254,030	254,030	(157,094)
4,211,959	4,211,959	(347,709)
796,102	796,102	22,282
823,561	823,561	49,274
569,660	569,660	41,936
35,346	35,346	24,854
248,950	248,950	46,880
361,427	361,427	663
609,422	609,422	372,135
1,328,780	1,328,780	44,159
4,773,248	4,773,248	602,183
(561,289)	(561,289)	254,474
62,867	62,867	7,952
(498,422)	(498,422)	262,426
1,723,372	1,723,372	300,220
1,224,950	1,224,950	$ 562,646

CITY OF EAGLE GROVE, IOWA

NOTES TO REQUIRED SUPLLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2010

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted transfers in and out by $127,000. The budget amendment is reflected in the final budgeted amounts.

Other Supplementary Information

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue		
	SWWC EMS	Emergency	TIF
Receipts:			
Property tax	$ -	16,269	-
Tax increment financing collections	-	-	53,654
Use of money and property	-	-	-
Intergovernmental	3,782	-	-
Miscellaneous	-	-	-
Total receipts	3,782	16,269	53,654
Disbursements:			
Operating:			
Community & economic development	-	-	210
Capital projects	-	-	-
Debt service	-	-	41,431
Non-program	-	-	-
Total disbursements	-	-	41,641
Excess of receipts over disbursements	3,782	16,269	12,013
Other financing sources (uses):			
Bonds issued	-	-	-
Operating transfers in	-	-	-
Operating transfers out	-	(16,269)	(36,701)
Total other financing sources (uses)	-	(16,269)	(36,701)
Net change in cash balances	3,782	-	(24,688)
Cash balances beginning of year	5,851	-	51,243
Cash balances end of year	$ 9,633	-	26,555
Cash Basis Fund Balances			
Unreserved:			
Special revenue funds	9,633	-	26,555
Capital projects fund	-	-	-
Permanent fund	-	-	-
Total cash basis fund balances	$ 9,633	-	26,555

See Accompanying Independent Auditor's Report

Capital Projects				Permanent		
Capital Improvement	Aquatic Center	Three Rivers Trail	2006 Projects	Library	Cemetery	Total
41,378	-	-	-	-	-	$ 57,647
-	-	-	-	-	-	53,654
218	-	-	-	-	-	218
-	-	-	-	-	-	3,782
7,381	375	-	-	-	1,600	9,356
48,977	375	-	-	-	1,600	124,657
-	-	-	-	-	-	210
26,547	4,706	61,508	-	-	-	92,761
-	-	-	-	-	-	41,431
-		-	-	-	-	-
26,547	4,706	61,508	-	-	-	134,402
22,430	(4,331)	(61,508)	-	-	1,600	(9,745)
-	-	60,632	-	-	-	60,632
-	-	16,334	7,868	-	-	24,202
-	-	-	-	-	-	(52,970)
-	-	76,966	7,868	-	-	31,864
22,430	(4,331)	15,458	7,868	-	1,600	22,119
66,756	4,331	(15,458)	(7,868)	40,700	54,560	200,115
89,186	-	-	-	40,700	56,160	$ 222,234
-		-	-	-	-	36,188
89,186	-	-	-	-	-	89,186
-		-	-	40,700	56,160	96,860
89,186	-	-	-	40,700	56,160	$ 222,234

