

**CITY OF ELDORA, IOWA**

**INDEPENDENT AUDITOR'S REPORTS**

**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2011**

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## City of Eldora, Iowa

### Officials

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

### Library Board

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

### Board of Adjustment

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

**City of Eldora, Iowa**

**Officials (continued)**

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

# Cornwell, Frideres, Maher & Associates, P.L.C.

## Certified Public Accountants

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### Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldora, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Eldora's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldora as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2012, on our consideration of the City of Eldora's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 5 through 12 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eldora's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the seven years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Cornwell, Frideres, Maher & Associates, P.L.C.*

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

March 8, 2012

**CITY OF ELDORA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2011**

This discussion and analysis is intended to be an easily readable analysis of the City of Eldora's financial activities for the fiscal year ended June 30, 2011 based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the City's financial statements.

**Financial Highlights**

- The City still incurs expenses due to a major disaster in August of 2009 with costs not covered by insurance or those projects finally being completed and paid after receiving insurance monies.
- The City incurred extra expenses due to continued tree removal incurred as a result of the disaster in August 2009.
- The City incurred extra expenses due to continued repairs and upgrades for emergency situations at the Clinic.
- The City lost money in Road Use Tax Fund due to drop in population from 3035 to 2732.
- The City incurred expenses in Blight due to a Neighborhood Stabilization Program and Imminent Threat CDGB grants for cleaning up blighted property.
- The City is working on eliminating deficit funds such as the Pool Trust and the General Fund.
- The City successfully eliminated a deficit in the Trust and Agency Fund that in June of 2006 exceeded a (\$120,000) balance and as of June 2011 exceeds a \$50,000 positive balance.

**Basis of Accounting**

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

## **Report Layout**

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

## **Statement of Activities**

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

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

The MD&A is intended to explain the significant changes in financial position and differences in operations between the current and prior years.

## **Fund Financial Statement**

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

## **Governmental Funds**

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

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

## **Proprietary Funds**

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

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

## **Note to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the governmental –wide and fund financial statements.

## **Other Information**

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

## **Government-wide Financial Analysis**

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

- The differences between the final budgeted expenditures and the final expenditures decreased by \$1,676,392. Many Capital Projects were not completed by June or the City had not received final settlement and billing for such projects before June 30, 2011. These funds that have the largest short fall of expenditures due to delays are: Road Resurfacing \$658,750; Streetscape \$69,450; Blight \$236,950; Water \$185,800; Sewer \$67,550; Theater Trust \$72,725; and Disaster Fund \$101,750.
- The Public Safety Fund was over drawn by \$13,461 due to a Firefighter Association account that had not fully separated from the City before June 30, 2011 as planned and those expenditures were not accounted for in the budget amendment. The problem has since been corrected as of January 2012 as this association is now a separate 501c3 and no longer under the City's budget or review as was intended for the association. This is not a deficit of any fund as revenues were equally matched or exceeded expenditures.
- Long-term debt – At the end of the current fiscal year, the City of Eldora had a debt outstanding of \$7,818,067. This consists of \$2,078,800 of general obligation debt, \$5,749,267 of revenue debt and \$0 in other debt.

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

- The City will explore use of Franchise Fee as other communities have begun passing these fees causing a reduction in the pool of Local Option Sales Tax. The City's Electric Franchise expires in December 2011 and is expected to have final vote on creation of the fee and rates prior to the franchise expiration.
- The City is refinancing general debt with new bonds for Streetscape in 2011.
- The City is continuing to divert Local Option Sales Tax (LOST) revenue to the Aquatic Center Project deficit in the 2011-2012 FY and will continue to use \$75,000 a year from LOST revenues into the 2014-15 FY Budget when the fund deficit is scheduled to be satisfied.
- Increases in IPERS contributions and Healthcare costs will affect the levy over the foreseeable future.
- Return on investments continues to be low and has depleted reserves reducing investment revenues.

These factors were considered in doing the City of Eldora City 2011-12 and/or 2012-13 budget depending on when they were or are to be acted upon. If there are unknowns, they will be considered with the 2011-12 amended budget.

### **Request for Information**

This financial report is designed to provide a general overview of the City of Eldora's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should contact the City of Eldora, City Clerk, Patrick "Ian" Rigg, 1442 Washington St., Eldora, IA 50627.

## Changes in Net Assets of Governmental Activities

	<u>Year Ended June 30, 2010</u>	<u>Year Ended June 30, 2011</u>
<b>Receipts and Transfers</b>		
Program Receipts:		
Charges for Service	\$ 132,744	\$ 122,196
Grants and Contributions	437,687	1,326,906
General Receipts:		
Property Taxes	1,160,004	1,152,477
Tax Increment Financing	251	37
Other City Taxes	275,776	308,956
Investment Earnings	14,185	8,178
Rent Received	72,902	63,423
Other General Receipts	737,306	422,504
<b>Other Financing Sources</b>		
Transfers net	202,751	225,010
Bond Proceeds	<u>125,000</u>	<u>196,800</u> *
<b>Total Receipts and Transfers</b>	<b>3,158,606</b>	<b>3,826,487</b>
<b>Disbursements</b>		
Public Safety	440,667	420,514
Public Works	364,729	376,673
Health and Social Services	138,046	47,691
Culture and Recreation	319,485	416,759
Comm. & Econ Development	129,355	122,625
General Government	817,931	674,376
Debt Service	541,448	460,396
Capital Projects	<u>523,723</u>	<u>1,481,609</u> *
<b>Total Disbursements</b>	<b>3,275,384</b>	<b>4,000,543</b>
Increase (decrease) in cash basis net assets	(116,778)	(174,056)
Cash basis net assets beginning of year	752,937	636,159
Restate beginning balance	<u>---</u>	<u>(17,994)</u>
Cash basis net assets end of year	\$ <u>636,159</u>	\$ <u>444,109</u>

## Changes in Net Assets of Business Type Activities

	<b><u>Year Ended June 30, 2010</u></b>	<b><u>Year Ended June 30, 2011</u></b>
<b>Receipt and Transfers</b>		
Program Receipts:		
Charges for Service:		
Water	\$ 263,389	\$ 283,681
Sewer	608,346	625,509
Solid Waste	87,042	88,194
Ambulance	350,051	351,156
Other Charges	112,001	111,532
General Receipts		
Interest	13,759	18,183
Miscellaneous	<u>68,526</u>	<u>349,665</u>
<b>Total Receipts and Transfers</b>	<b>1,503,114</b>	<b>1,827,920</b>
<b>Disbursements</b>		
Water	294,769	572,942 *
Sewer	531,706	580,709
Solid Waste	93,257	81,996
Other Business Type	94,435	100,805
Ambulance	433,448	401,239
Transfers, out	<u>202,751</u>	<u>225,010</u>
<b>Total Disbursements and Transfers</b>	<b>1,650,366</b>	<b>1,962,701</b>
Increase (decrease) in cash basis net assets	(147,252)	(134,781)
Cash basis net assets beginning of year	1,381,183	1,233,931
Restate beginning balance	<u>---</u>	<u>17,994</u>
Cash basis net assets end of year	\$ <u>1,233,931</u>	\$ <u>1,117,144</u>

\* This was an SRF loan of \$210,000 and ARRA Grant of \$90,000 from Iowa DNR for the Water Filter Rehab project while the Water Tower Painting project was largely delayed until after June 30, 2011 as noted earlier on the delayed capital projects.

