

**CITY OF EAGLE GROVE, IOWA**

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

**JUNE 30, 2011**

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

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CITY OF EAGLE GROVE, IOWA  
OFFICIALS

June 30, 2011

<u>Title</u>	<u>Name of Official</u>	<u>Term Expires</u>
Mayor	Ray Kellogg	December 2011
Council Person	Wally Lorenzen	December, 2013
Council Person	Darrell Determann	December 2011
Council Person	Sandy McGrath	December 2011
Council Person	Josh Schlid	December 2013
Council Person	Matt Jergens	December 2013
Council Person	Tony Axtell	December 2011
City Administrator	Michael Boyd	
Public Works Director	Robert Lunda	
Finance Officer	Susan J. Maier, CPA	



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

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eagle Grove as of June 30, 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 January 16, 2012, on our consideration of the City of Eagle Grove's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 24 through 25 are not required parts of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. 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. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eagle Grove's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight 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 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

January 16, 2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Eagle Grove, Iowa provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities increased 23%, or approximately \$627,000, from fiscal 2010 to fiscal 2011. The increase resulted from increased grants received and bonds issued.
- Disbursements increased 7%, or approximately \$199,000, in fiscal 2011 from fiscal 2010 mainly due to increased debt service payments.
- The City's total cash basis net assets increased 9%, or approximately \$153,000 from June 30, 2010 to June 30, 2011. The City's governmental activities cash balance increased \$190,000 while its business type activities decreased approximately \$37,000.

### **USING THIS ANNUAL REPORT**

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

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

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

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

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

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

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

### **BASIS OF ACCOUNTING**

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

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

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

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

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

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water, sanitary sewer system, and the related meter deposits. These activities are financed primarily by user charges. The city also maintains two internal service funds. They are used to account for the city's partial self-funding of employee health insurance and to recapture and set aside money to replace city equipment.

### *Fund Financial Statements*

The City has two kinds of funds:

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

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

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

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

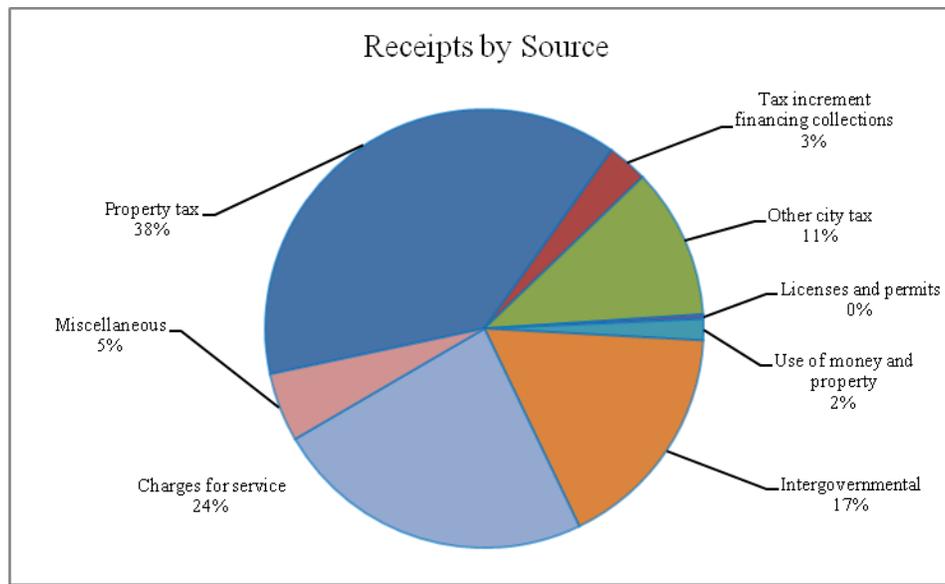
Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

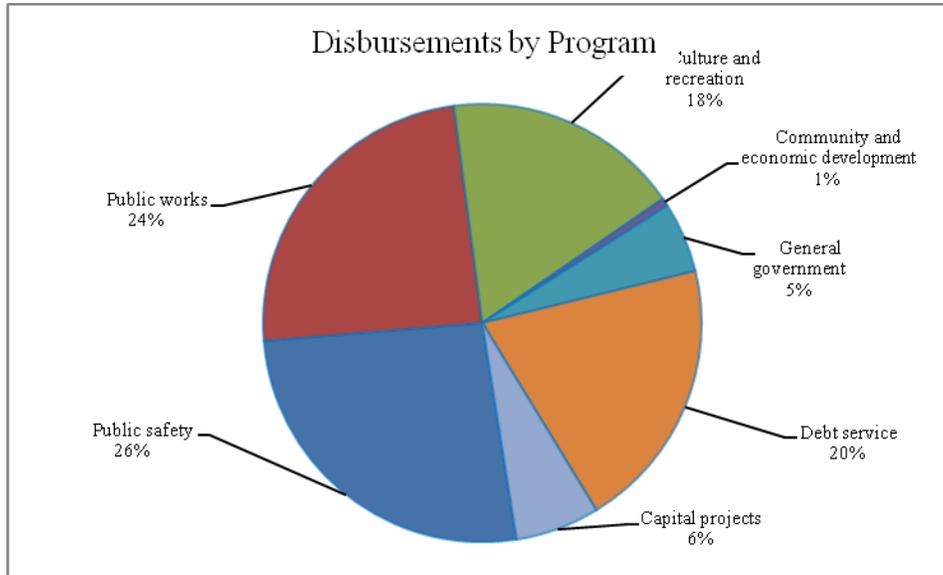
## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, from \$1.3 million to \$1.5 million. The analysis that follows

focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)			
		Year ended June 30,	
		2011	2010
Receipts and transfers:			
Program receipts:			
Charges for service	\$	651	618
Operating grants, contributions and restricted interest		479	415
Capital grants, contributions and restricted interest		115	-
General receipts:			
Property tax		1,048	1,026
Tax increment financing		82	54
Local option sales tax		278	296
Unrestricted investment earnings		12	15
Bond proceeds		350	61
Sale of assets		39	6
Other general receipts		225	160
Transfer in		38	39
Total receipts and transfers		3,317	2,690
Disbursements:			
Public safety		889	778
Public works		738	810
Culture and recreation		527	531
Community and economic development		19	10
General government		156	202
Debt service		610	360
Capital projects		188	237
Total disbursements		3,127	2,928
Increase (decrease) in cash basis net assets		190	(238)
Cash basis net assets beginning of year		1,264	1,502
Cash basis net assets end of year	\$	1,454	1,264





The City's total receipts for governmental activities increased by 23%, or approximately \$627,000. The total cost of all governmental programs and services increased by approximately \$199,000, or 7%.

The cost of all governmental activities this year was \$3.1 million compared to \$2.9 million last year. However, as shown in the Statement of Activities and Net Assets on page 10, the amount taxpayers ultimately financed for these activities was \$1.9 million because some of the cost was paid by those who directly benefited from the programs (\$651,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$595,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, increased in 2011 from approximately \$1.0 million to approximately \$1.2 million. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1,407,000 in tax (some of which could only be used for certain programs), and with other receipts, such as interest and general entitlements.

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2011	2010
<b>Receipts:</b>		
Charges for service:		
Water	\$ 681	655
Sewer rental	550	540
Other	11	10
General receipts:		
Unrestricted interest on investments	8	5
Operating grants	7	-
Other	-	4
Total receipts	1,257	1,214
<b>Disbursements and transfers:</b>		
Water	648	657
Sewer rental	601	507
Other	7	9
Transfers	38	39
Total disbursements and transfers	1,294	1,212

Increase (decrease) in cash balance	(37)	2
Cash basis net assets beginning of year	523	521
Cash basis net assets end of year	<u>486</u>	<u>523</u>

Total business type activities receipts for the fiscal year were approximately \$1.3 million compared to \$1.2 million last year. The cash balance decreased by approximately \$37,000 from the prior year. Total disbursements for the fiscal year increased approximately \$82,000 compared to the prior year.

**INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Eagle Grove completed the year, its governmental funds reported a combined fund balance of \$1,332,498, a increase of approximately \$133,000 from last year’s total of \$1,199,996. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$1,212 from the prior year to approximately \$603,000 as planned during budgeting.
- The Road Use Tax Fund cash balance increased by \$34,923 to \$104,275 during the fiscal year. The increase is due to road maintenance expenditures decreasing approx. \$52,000 from the prior year.
- The Employee Benefit Fund decreased by \$13,091 to \$74,648 during the fiscal year. This was due to the cost of employee benefits being higher than expected for fiscal year 2011.
- The Solid Waste Fund increased by \$14,338 to \$17,685 during the fiscal year. This increase was a result of the regular activities of the solid waste fund.
- The TIF Fund cash balance increased by \$1,386 in FY 2011 due to its regular planned activities.
- The LOST Fund decreased by \$403 to \$203,774 during the fiscal year. The decrease was due to planned transfers to the debt service fund.
- The Debt Service Fund has a balance of \$17,436, an increase of \$8,405 from fiscal year 2010.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Water Fund cash balance increased by \$13,530 to \$109,432. The increase is partially a result of an increase in capital improvement charges.
- The Sewer Fund cash balance decreased by \$59,657 to \$293,174, due primarily to equipment and repair costs needed on the system.
- The Meter Deposit fund cash balance increased modestly \$4,400 to \$63,036 at June 30, 2011.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved in May 2011 and resulted in an increase in revenues and other financing sources of \$388,000 and an increase in expenditures and transfers out of \$325,000.