CITY OF EAGLE GROVE, IOWA

Schedule 2

SCHEDULE OF INDEBTNESS

Year Ended June 30, 2010

Obligation	Date Issued	Interest Rate	Amount Original Issue	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation bonds									
Child Care Facility Capital Loan Note	November 1, 1999	4.75%	300,000	204,133	-	13,894	190,239	10,429	-
Essential Corporate Purpose	September 1, 2001	4.50-4.60%	515,000	180,000	-	55,000	125,000	8,110	-
GO Water Improvement Bonds	September 1, 2005	4.00%	315,000	189,000	-	31,500	157,500	7,560	-
General Obligation LOST Bonds	June 1, 2006	4.10-4.65%	2,500,000	2,240,000	-	95,000	2,145,000	97,043	-
Essential Corporate Purpose	November 21, 2005	4.00%	475,000	186,291	60,632	-	246,923	8,095	
General Obligation Aquatic Center	November 20, 2006	0.00%	300,000	233,330	-	33,336	199,994	-	-
				3,232,754	60,632	228,730	3,064,656	131,237	-
Revenue bonds and notes									
Water Revenue Capital Loan Notes	September 1, 2001	4.70-4.80%	500,000	$ 175,000	$ -	$ 55,000	$ 120,000	$ 8,230	$ -
SRF Loan	June 1, 2000	3.00%	500,000	322,000	-	24,000	298,000	12,622	-
SRF Loan	June 17, 2003	3.00%	1,725,000	1,411,000	-	69,000	1,342,000	42,330	-
SRF Loan	August 25, 2004	3.00%	379,000	167,000	-	16,000	151,000	5,010	-
				2,075,000	-	164,000	1,911,000	68,192	-

See Accompanying Independent Auditor's Report

CITY OF EAGLE GROVE, IOWA

Schedule 3

SCHEDULE OF BOND and NOTE MATURITIES

June 30, 2010

Year Ending June 30,	Capital Loan Note Issued 11-1-99		Essential Corporate Purpose Issued 9-1-01		Water Meter Improvement Bonds Issued 9-1-05		General Obligation LOST Bonds Issued 3-1-06		Essential Corporate Purpose Issued 11-21-05		General Obligation Aquatic Center Issued 11-20-06		Total
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	
2011	4.75	15,997	4.50	60,000	4.00	31,500	4.10	95,000	4.00	246,923	0.00	33,335	482,755
2012	4.75	16,018	4.60	65,000	4.00	31,500	4.10	100,000	-	-	0.00	33,333	245,851
2013	4.75	16,779	-	-	4.00	31,500	4.10	105,000	-	-	0.00	33,333	186,612
2014	4.75	17,576	-	-	4.00	31,500	4.10	110,000	-	-	0.00	33,333	192,409
2015	4.75	18,411	-	-	4.00	31,500	4.10	115,000	-	-	0.00	33,333	198,244
2016	4.75	19,285	-	-	-	-	4.15	120,000	-	-	0.00	33,327	172,612
2017	4.75	20,201	-	-	-	-	4.20	120,000	-	-	-	-	140,201
2018	4.75	21,161	-	-	-	-	4.25	130,000	-	-	-	-	151,161
2019	4.75	22,166	-	-	-	-	4.30	135,000	-	-	-	-	157,166
2020	4.75	22,645	-	-	-	-	4.35	140,000	-	-	-	-	162,645
2021	-	-	-	-	-	-	4.40	145,000	-	-	-	-	145,000
2022	-	-	-	-	-	-	4.45	150,000	-	-	-	-	150,000
2023	-	-	-	-	-	-	4.50	160,000	-	-	-	-	160,000
2024	-	-	-	-	-	-	4.55	165,000	-	-	-	-	165,000
2025	-	-	-	-	-	-	4.60	175,000	-	-	-	-	175,000
2026	-	-	-	-	-	-	4.65	180,000	-	-	-	-	180,000
		$ 190,239		$ 125,000		$ 157,500		$ 2,145,000		$ 246,923		$ 199,994	$ 3,064,656