## **Individual Major Governmental Fund Analysis**

As the City of Eldora completed its year, its governmental funds reported a combined cash balance of \$426,103, a decrease of \$174,056 from last year's total. The following are the major reasons for the changes in fund balances from the prior year:

- \$110,000 in Streetscape Fund expenses accruing while the City was finalizing its bond for the project.
- \$184,000 in Road Surfacing Fund expenses drawing on reserves as planned and built up over the last 5 years.
- \$25,000 - \$28,000 deficit is typical for the pool operations as this has been the average loss for the City pool operation since 1993 (actual cash average, not adjusted for inflation). The City of Eldora experienced the normal deficit in operations for the 2010-11 Fiscal Year.

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

As the City of Eldora completed its year, its proprietary funds reported a combined cash balance of \$1,117,426, a decrease of \$134,781 from last year's total. The following are the major reasons for the changes in fund balances from the prior year:

- The Sewer Fund cash balance decreased \$70,661 from the prior year to \$567,258. This is mainly due to reduced usage, bond payments and continued CIP. In FY 2012-13 the sewer rates are set to increase to meet future bond payment increases for the Waste Water Treatment Facility
- The Water Fund cash balance decreased \$42,554 from the prior year to \$206,366. This is mainly due to reduced usage, CIP overruns and using reserves to pay for CIP. The water rates are set to increase to meet future SRF bond payments for the recent improvements made to the treatment facility and water tower.
- Eldora EMS Fund cash balance decreased \$17,052 from the prior year to \$147,369. This is in large part due to equipment replacement choices over rebuilding equipment for a larger return on investment over the life of the equipment.

## **Budgetary Highlights**

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

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

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

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

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

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

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

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

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

## **Basic Financial Statements**

City of Eldora, Iowa

Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2011

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts</u> Operating Grants, Contributions, and Restricted <u>Interest</u>
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 420,514	24,018	35,265
Public works	376,673	19,889	268,198
Health and social services	47,691	-	-
Culture and recreation	416,759	67,311	48,442
Community and economic development	122,625	-	12,198
General government	674,276	10,978	1,395
Debt service	460,396	-	-
Capital projects	<u>1,481,609</u>	<u>-</u>	<u>62,357</u>
Total governmental activities	<u>4,000,543</u>	<u>122,196</u>	<u>427,855</u>
Business type activities:			
Water	572,942	283,681	-
Sewer	580,709	625,509	-
Ambulance	401,239	351,156	-
Other nonmajor	<u>182,801</u>	<u>199,726</u>	<u>-</u>
Total business type activities	<u>1,737,691</u>	<u>1,460,072</u>	<u>-</u>
<b>Total primary government</b>	<u><u>\$ 5,738,234</u></u>	<u><u>1,582,268</u></u>	<u><u>427,855</u></u>

Exhibit A

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

Capital Grants, Contributions, and Restricted <u>Interest</u>	Primary Government		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	
-	(361,231)	-	(361,231)
-	(88,586)	-	(88,586)
-	(47,691)	-	(47,691)
97,990	(203,016)	-	(203,016)
-	(110,427)	-	(110,427)
-	(661,903)	-	(661,903)
-	(460,396)	-	(460,396)
<u>801,061</u>	<u>(618,191)</u>	<u>-</u>	<u>(618,191)</u>
<u>899,051</u>	<u>(2,551,441)</u>	<u>-</u>	<u>(2,551,441)</u>
-	-	(289,261)	(289,261)
-	-	44,800	44,800
-	-	(50,083)	(50,083)
<u>-</u>	<u>-</u>	<u>16,925</u>	<u>16,925</u>
<u>-</u>	<u>-</u>	<u>(277,619)</u>	<u>(277,619)</u>
<u>899,051</u>	<u>(2,551,441)</u>	<u>(277,619)</u>	<u>(2,829,060)</u>

(continued)

## Statement of Activities and Net Assets - Cash Basis

As of and for the year ended June 30, 2011

	Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>General Receipts:</b>			
Property tax and other city tax levied for:			
General purposes	\$ 813,975	-	813,975
Tax increment financing	37	-	37
Debt service	338,502	-	338,502
Local option sales tax	308,956	-	308,956
Unrestricted interest on investments	8,178	18,183	26,361
Rents received	63,423	-	63,423
Bond proceeds	196,800	273,900	470,700
Miscellaneous	415,898	75,765	491,663
Sale of assets	6,606	-	6,606
Transfers	225,010	(225,010)	-
Total general receipts and transfers	<u>2,377,385</u>	<u>142,838</u>	<u>2,520,223</u>
Change in cash basis net assets	(174,056)	(134,781)	(308,837)
Cash basis net assets beginning of year (as restated)	<u>618,165</u>	<u>1,251,925</u>	<u>1,870,090</u>
Cash basis net assets end of year	<u>\$ 444,109</u>	<u>1,117,144</u>	<u>1,561,253</u>
<b>Cash Basis Net Assets</b>			
Restricted:			
Nonexpendable:			
Cemetery perpetual care	\$ 106,334	-	106,334
Expendable:			
Streets	193,662	-	193,662
Debt service	8,127	12,272	20,399
Other purposes	463,510	10,794	474,304
Unrestricted	<u>(327,524)</u>	<u>1,117,144</u>	<u>789,620</u>
<b>Total cash basis net assets</b>	<u>\$ 444,109</u>	<u>1,140,210</u>	<u>1,584,319</u>

See notes to financial statements.

City of Eldora, Iowa  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2011

	<u>General</u>
Receipts:	
Property tax	\$ 431,674
Tax increment financing	-
Other city tax	18,255
Licenses and permits	19,067
Use of money and property	66,493
Intergovernmental	49,533
Charges for service	54,831
Special assessments	285
Miscellaneous	39,064
Total receipts	<u>679,202</u>
Disbursements:	
Operating:	
Public safety	384,605
Public works	80,094
Health and social services	47,691
Culture and recreation	294,002
Community and economic development	66,706
General government	225,606
Debt service	-
Capital projects	-
Total disbursements	<u>1,098,704</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(419,502)</u>
Other financing sources (uses):	
Sale of capital assets	-
Operating transfers in	401,346
Operating transfers out	(6,693)
Loan proceeds	-
Total other financing sources (uses)	<u>394,653</u>
Net change in cash balances	(24,849)
Cash balances beginning of year	<u>(94,909)</u>
Cash balances end of year	<u>\$ (119,758)</u>
<b>Cash Basis Fund Balances</b>	
Nonspendable - Cemetary perpetual care	-
Restricted for:	
Debt service	-
Streets	-
Other purposes	-
Unassigned	<u>(119,758)</u>
Total cash basis fund balances	<u>\$ (119,758)</u>

See notes to financial statements.