The City’s disbursements for debt service exceeded the amounts budgeted for the year.

**DEBT ADMINISTRATION**

At June 30, 2011, the City had approximately \$4,670,000 in bonds and other long-term debt, compared to approximately \$4,976,000 last year, as shown below.

	Outstanding Debt at Year-End (Expressed in Thousands)	
	Year ended June 30,	
	2011	2010
General obligation bonds	\$ 2,932	3,065
Revenue notes	1,738	1,911
Total	\$ 4,670	4,976

Debt decreased during the year ended June 30, 2011. The City borrowed additional funds from a short term note in order to repay grant dollars received for the trail project that is not moving forward. The City’s remaining bonds were paid as scheduled during FY 2011.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City’s corporate limits. The City’s outstanding general obligation debt of \$2,932,000 is within its constitutional debt limit of \$4.997 million.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

Eagle Grove’s elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates and fees that will be charged for various City activities.

It is always a difficult task trying to put the budget together not knowing what the State Legislature would do. Current state budget difficulties are expected to trickle down and affect the City. In these uncertain economic times, it is a big concern again this year.

Many of the City’s expenditures such as rising fuel costs and vehicle replacement costs increased notably during the year. These types of increases have been taken into account in setting the fiscal year 2012 budget.

**CONTACTING THE CITY’S FINANCIAL MANAGEMENT**

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

## **Basic Financial Statements**

## CITY OF EAGLE GROVE, IOWA

Exhibit A

## STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS

AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
			Interest	Interest			
<b>Primary Government</b>							
Governmental activities:							
Public safety	\$ 889,042	237,651	34,934	94,202	(522,255)	-	(522,255)
Public works	738,068	333,291	396,868	20,693	12,784	-	12,784
Culture and recreation	527,008	80,178	46,650	-	(400,180)	-	(400,180)
Community and economic development	18,478	-	-	-	(18,478)	-	(18,478)
General government	156,190	-	-	-	(156,190)	-	(156,190)
Debt service	610,208	-	-	-	(610,208)	-	(610,208)
Capital projects	187,892	-	1,500	-	(186,392)	-	(186,392)
<b>Total governmental activities</b>	<b>3,126,886</b>	<b>651,120</b>	<b>479,952</b>	<b>114,895</b>	<b>(1,880,919)</b>	<b>-</b>	<b>(1,880,919)</b>
Business type activities							
Water	648,626	681,488	3,508	-	-	36,370	36,370
Sewer	600,653	549,692	3,509	-	-	(47,452)	(47,452)
Other	7,005	11,405	-	-	-	4,400	4,400
<b>Total business type activities</b>	<b>1,256,284</b>	<b>1,242,585</b>	<b>7,017</b>	<b>-</b>	<b>-</b>	<b>(6,682)</b>	<b>(6,682)</b>
<b>Total primary government</b>	<b>4,383,170</b>	<b>1,893,705</b>	<b>486,969</b>	<b>114,895</b>	<b>(1,880,919)</b>	<b>(6,682)</b>	<b>(1,887,601)</b>
<b>General Receipts:</b>							
Property tax levied for:							
General purposes					\$ 1,047,664	-	1,047,664
Tax increment financing					81,611	-	81,611
Local option sales tax					278,073	-	278,073
Unrestricted interest on investments					10,183	7,670	17,853
Bond Proceeds					350,000	-	350,000
Sale of assets					39,462	-	39,462
Miscellaneous					226,376	-	226,376
Operating transfers in (out)					37,800	(37,800)	-
Total general receipts and transfers					2,071,169	(30,130)	2,041,039
Change in cash basis net assets					190,250	(36,812)	153,438
Cash beginning of year					1,264,467	523,129	1,787,596
Cash end of year					1,454,717	486,317	1,941,034
<b>Cash Basis Net Assets:</b>							
Nonexpendable:							
Library fund					45,700	-	45,700
Cemetery perpetual care					53,900	-	53,900
Restricted for:							
Streets					104,275		104,275
Employee benefits					74,648		74,648
LOST					203,774		203,774
Debt service					17,436	313,148	330,584
Other purposes					49,774	-	49,774
Unrestricted					905,210	173,169	1,078,379
					\$ 1,454,717	486,317	1,941,034