See Accompanying Independent Auditor's Report

Year Ending June 30,	Revenue Bonds and Notes								Total
	Water Revenue Capital Loan Notes Issued 9-1-01		Sewer Revenue Capital Loan Note Issued 6-1-00		SRF Loan Funds Issued 6/17/03		SRF Loan Funds Issued 8/25/04		
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	
2011	4.70	60,000	3.00	25,000	3.00	71,000	3.00	17,000	173,000
2012	4.80	60,000	3.00	26,000	3.00	73,000	3.00	17,000	176,000
2013	-	-	3.00	27,000	3.00	76,000	3.00	18,000	121,000
2014	-	-	3.00	28,000	3.00	78,000	3.00	18,000	124,000
2015	-	-	3.00	29,000	3.00	81,000	3.00	19,000	129,000
2016	-	-	3.00	30,000	3.00	83,000	3.00	20,000	133,000
2017	-	-	3.00	31,000	3.00	86,000	3.00	21,000	138,000
2018	-	-	3.00	33,000	3.00	88,000	3.00	21,000	142,000
2019	-	-	3.00	34,000	3.00	91,000	-	-	125,000
2020	-	-	3.00	35,000	3.00	95,000	-	-	130,000
2021	-	-	-	-	3.00	124,000	-	-	124,000
2022	-	-	-	-	3.00	128,000	-	-	128,000
2023	-	-	-	-	3.00	132,000	-	-	132,000
2024	-	-	-	-	3.00	136,000	-	-	136,000
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	
		$ 120,000		$ 298,000		$ 1,342,000		$ 151,000	$ 1,911,000

See Accompanying Independent Auditor's Report

CITY OF EAGLE GROVE, IOWA

Schedule 4

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

For the Last Seven Years

	2010	2009	2008	2007	2006	2005	2004
Receipts							
Property tax	$ 1,026,590	$ 1,100,675	$ 1,084,933	$ 1,097,062	$ 1,064,063	$ 1,050,882	$ 1,150,736
Tax increment financing collection	53,654	75,507	47,521	44,294	56,485	78,500	61,724
Other city tax	324,008	297,892	300,410	289,533	68,777	64,892	251,652
Licenses and permits	7,300	33,553	32,469	30,796	38,656	38,378	32,054
Use of money and property	43,036	52,549	74,903	105,947	50,603	47,470	41,314
Intergovernmental	431,493	435,738	552,085	651,145	394,993	449,111	409,818
Charges for service	617,574	649,064	601,275	569,611	553,453	497,300	411,863
Miscellaneous	96,936	135,158	154,255	265,767	182,469	134,041	55,482
Total receipts	2,600,591	2,780,136	2,847,851	3,054,155	2,409,499	2,360,574	2,414,643
Disbursements:							
Operating:							
Public safety	773,820	793,852	755,112	711,717	787,370	811,948	599,609
Public works	774,287	810,273	726,521	670,080	693,366	714,875	607,209
Culture and recreation	527,724	519,750	491,028	401,762	392,670	394,812	381,035
Community and economic development	10,492	11,731	205,348	193,934	76,388	89,238	32,707
General government	202,070	160,911	145,341	136,304	135,944	202,889	376,832
Debt service	360,764	479,369	401,932	376,893	744,787	171,146	223,397
Capital projects	237,287	92,946	273,042	2,704,985	774,203	874,038	1,462,683
Total disbursements	$ 2,886,444	$ 2,868,832	$ 2,998,324	$ 5,195,675	$ 3,604,728	$ 3,258,946	$ 3,683,472

See Accompanying Independent Auditor's Report

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

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eagle Grove, Iowa as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated December 13, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or 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 consider the deficiency in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be a material weakness in internal control over financial reporting.

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Compliance and Other Matters

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

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

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

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Eagle Grove and other parties to whom the City of Eagle Grove may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Eagle Grove during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

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

December 13, 2010

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

(a) Unqualified opinions were issued on financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

(b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.

(c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

II-A-10 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all performed by the same person.

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

Response - We believe that we are close to the maximum degree of segregation of duties possible with the limited number of office employees. We will investigate additional procedures to cost effectively improve internal control.

Conclusion - The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Other Findings Related to Statutory Reporting:

III-A-10 Certified Budget – Disbursements were within budgeted limits for all programs for the year ended June 30, 2010.

III-B-10 Questionable Disbursement - We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-10 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

III-D-10 Business Transactions - No business transactions between the City and its officials or employees were noted.

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

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

III-G-10 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

III-H-10 Revenue Bonds and Notes – The city has complied with all revenue bond and note resolutions.