<u>Debt Service</u>	<u>Special Revenue</u>			<u>Capital Projects</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total</u>
	<u>Trust &amp; Agency</u>	<u>Disaster 2009</u>	<u>Road Use Tax Tax</u>	<u>Blight Elimination</u>		
325,828	304,077	-	-	-	47,088	1,108,667
-	-	-	-	-	37	37
12,674	11,845	-	-	-	310,794	353,568
-	-	-	-	-	-	19,067
692	-	630	-	-	32,732	100,547
-	-	-	269,836	788,624	104,660	1,212,653
-	-	-	25,557	-	4,645	85,033
-	-	-	-	-	-	285
58,229	-	253,760	2,564	9,564	159,533	522,714
<u>397,423</u>	<u>315,922</u>	<u>254,390</u>	<u>297,957</u>	<u>798,188</u>	<u>659,489</u>	<u>3,402,571</u>
-	-	-	-	-	35,909	420,514
-	-	-	296,579	-	-	376,673
-	-	-	-	-	-	47,691
-	-	-	-	-	122,757	416,759
-	-	-	-	-	55,919	122,625
-	-	350,024	-	-	98,646	674,276
460,396	-	-	-	-	-	460,396
-	-	-	-	784,168	697,441	1,481,609
<u>460,396</u>	<u>-</u>	<u>350,024</u>	<u>296,579</u>	<u>784,168</u>	<u>1,010,672</u>	<u>4,000,543</u>
<u>(62,973)</u>	<u>315,922</u>	<u>(95,634)</u>	<u>1,378</u>	<u>14,020</u>	<u>(351,183)</u>	<u>(597,972)</u>
-	-	-	-	2,106	-	2,106
121,285	-	-	25,000	93,387	458,864	1,099,882
-	(265,397)	(210,826)	-	(7,500)	(384,456)	(874,872)
-	-	196,800	-	-	-	196,800
<u>121,285</u>	<u>(265,397)</u>	<u>(14,026)</u>	<u>25,000</u>	<u>87,993</u>	<u>74,408</u>	<u>423,916</u>
58,312	50,525	(109,660)	26,378	102,013	(276,775)	(174,056)
(50,185)	3,679	119,660	167,284	(85,405)	558,041	618,165
<u>8,127</u>	<u>54,204</u>	<u>10,000</u>	<u>193,662</u>	<u>16,608</u>	<u>281,266</u>	<u>444,109</u>
-	-	-	-	-	106,334	106,334
8,127	-	-	-	-	-	8,127
-	-	-	193,662	-	-	193,662
-	54,204	10,000	-	16,608	382,698	463,510
-	-	-	-	-	(207,766)	(327,524)
<u>8,127</u>	<u>54,204</u>	<u>10,000</u>	<u>193,662</u>	<u>16,608</u>	<u>281,266</u>	<u>444,109</u>

City of Eldora, Iowa

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

As of and for the year ended June 30, 2011

	<u>Enterprise</u>	
	<u>Water</u>	<u>Sewer</u>
Operating receipts:		
Charges for service	\$ 283,681	624,050
Miscellaneous	-	1,459
Total operating receipts	<u>283,681</u>	<u>625,509</u>
Operating disbursements:		
Business type activities	<u>271,607</u>	<u>352,347</u>
Total operating disbursements	<u>271,607</u>	<u>352,347</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>12,074</u>	<u>273,162</u>
Non-operating receipts (disbursements):		
Interest on investments	1,952	6,685
Miscellaneous	-	5,254
Debt service	-	(228,362)
Capital projects	<u>(301,335)</u>	<u>-</u>
Total non-operating receipts (disbursements)	<u>(299,383)</u>	<u>(216,423)</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(287,309)</u>	<u>56,739</u>
Other financing sources (uses):		
Operating transfer in	-	29,016
Operating transfers out	(29,145)	(156,416)
Bond proceeds	<u>273,900</u>	<u>-</u>
Total other financing sources (uses)	<u>244,755</u>	<u>(127,400)</u>
Net change in cash balances	(42,554)	(70,661)
Cash balances beginning of year (as restated)	<u>248,920</u>	<u>637,919</u>
Cash balances end of year	<u>206,366</u>	<u>567,258</u>
<b>Cash Basis Fund Balances</b>		
Restricted for debt service	-	-
Restricted for improvements	-	-
Unreserved	<u>206,366</u>	<u>567,258</u>
Total cash basis fund balances	<u>\$ 206,366</u>	<u>567,258</u>

See notes to financial statements.

Exhibit C

Funds		
<u>Ambulance</u>	<u>Other Nonmajor Funds</u>	<u>Total</u>
351,156	125,458	1,384,345
-	74,268	75,727
<u>351,156</u>	<u>199,726</u>	<u>1,460,072</u>
401,239	164,525	1,189,718
<u>401,239</u>	<u>164,525</u>	<u>1,189,718</u>
(50,083)	35,201	270,354
8,626	920	18,183
46,606	23,905	75,765
-	(18,276)	(246,638)
-	-	(301,335)
<u>55,232</u>	<u>6,549</u>	<u>(454,025)</u>
5,149	41,750	(183,671)
(22,201)	-	29,016
-	(46,264)	(254,026)
<u>(22,201)</u>	<u>-</u>	<u>273,900</u>
(17,052)	(4,514)	(134,781)
<u>164,421</u>	<u>200,665</u>	<u>1,251,925</u>
<u>147,369</u>	<u>196,151</u>	<u>1,117,144</u>
-	12,272	12,272
-	10,794	10,794
<u>147,369</u>	<u>173,085</u>	<u>1,094,078</u>
<u>147,369</u>	<u>196,151</u>	<u>1,117,144</u>

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2011

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

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

A. Reporting Entity

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

Jointly Governed Organizations

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

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2011

B. Basis of Presentation

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

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

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

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

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

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

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2011

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

The City reports the following major governmental funds:

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

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

Special Revenue:

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

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

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

The Capital Projects, Blight Elimination Fund is used to account for the transactions Related to federal and other funding for urban renewal purposes.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2011

The City reports the following major proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2011

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. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislations.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the public safety function.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2011

**(2) Cash**

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no investments at June 30, 2011. During the year ended June 30, 2011, the City invested its excess funds in savings accounts.

**(3) 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 4.50% of their annual covered salary and the City is required to contribute 6.95% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2011, 2010 and 2009 were \$80,026, \$74,482 and \$67,631, respectively, equal to the required contributions for each year.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2011

(4) Bonds and Notes Payable

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

Year Ending <u>June 30,</u>	General Obligation Bonds/Notes		Revenue Notes/Bonds	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
	2012	\$ 306,000	75,622	75,364
2013	321,000	63,854	334,547	172,059
2014	275,000	51,218	478,739	161,574
2015	290,000	40,284	632,937	146,782
2016	180,000	28,542	635,145	127,322
2017	120,000	21,050	639,361	107,777
2018	125,000	16,190	608,587	88,106
2019	130,000	11,065	595,822	69,317
2020	135,000	5,670	600,066	50,888
2021	-	-	503,321	32,414
2022	-	-	92,587	16,609
2023	-	-	66,864	14,043
2024	-	-	48,152	12,246
2025	-	-	28,453	11,035
2026	-	-	23,766	10,412
2027	-	-	20,093	9,925
2028	-	-	20,434	9,574
2029	-	-	21,788	9,208
2030	-	-	17,157	8,827
2031	-	-	9,542	8,429
2032	-	-	9,943	8,015
2033	-	-	10,362	7,584
2034	-	-	10,796	7,134
2035	-	-	11,250	6,666
2036	-	-	11,723	6,178
2037	-	-	12,217	5,670
2038	-	-	12,730	5,140
2039	-	-	13,265	4,587
2040	-	-	13,823	4,012
2041	-	-	14,404	3,413
2042	-	-	15,010	2,788
2043	-	-	15,641	2,137
2044	-	-	16,298	1,458
2045	-	-	16,984	751
2046	-	-	22,096	99
Total	\$ 1,882,000	313,495	5,659,267	1,306,928

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

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

Total	
<u>Principal</u>	<u>Interest</u>
381,364	250,371
655,547	235,913
753,739	212,792
922,937	187,066
815,145	155,864
759,361	128,827
733,587	104,296
725,822	80,382
735,066	56,558
503,321	32,414
92,587	16,609
66,864	14,043
48,152	12,246
28,453	11,035
23,766	10,412
20,093	9,925
20,434	9,574
21,788	9,208
17,157	8,827
9,542	8,429
9,943	8,015
10,362	7,584
10,796	7,134
11,250	6,666
11,723	6,178
12,217	5,670
12,730	5,140
13,265	4,587
13,823	4,012
14,404	3,413
15,010	2,788
15,641	2,137
16,298	1,458
16,984	751
22,096	99
<u>7,541,267</u>	<u>1,620,423</u>

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2011

**Revenue Notes/Bonds**

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,802,751 in sewer revenue bonds issued in 2000 and \$4,400,000 in sewer revenue bonds issued in 2005. Proceeds from the bonds provided financing for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$6,111,020. For the current year, principal and interest paid and total customer net receipts were \$228,362 and \$273,162 respectively.

The City has pledged future building rentals to repay \$350,000 of child care revenue notes. Proceeds from the notes provided financing for the construction of a day care facility. The total principal and interest remaining to be paid on the notes is \$633,458. For the current year principal and interest paid on the notes was \$18,276. The City is also required to make monthly payments of \$153 and \$257 to a reserve fund and depreciation fund, respectively. These payments have been made.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay water revenue bonds issued in 2011 for \$191,000. Proceeds from the bonds provided financing for the construction of water improvements. The bonds are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$240,830. For the current year, principal and interest paid and total customer net receipts were \$7800 and \$12,074 respectively. As of June 30, 2011, there was also an outstanding forgivable loan of \$90,000 related to this water improvement project. On March 3, 2012, this loan was forgiven by the lender.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2011

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

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 21 active no retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$762 for single coverage and \$1,198 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$243,654 and plan members eligible for benefits contributed \$13,824 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation or compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time, and payments payable to employees at June 30, 2011, primarily relating to the General and Proprietary Funds, are as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 41,500
Compensatory time	<u>1,900</u>
Total	\$ <u>43,400</u>

This liability has been computed based on rates of pay in effect at June 30, 2011.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2011

(7) **Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local option sales tax	\$ 51,740
	Employee benefits	265,397
	Road use	11,043
	Capital Projects	7,500
	Enterprise:	
	Theatre	2,750
	Ambulance	17,178
	Water	19,723
	Sewer	19,204
	Solid Waste	<u>6,811</u>
		401,346
Debt Service	Enterprise:	
	Sewer	121,285
Special Revenue: Road use	Special Revenue: Disaster 2009	25,000
Capital Projects: Blight elimination	Special Revenue: TIF	75,500
	Local option sales tax	<u>17,887</u>
		93,387

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2011

Special Revenue:	Enterprise:	
Insurance	Ambulance	5,023
	Water	9,422
	Sewer	15,927
	Theater	1,703
	General	<u>6,693</u>
		38,768
Special Revenue:	Special Revenue:	
Park Trust	Local option sales tax	2,000
	Disaster 2001	<u>41,244</u>
		43,244
Special Revenue:	Enterprise:	
Theatre Trust	Theatre	25,000
Capital Projects	Special Revenue:	
	Local option sales tax	237,330
	Disaster 2009	<u>104,522</u>
		341,852
Enterprise:	Special Revenue:	
Sewer	Disaster 2009	<u>29,016</u>
Total		\$ <u>1,128,898</u>

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

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2011

**(8) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 645 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2011 were \$95,008.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2011

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by the Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2011, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

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

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation in the amount of \$41,466. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2011

**(9) Deficit Fund Balances**

The General Fund had a deficit balance of \$119,758 as of June 30, 2011. This deficit is due to some timing differences and some overtime due to cleanup from the natural disaster that hit this city. City officials are continuing to monitor this situation.

The Capital Projects Fund had a deficit balance of \$207,766 at June 30, 2011. Included in this account is a deficit of \$293,378 related to the construction of a new pool. The council plans to eliminate this deficit with yearly transfers of the local option sales tax over the next five years.

**(10) Capital Leases**

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

The City has entered into a capital lease for the purchase of 2 defibrillators. This is a sixty month lease expiring in 2012. During the year ended June 30, 2011 the City disbursed \$6,980 for this lease, which included the final payment.

**(11) Economic Development Loans Receivable**

The City has various long-term loans receivable totaling \$115,474 as of June 30, 2011 due from various businesses in Eldora. The loans were financed with the loan proceeds of an USDA Rural Development Grant, matching contributions from the City and repayments from businesses. Interest rates on these loans vary from 2.5% to 5.0% with monthly payments varying from \$165 - \$660.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2011

**(12) Construction Commitments**

The City of Eldora has construction commitments for the following projects as of June 30, 2011: Highway 175 reconstruction for \$428,000 and Downtown Streetscape for \$1,500,000. The Highway 175 project will be paid from funds on hand and the Downtown Streetscape project will be paid from issuance of bonds.

**(13) Subsequent Events**

Subsequent events have been evaluated through March 8, 2012, which is the date the financial statements were available to be issued.

The City has approved issuing general obligation bonds for \$2.26 million to help pay for the street project noted above and to refinance outstanding general obligation debt. The City has also approved refinancing the Child Care revenue bonds, however, certain taxpayers in the district have filed an injunction blocking this action.

**(14) Litigation**

There has been one lawsuit filed against the City of Eldora. As of the date of the audit report, City officials do not believe there will be any judgment filed against the City.

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

The beginning balances of the several funds have been restated to more appropriately reflect the proper accounting of these funds.

	<u>Capital Projects, Day Care Account</u>	<u>Enterprise Early Childhood Building</u>
Balance as originally stated	\$ 17,994	\$ ---
Adjustment	<u>(17,994)</u>	<u>17,994</u>
Restated beginning balance	<u>---</u>	<u>17,994</u>

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2011

	<u>Special Revenue Date Care Trust</u>	<u>Capital Projects, Day Care Account</u>
Balance as originally stated	\$ 15,100	\$ ---
Adjustment	<u>(15,100)</u>	<u>15,100</u>
Balance as restated	<u>---</u>	<u>15,100</u>

  

	<u>General Fund Health Care Trust Account</u>	<u>Capital Project Health Care Account</u>
Balance as originally stated	\$ 40,347	\$ ---
Adjustment	<u>(40,347)</u>	<u>40,347</u>
Balance as restated	<u>---</u>	<u>40,347</u>

**Required Supplementary Information**

City of Eldora, Iowa

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

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 1,108,667	-
Tax increment financing	37	-
Other city tax	353,568	-
Licenses and permits	19,067	-
Use of money and property	100,547	-
Intergovernmental	1,212,653	-
Charges for service	85,033	1,460,072
Special assessments	285	-
Miscellaneous	522,714	93,948
Total receipts	<u>3,402,571</u>	<u>1,554,020</u>
Disbursements:		
Public safety	420,514	-
Public works	376,673	-
Health and social services	47,691	-
Culture and recreation	416,759	-
Community and economic development	122,625	-
General government	674,276	-
Debt service	460,396	-
Capital projects	1,481,609	-
Business type activities	-	1,737,691
Total disbursements	<u>4,000,543</u>	<u>1,737,691</u>
Excess (deficiency) of receipts over (under) disbursements	(597,972)	(183,671)
Other financing sources, net	<u>423,916</u>	<u>48,890</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(174,056)	(134,781)
Balances beginning of year	<u>618,165</u>	<u>1,251,925</u>
Balances end of year	<u>\$ 444,109</u>	<u>1,117,144</u>

See accompanying independent auditor's report.

<u>Net</u>	<u>Budgeted Amounts</u>		<u>Final to Net Variance</u>
	<u>Original</u>	<u>Final</u>	
1,108,667	1,116,962	1,116,962	(8,295)
37	-	-	37
353,568	253,839	353,839	(271)
19,067	13,950	13,950	5,117
100,547	30,880	100,880	(333)
1,212,653	806,500	1,767,000	(554,347)
1,545,105	1,687,171	1,687,171	(142,066)
285	2,500	2,500	(2,215)
616,662	252,737	809,737	(193,075)
<u>4,956,591</u>	<u>4,164,539</u>	<u>5,852,039</u>	<u>(895,448)</u>
420,514	386,053	407,053	(13,461)
376,673	401,797	401,797	25,124
47,691	45,385	240,285	192,594
416,759	561,197	665,197	248,438
122,625	116,349	152,849	30,224
674,276	303,043	738,043	63,767
460,396	460,812	460,812	416
1,481,609	691,000	2,301,000	819,391
1,737,691	1,615,590	2,047,590	309,899
<u>5,738,234</u>	<u>4,581,226</u>	<u>7,414,626</u>	<u>1,676,392</u>
(781,643)	(416,687)	(1,562,587)	780,944
472,806	-	370,000	102,806
(308,837)	(416,687)	(1,192,587)	883,750
<u>1,870,090</u>	<u>1,687,214</u>	<u>1,687,214</u>	<u>182,876</u>
<u>1,561,253</u>	<u>1,270,527</u>	<u>494,627</u>	<u>1,066,626</u>

City of Eldora, Iowa

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2011

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

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

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2011 one budget amendment increasing budgeted disbursements by \$2,833,400, budgeted receipts by \$1,687,500 and other financing sources by \$370,000. This budget amendment was protested and the budget committed denied \$38,000 of the budget request. This amount is not reflected on the preceding page.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in public safety function.

## **Other Supplementary Information**

City of Eldora, Iowa

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

As of and for the year ended June 30, 2011

	Special		
	<u>Insurance</u>	<u>Trees Forever</u>	<u>Parks Trust</u>
Receipts:			
Property tax	\$ 47,088	-	-
Tax increment financing	-	-	-
Other city tax	1,838	-	-
Use of money and property	148	17	71
Intergovernmental	-	-	40,739
Charges for service	-	-	-
Special assessments	-	-	-
Miscellaneous	1,370	6,800	7,660
Total receipts	<u>50,444</u>	<u>6,817</u>	<u>48,470</u>
Disbursements:			
Operating:			
Public safety	-	-	-
Public works	-	-	-
Health and social services	-	-	-
Culture and recreation	-	-	102,562
Community and Economic Development	-	2,862	-
General government	98,646	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>98,646</u>	<u>2,862</u>	<u>102,562</u>
Excess (deficiency) of receipts over (under) disbursement:	<u>(48,202)</u>	<u>3,955</u>	<u>(54,092)</u>
Other financing sources (uses):			
Operating transfers in	38,768	-	43,244
Operating transfers out	-	-	-
Bond proceeds	-	-	-
Total other financing sources (uses)	<u>38,768</u>	<u>-</u>	<u>43,244</u>
Net change in cash balances	(9,434)	3,955	(10,848)
Cash balances beginning of year	<u>36,995</u>	<u>5,676</u>	<u>35,017</u>
Cash balances end of year	<u>27,561</u>	<u>9,631</u>	<u>24,169</u>
<b>Cash Basis Fund Balances</b>			
Nonspendable - Cemetary perpetual care	-	-	-
Restricted for:			
Streets	-	-	-
Debt service	-	-	-
Other purposes	27,561	9,631	24,169
Unassigned	-	-	-
Total cash basis fund balances	<u>\$ 27,561</u>	<u>9,631</u>	<u>24,169</u>

See accompanying independent auditor's report.

Schedule 1

Revenue			
<u>Fire Trust</u>	<u>Library Trust</u>	<u>Special Library Trust</u>	<u>Police Trust</u>
-	-	-	-
-	-	-	-
-	-	-	-
103	1,651	-	26
-	1,565	-	-
2,450	-	-	1,320
-	-	-	-
<u>34,919</u>	<u>15,472</u>	<u>-</u>	<u>1,396</u>
<u>37,472</u>	<u>18,688</u>	<u>-</u>	<u>2,742</u>
27,422	-	-	5,768
-	-	-	-
-	-	-	-
-	10,573	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>27,422</u>	<u>10,573</u>	<u>-</u>	<u>5,768</u>
<u>10,050</u>	<u>8,115</u>	<u>-</u>	<u>(3,026)</u>
-	-	-	-
-	-	-	-
-	-	-	-
<u>10,050</u>	<u>8,115</u>	<u>-</u>	<u>(3,026)</u>
<u>31,180</u>	<u>17,063</u>	<u>60,000</u>	<u>6,154</u>
<u>41,230</u>	<u>25,178</u>	<u>60,000</u>	<u>3,128</u>
-	-	-	-
-	-	-	-
-	-	-	-
41,230	25,178	60,000	3,128
-	-	-	-
<u>41,230</u>	<u>\$ 25,178</u>	<u>\$ 60,000</u>	<u>\$ 3,128</u>

(continued)

City of Eldora, Iowa

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

As of and for the year ended June 30, 2011

	Special		
	Theater Trust	Ambulance Trust	LOST
Receipts:			
Receipts:			
Property tax	\$ -	-	-
Tax increment financing collections	-	-	-
Other city tax	-	-	308,956
Use of money and property	82	320	-
Intergovernmental	-	-	-
Charges for service	-	875	-
Special assessments	-	-	-
Miscellaneous	72,879	-	-
Total receipts	<u>72,961</u>	<u>1,195</u>	<u>308,956</u>
Disbursements:			
Operating:			
Public safety	-	2,719	-
Public works	-	-	-
Health and social services	-	-	-
Culture and recreation	2,276	-	-
Community and economic development	-	-	-
General government	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Total disbursements	<u>2,276</u>	<u>2,719</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursement:	<u>70,685</u>	<u>(1,524)</u>	<u>308,956</u>
Other financing sources (uses):			
Operating transfers in	35,000	-	-
Operating transfers out	-	-	(308,956)
Bond proceeds	-	-	-
Total other financing sources (uses)	<u>35,000</u>	<u>-</u>	<u>(308,956)</u>
Net change in cash balances	105,685	(1,524)	-
Cash balances beginning of year	<u>1,817</u>	<u>19,719</u>	<u>10,000</u>
Cash balances end of year	<u>107,502</u>	<u>18,195</u>	<u>10,000</u>
<b>Cash Basis Fund Balances</b>			
Nonspendable - cemetery perpetual care	-	-	-
Restricted for:			
Streets	-	-	-
Debt service	-	-	-
Other purposes	107,502	18,195	10,000
Unassigned	-	-	-
	<u>\$ 107,502</u>	<u>\$ 18,195</u>	<u>10,000</u>

See accompanying independent auditor's report.

Schedule 1

<u>Revenue</u>		<u>Capital Projects</u>	<u>Permanent Cemetery Perpetual Care</u>	<u>Total</u>
<u>TIF</u>	<u>Economic Development</u>	<u>Non-Major Capital Projects</u>		
-	-	-	-	47,088
37	-	-	-	37
-	-	-	-	310,794
-	27,522	2,792	-	32,732
-	-	62,356	-	104,660
-	-	-	-	4,645
-	-	-	-	-
-	-	13,412	5,625	159,533
<u>37</u>	<u>27,522</u>	<u>78,560</u>	<u>5,625</u>	<u>659,489</u>
-	-	-	-	35,909
-	-	-	-	-
-	-	-	-	-
-	-	-	7,346	122,757
-	53,057	-	-	55,919
-	-	-	-	98,646
-	-	-	-	-
-	-	697,441	-	697,441
<u>-</u>	<u>53,057</u>	<u>697,441</u>	<u>7,346</u>	<u>1,010,672</u>
<u>37</u>	<u>(25,535)</u>	<u>(618,881)</u>	<u>(1,721)</u>	<u>(351,183)</u>
-	-	341,852	-	458,864
(75,500)	-	-	-	(384,456)
-	-	-	-	-
<u>(75,500)</u>	<u>-</u>	<u>341,852</u>	<u>-</u>	<u>74,408</u>
(75,463)	(25,535)	(277,029)	(1,721)	(276,775)
<u>75,525</u>	<u>81,577</u>	<u>69,263</u>	<u>108,055</u>	<u>558,041</u>
<u>62</u>	<u>56,042</u>	<u>(207,766)</u>	<u>106,334</u>	<u>281,266</u>
-	-	-	106,334	106,334
-	-	-	-	-
-	-	-	-	-
62	56,042	-	-	382,698
-	-	(207,766)	-	(207,766)
<u>62</u>	<u>56,042</u>	<u>(207,766)</u>	<u>106,334</u>	<u>281,266</u>

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

As of and for the year ended June 30, 2011

	<u>Theater</u>	<u>Utility Deposit</u>	<u>Solid Waste</u>	<u>Early Childhood Building</u>	<u>Total</u>
Operating receipts:					
Charges for service	\$ 37,309	-	88,149	-	125,458
Miscellaneous	<u>60,989</u>	<u>13,234</u>	<u>45</u>	<u>-</u>	<u>74,268</u>
Total operating receipts	<u>98,298</u>	<u>13,234</u>	<u>88,194</u>	<u>-</u>	<u>199,726</u>
Operating disbursements:					
Business type activities	<u>74,173</u>	<u>8,356</u>	<u>81,996</u>	<u>-</u>	<u>164,525</u>
Total operating disbursements	<u>74,173</u>	<u>8,356</u>	<u>81,996</u>	<u>-</u>	<u>164,525</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>24,125</u>	<u>4,878</u>	<u>6,198</u>	<u>-</u>	<u>35,201</u>
Non-operating receipts:					
Interest on investments	358	241	169	152	920
Miscellaneous	709	-	-	23,196	23,905
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,276)</u>	<u>(18,276)</u>
Total non-operating receipts	<u>1,067</u>	<u>241</u>	<u>169</u>	<u>5,072</u>	<u>1,477</u>
Excess (deficiency) of receipts over (under) disbursements	25,192	5,119	6,367	5,072	36,678
Operating transfers out	<u>(39,453)</u>	<u>-</u>	<u>(6,811)</u>	<u>-</u>	<u>(46,264)</u>
Net change in cash balances	(14,261)	5,119	(444)	5,072	(9,586)
Cash balances beginning of year	<u>66,488</u>	<u>42,315</u>	<u>73,868</u>	<u>17,994</u>	<u>200,665</u>
Cash balances end of year	<u>52,227</u>	<u>47,434</u>	<u>73,424</u>	<u>23,066</u>	<u>196,151</u>
<b>Cash Basis Fund Balances</b>					
Restricted for debt service	-	-	-	12,272	12,272
Restricted for improvements	-	-	-	10,794	10,794
Unreserved	<u>52,227</u>	<u>47,434</u>	<u>73,424</u>	<u>-</u>	<u>173,085</u>
Total cash basis fund balances	<u>\$ 52,227</u>	<u>\$ 47,434</u>	<u>\$ 73,424</u>	<u>\$ 23,066</u>	<u>196,151</u>

See accompanying independent auditor's report.

City of Eldora, Iowa

Schedule of Indebtedness

Year ended June 30, 2011

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Sewer improvement note	4-01-05	2.75-4.05%	\$ 995,000
Storm sewer note	11-01-01	5.00-5.50%	280,000
Corporate purpose and refunding note	10-01-03	1.40-4.45%	795,000
Aquatic Center	11-7-05	3.45-4.20%	1,500,000
Demolition	7-21-05	4.25%	200,000
Capital loan note	11-16-09	4.25%	125,000
Disaster Relief	8-25-10	0.00%	196,800
Total			
General obligation bonds:			
Revenue bonds:			
Sewer - Series A	4-18-00	3.92%	\$ 1,743,725
Sewer - Series B	4-18-00	3.92%	901,275
Sewer - Series D	4-18-00	3.92%	157,751
Sewer - Series 2005	5-02-05	3.00%	4,400,000
Water - Series A 2010	1-27-10	3.00%	191,000
Water - Series B 2011 -Forgivable	1-27-10	0.00%	90,000
Child Care Revenue Note 1	5-05-07	4.125%	100,000
Child Care Revenue Note 2	5-05-07	4.125%	250,000
Total			

See accompanying independent auditor's report.

Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
540,000	-	100,000	440,000	20,885	-
35,000	-	35,000	-	1,925	-
365,000	-	55,000	310,000	14,953	-
1,140,000	-	95,000	1,045,000	45,238	-
43,397	-	43,397	-	1,849	-
125,000	-	38,000	87,000	7,350	-
-	196,800	-	196,800	-	-
<u>\$ 2,248,397</u>	<u>196,800</u>	<u>366,397</u>	<u>2,078,800</u>	<u>92,200</u>	<u>-</u>
123,000	-	9,000	114,000	3,690	-
579,000	-	43,000	536,000	17,370	-
101,000	-	8,000	93,000	3,030	-
4,396,000	-	1,000	4,395,000	131,880	-
2,100	183,900	4,000	182,000	3,275	-
-	90,000	-	90,000	-	-
97,820	-	881	96,939	4,012	-
244,538	-	2,210	242,328	10,030	-
<u>\$ 5,543,458</u>	<u>273,900</u>	<u>68,091</u>	<u>5,749,267</u>	<u>173,287</u>	<u>-</u>

City of Eldora, Iowa

Schedule 4

Bond and Note Maturities

June 30, 2011

General Obligation Notes/Bonds						
Year Ending June 30,	Corporate Purpose and Refunding Note Issued Oct 1, 2003		Sanitary Sewer Improvement Note Issued Apr 1, 2005		Aquatic Center Note Issued Nov. 7, 2005	
	Interest		Interest		Interest	
	Rates	Amount	Rates	Amount	Rates	Amount
2012	3.90 %	\$ 60,000	3.75 %	\$ 105,000	3.75 %	\$ 100,000
2013	4.00	60,000	3.90	110,000	3.80	105,000
2014	4.15	60,000	4.00	110,000	3.85	105,000
2015	4.30	65,000	4.05	115,000	3.90	110,000
2016	4.45	65,000	-	-	4.00	115,000
2017	-	-	-	-	4.05	120,000
2018	-	-	-	-	4.10	125,000
2019	-	-	-	-	4.15	130,000
2020	-	-	-	-	4.20	135,000
Total		<u>\$ 310,000</u>		<u>\$ 440,000</u>		<u>\$ 1,045,000</u>

General Obligation Notes/Bonds						
Year Ending June 30,	Capital Loan Note Issued Nov 16, 2009		Disaster Relief Issued Aug 25, 2010		Total	
	Interest		Interest			
	Rates	Amount	Rates	Amount		
2012	4.25 %	\$ 41,000	0.00 %	\$ -	306,000	
2013	4.25	46,000	0.00	10,000	331,000	
2014	-	-	0.00	10,000	285,000	
2015	-	-	0.00	10,000	300,000	
2016	-	-	0.00	15,000	195,000	
2017	-	-	0.00	15,000	135,000	
2018	-	-	0.00	15,000	140,000	
2019	-	-	0.00	20,000	150,000	
2020	-	-	0.00	20,000	155,000	
2021	-	-	0.00	20,000	20,000	
2022	-	-	0.00	20,000	20,000	
2023	-	-	0.00	20,000	20,000	
2024	-	-	0.00	21,800	21,800	
Total		<u>\$ 87,000</u>		<u>\$ 196,800</u>	<u>2,078,800</u>	

City of Eldora, Iowa  
 Bond and Note Maturities  
 June 30, 2011

Year Ending June 30,	Sewer Bond - Series A Issued Apr 18, 2000				Sewer Bond - Series B Issued Apr 18, 2000			
	Interest				Interest			
	<u>Rates</u>	<u>Amount</u>			<u>Rates</u>	<u>Amount</u>		
2012	3.92 %	\$ 10,000			3.92 %	\$ 45,000		
2013	3.92	10,000			3.92	47,000		
2014	3.92	10,000			3.92	48,000		
2015	3.92	11,000			3.92	50,000		
2016	3.92	11,000			3.92	52,000		
2017	3.92	12,000			3.92	54,000		
2018	3.92	12,000			3.92	57,000		
2019	3.92	12,000			3.92	59,000		
2020	3.92	13,000			3.92	61,000		
2021	3.92	13,000			3.92	63,000		
2022		-				-		
2023		-				-		
2024		-				-		
2025		-				-		
2026		-				-		
2027		-				-		
2028		-				-		
2029		-				-		
2030		-				-		
2031		-				-		
2032		-				-		
2033		-				-		
2034		-				-		
2035		-				-		
2036		-				-		
2037		-				-		
2038		-				-		
2039		-				-		
2040		-				-		
2041		-				-		
2042		-				-		
2043		-				-		
2044		-				-		
2045		-				-		
2046		-				-		
	Total		\$ 114,000			\$ 536,000		

See accompanying independent auditor's report.

Schedule 4

Revenue			Bonds								
Sewer Bond - Series D Issued Apr 18, 2000			Sewer Bond Issued Jun 13, 2005			Child Care Note 1 Issued May 5, 2007			Child Care Note 2 Issued May 5, 2007		
Interest			Interest			Interest			Interest		
Rates		Amount	Rates		Amount	Rates		Amount	Rates		Amount
3.92	%	\$ 8,000	3.00	%	\$ 1,000	4.125	%	\$ 1,245	4.125	%	\$ 3,119
3.92		8,000	3.00		258,000	4.125		1,297	4.125		3,250
3.92		8,000	3.00		400,000	4.125		1,352	4.125		3,387
3.92		9,000	3.00		550,000	4.125		1,408	4.125		3,529
3.92		9,000	3.00		550,000	4.125		1,468	4.125		3,677
3.92		9,000	3.00		550,000	4.125		1,529	4.125		3,832
3.92		10,000	3.00		515,000	4.125		1,594	4.125		3,993
3.92		10,000	3.00		500,000	4.125		1,661	4.125		4,161
3.92		11,000	3.00		500,000	4.125		1,730	4.125		4,336
3.92		11,000	3.00		400,000	4.125		1,803	4.125		4,518
		-	3.00		76,000	4.125		1,879	4.125		4,708
		-	3.00		50,000	4.125		1,958	4.125		4,906
		-	3.00		30,000	4.125		2,040	4.125		5,112
		-	3.00		10,000	4.125		2,126	4.125		5,327
		-	3.00		5,000	4.125		2,215	4.125		5,551
		-			-	4.125		2,309	4.125		5,784
		-			-	4.125		2,406	4.125		6,028
		-			-	4.125		2,507	4.125		6,281
		-			-	4.125		2,612	4.125		6,545
		-			-	4.125		2,722	4.125		6,820
		-			-	4.125		2,836	4.125		7,107
		-			-	4.125		2,956	4.125		7,406
		-			-	4.125		3,080	4.125		7,716
		-			-	4.125		3,209	4.125		8,041
		-			-	4.125		3,344	4.125		8,379
		-			-	4.125		3,485	4.125		8,732
		-			-	4.125		3,631	4.125		9,099
		-			-	4.125		3,784	4.125		9,481
		-			-	4.125		3,943	4.125		9,880
		-			-	4.125		4,109	4.125		10,295
		-			-	4.125		4,282	4.125		10,728
		-			-	4.125		4,462	4.125		11,179
		-			-	4.125		4,649	4.125		11,649
		-			-	4.125		4,845	4.125		12,139
		-			-	4.125		6,463	4.125		15,633
		<u>\$ 93,000</u>			<u>\$ 4,395,000</u>			<u>\$ 96,939</u>			<u>\$ 242,328</u>

City of Eldora, Iowa

Schedule 4

Bond and Note Maturities

June 30, 2011

Year Ending June 30.	Water Revenue Issued Jan 27,2010		Total
	Interest Rates		
2012	3.00 %	\$ 7,000	75,364
2013	3.00	7,000	334,547
2014	3.00	8,000	478,739
2015	3.00	8,000	632,937
2016	3.00	8,000	635,145
2017	3.00	9,000	639,361
2018	3.00	9,000	608,587
2019	3.00	9,000	595,822
2020	3.00	9,000	600,066
2021	3.00	10,000	503,321
2022	3.00	10,000	92,587
2023	3.00	10,000	66,864
2024	3.00	11,000	48,152
2025	3.00	11,000	28,453
2026	3.00	11,000	23,766
2027	3.00	12,000	20,093
2028	3.00	12,000	20,434
2029	3.00	13,000	21,788
2030	3.00	8,000	17,157
2031		-	9,542
2032		-	9,943
2033		-	10,362
2034		-	10,796
2035		-	11,250
2036		-	11,723
2037		-	12,217
2038		-	12,730
2039		-	13,265
2040		-	13,823
2041		-	14,404
2042		-	15,010
2043		-	15,641
2044		-	16,298
2045		-	16,984
2046		-	22,096
Total		<u>\$ 182,000</u>	<u>5,659,267</u>

City of Eldora, Iowa

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

For the Last Eight Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Receipts:			
Property tax	\$ 1,108,667	1,112,449	1,062,599
Tax increment financing	37	251	16,639
Other city tax	353,568	323,277	353,143
Licenses and permits	19,067	12,853	11,492
Use of money and property	100,547	104,605	188,994
Intergovernmental	1,212,653	426,019	325,284
Charges for service	85,033	119,459	116,888
Special assessments	285	-	285
Miscellaneous	<u>522,714</u>	<u>731,192</u>	<u>156,292</u>
 Total	 <u>\$ 3,402,571</u>	 <u>2,830,105</u>	 <u>2,231,616</u>
Disbursements:			
Operating			
Public safety	\$ 420,514	440,667	368,762
Public works	376,673	364,729	420,988
Health and social services	47,691	138,046	96,769
Culture and recreation	416,759	319,485	286,841
Community and economic development	122,625	129,355	124,905
Geneneral government	674,276	817,931	287,215
Debt service	460,396	541,448	514,993
Capital projects	<u>1,481,609</u>	<u>523,723</u>	<u>63,403</u>
 Total	 <u>\$ 4,000,543</u>	 <u>3,275,384</u>	 <u>2,163,876</u>

See accompanying independent auditor's report.

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
1,029,357	1,015,043	764,623	744,318	770,492
15,156	68,798	70,248	64,767	19,895
315,157	348,249	270,204	260,178	276,684
12,958	6,334	8,544	7,297	10,619
147,906	106,502	139,391	106,756	92,909
297,555	781,727	364,980	281,632	283,345
534,703	314,626	255,622	176,694	217,612
178	1,813	2,861	2,329	3,702
<u>410,032</u>	<u>462,476</u>	<u>503,640</u>	<u>151,479</u>	<u>69,658</u>
<u>2,763,002</u>	<u>3,105,568</u>	<u>2,380,113</u>	<u>1,795,450</u>	<u>1,744,916</u>
684,411	631,384	771,471	688,577	628,097
385,517	368,779	415,889	386,063	396,145
63,196	85,999	1,193,069	302,315	352,073
358,105	248,622	248,565	241,505	251,924
63,438	82,116	96,932	760	760
209,255	228,293	270,958	385,351	259,135
550,016	548,175	294,465	194,393	1,429,516
<u>452,614</u>	<u>2,528,529</u>	<u>1,293,276</u>	<u>35,989</u>	<u>273,150</u>
<u>2,766,552</u>	<u>4,721,897</u>	<u>4,584,625</u>	<u>2,234,953</u>	<u>3,590,800</u>

Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Agency or Pass Through Number</u>	<u>Program Expenditures</u>
Indirect:			
Environmental Protection Agency:			
Iowa Finance Authority:			
Capitalization Grants for Clean Water			
State Revolving Funds			
	66.468	FY 2011	\$ 90,000
U.S. Department of Housing and Urban Development:			
Community Development Block Grants/States's			
Program and Non-Entitlement Grants in Hawaii			
	14.228	08-NSP-006	\$ 508,859
		09-OT-003	<u>252,505</u>
			<u>761,364</u>
Total			<u>\$ 851,364</u>

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

See accompanying independent auditor's report.

# Cornwell, Frideres, Maher & Associates, P.L.C.

## Certified Public Accountants

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

To the Honorable Mayor and  
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldora, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated March 8, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Eldora's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-11 to be a material weakness.

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

### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit on the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

*Cornwell, Frideres, Maher & Associates, P.L.C.*

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

March 8, 2012

# Cornwell, Frideres, Maher & Associates, P.L.C.

## Certified Public Accountants

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Independent Auditor's Report on Compliance  
with Requirements That Could Have a Direct and Material Effect  
On Each Major Program and on Internal Control over Compliance in Accordance  
with OMB Circular A-133

To the Honorable Mayor and  
Members of the City Council:

### Compliance

We have audited the City of Eldora, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Eldora's major federal program for the year ended June 30, 2011. The City of Eldora's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of the City of Eldora's management. Our responsibility is to express an opinion on the City of Eldora's compliance based on our audit.

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

In our opinion, the City of Eldora complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-11 in the accompanying Schedule of Findings and Questioned Costs.

## Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-11 to be a material weakness.

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

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

*Cornwell, Frideres, Maher & Associates, P.L.C.*

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

March 8, 2012

City of Eldora, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) A material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was 14.228 – Community Development Block Grants/ State's Program and Non-Entitlement Grants in Hawaii.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Eldora did not qualify as a low-risk auditee.

City of Eldora, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

II-A-11 Segregation of Duties – During our review of internal control, the existing procedures were evaluated in order to determine that incompatible duties are not performed by the same employee. We noted that one employee handles almost all of the utility billing procedures were handled by the same person. We also noted that one employee handles almost all of the procedures related to processing payroll and processing financial transactions.

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

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

Conclusion – Response accepted.

II-B-11 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Eldora does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

City of Eldora, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

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

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

Conclusion – Response accepted.

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

**CFDA Number 14.228: Community Development Block Grants/States’ Program and Non-Entitlement Grants in Hawaii**  
**Pass-Through Agency Number: 08-NSP-006; 09-OT-003**  
**Federal Award Year: 2009; 2010**  
**U.S. Department of Housing and Urban Development**  
**Passed through the Iowa Department of Economic Development**

III-A-11 – Cash Management – It was noted that the City requested drawn down requests on two separate occasions for eligible expenditures in excess of \$500, which were not expended for several months.

Recommendation – The City should implement procedures where they will not draw down federal funds until needed.

City of Eldora, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Response and Corrective Action Planned – This was an oversight this year. As of the audit report date these draw down requests have been expended.

Conclusion – Response accepted.

**INTERNAL CONTROL DEFICIENCIES:**

**CFDA Number 14.228: Community Development Block Grants/States' Program and Non-Entitlement Grants in Hawaii**  
**Pass-Through Agency Number: 08-NSP-006;**  
**Federal Award Year: 2009**  
**U.S. Department of Housing and Urban Development**  
**Passed through the Iowa Department of Economic Development**

III-B-11 - Segregation of Duties over Federal Records – The City did not properly segregate duties of recording the transactions in the records of account over federal funds. The same employee who prepared the monthly drawdown requests for the NSP project was the same employee who signed the form.

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

IV-A-II Certified Budget – Disbursements during the year ended June 30, 2011 exceeded the amounts budgeted in the public safety function. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

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

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

Conclusion – Response accepted.

City of Eldora, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

IV-B-11 Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. The disbursements include meals served at committee meetings and certain expenditures paid from the volunteer fire department’s separate checking account.

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

Response – We will adopt a formal purchasing policy. Also, as of the audit report date, the Fire department has established it's own non-profit entity, therefore all the fund raising activities will be accounted for in this separate entity.

Conclusion – Response accepted.

IV-C-11 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-11 Business Transactions – Business Transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Myron Kosanke, Council Member, Owner of Kosanke Welding	Repairs	\$ 2,026
Melody Hay, Council Member, Owner of Eldora Pharmacy	Supplies	593

City of Eldora, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

IV-E-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.

IV-F-11 Council Minutes – We noted that City officials did not publish the claims paid from the separate Childhood facility checking account.

Recommendation – As this checking account is part of the City’s accounts, these claims should be published with the rest of the City’s claims.

Response – The City of Eldora became aware of this issue during the budget protest in June of 2011. The City Council approved the original terms of the lease and loan creating the revenue and debt payment, but staff failed to publish these transactions with the regular monthly bills. Working with the City, USDA (the loan holder) made the recommendation of keeping the revenues and expenses separate from the City’s normal activity. This separation has lead to accurate accounting of the revenues and expenses but also lead to the failure of publishing the expenses in the newspaper. The City has not added the revenues and expenses to the main account and may not until current litigation on the loan refinance is resolved as the litigation may determine the classification of the fund activity. In the meantime the City Clerk will add the revenue and expense into the published minutes while awaiting final resolution on the loan refinance litigation.

Conclusion – Response accepted.

IV-G-11 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

IV-H-11 Financial Condition – The General Fund had a deficit balance of \$119,975 at June 30, 2011. The Capital Project Fund, Pool Construction account had a deficit balance of \$207,766 at June 30, 2011.

City of Eldora, Iowa

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

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

Response – See footnote number 9 for a description of how the City plans to eliminate these deficits.

Conclusion – Response accepted.

IV-I-11 Revenue Bonds – It was noted during the protest of the budget amendment that the budget review committee questioned whether the City complied with the bond resolutions related to the Child Care Facility notes.

Recommendation – City officials should consult legal council to determine the disposition of this matter.

Response – We have contacted legal council and we anticipate refinancing our Child Care Facility notes with a general fund loan agreement. Per correspondence from the State Auditor’s office, this should resolve any issues identified by the budget review committee.

Conclusion – Response accepted.