See Notes to Financial Statements

CITY OF EAGLE GROVE, IOWA

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	SPECIAL REVENUE			
	General	Road Use Tax	Employee Benefits	Solid Waste
Receipts:				
Property tax	\$ 566,647	-	332,870	-
Tax increment financing collections	-	-	-	-
Other city tax	26,968	-	-	-
Licenses and permits	8,723	-	-	-
Use of money and property	41,070	-	-	-
Intergovernmental	107,724	354,113	-	-
Charges for service	391,254	-	-	259,866
Miscellaneous	82,468	-	32,351	-
Total receipts	1,224,854	354,113	365,221	259,866
Disbursements:				
Operating:				
Public safety	600,127	-	180,883	-
Public works	113,085	319,190	64,938	238,056
Culture and recreation	427,545	-	102,463	-
Community and economic development	15,443	-	739	-
General government	127,401	-	29,289	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	1,283,601	319,190	378,312	238,056
Excess (deficiency) of receipts over (under) disbursements	(58,747)	34,923	(13,091)	21,810
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Sale of assets	33,154	-	-	-
Operating transfers in	24,381	-	-	-
Operating transfers out	-	-	-	(7,472)
Total other financing sources (uses)	57,535	-	-	(7,472)
Net change in cash balances	(1,212)	34,923	(13,091)	14,338
Cash balances beginning of year	604,116	69,352	87,739	3,347
Cash balances end of year	\$ 602,904	104,275	74,648	17,685
<b>Cash Basis Fund Balances</b>				
Nonspendable:				
Library fund	-	-	-	-
Cemetery perpetual care	-	-	-	-
Restricted for:				
Streets	-	104,275	-	-
Employee benefits	-	-	74,648	-
LOST	-	-	-	-
Debt service fund	-	-	-	-
Other purposes	-	-	-	17,685
Assigned	-	-	-	-
Unassigned	602,904	-	-	-
Total cash basis fund balances	\$ 602,904	104,275	74,648	17,685

See Notes to Financial Statements

Exhibit B

TIF	LOST	Debt Service	Other Nonmajor Governmental Funds	Total
-	-	88,965	59,182	1,047,664
81,611	-	-	-	81,611
-	278,073	-	-	305,041
-	-	-	-	8,723
-	1,368	-	684	43,122
-	-	-	5,281	467,118
-	-	-	-	651,120
-	-	9,900	15,251	139,970
81,611	279,441	98,865	80,398	2,744,369
-	-	-	13,267	794,277
-	-	-	-	735,269
-	-	-	-	530,008
2,296	-	-	-	18,478
-	-	-	-	156,690
293,351	-	316,856	-	610,207
-	91,248	-	96,644	187,892
295,647	91,248	316,856	109,911	3,032,821
(214,036)	188,193	(217,991)	(29,513)	(288,452)
246,922	-	-	103,078	350,000
-	-	-	-	33,154
-	-	226,396	31,500	282,277
(31,500)	(188,596)	-	(16,909)	(244,477)
215,422	(188,596)	226,396	117,669	420,954
1,386	(403)	8,405	88,156	132,502
26,555	204,177	9,031	195,679	1,199,996
27,941	203,774	17,436	283,835	\$ 1,332,498
-	-	-	45,700	45,700
-	-	-	53,900	53,900
-	-	-	-	104,275
-	-	-	-	74,648
-	203,774	-	-	203,774
-	-	17,436	-	17,436
27,941	-	-	4,148	49,774
-	-	-	180,087	180,087
-	-	-	-	602,904
27,941	203,774	17,436	283,835	1,332,498

CITY OF EAGLE GROVE, IOWA

Exhibit C

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

As of and for the year ended June 30, 2011

**Total governmental funds cash balances** \$ 1,332,498

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

The Internal Service Fund is used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individual funds and to charge the cost of using city equipment to individual funds. The assets of the Internal Service Fund are included in governmental activities in the Statement of Net Assets.

122,219

**Cash basis net assets of governmental activities**

1,454,717

**Net change in cash balances**

132,502

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

The Internal Service fund is used by management to charge the costs of employee health benefits and the use of city equipment to individual funds. The change on net assets of the Internal Service Funds is reported with the governmental activities.

57,748

**Change in cash balance of governmental activities**

\$ 190,250

See Notes to the Financial Statements

CITY OF EAGLE GROVE, IOWA

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	<b>Enterprise Funds</b>			
	Water	Sewer	Meter Deposits	Total
Operating receipts:				
Charges for service	\$ 681,488	549,692	11,405	\$ 1,242,585
Total operating receipts	681,488	549,692	11,405	1,242,585
Operating disbursements:				
Business type activities	456,147	306,976	7,005	770,128
Total operating disbursements	456,147	306,976	7,005	770,128
Excess of operating receipts over operating disbursements	225,341	242,716	4,400	472,457
Non-operating receipts:				
Intergovernmental	\$ -	-	-	-
Interest on investments	2,533	4,610	-	7,143
Miscellaneous	-	-	-	-
Debt service	(66,150)	(171,982)	-	(238,132)
Sale of assets	-	-	-	-
Capital projects	(125,514)	(119,881)	-	(245,395)
Total non-operating receipts	(189,131)	(287,253)	-	(230,989)
Excess of receipts and non-operating receipts over disbursements and non-operating disbursements	36,210	(44,537)	4,400	241,468
Other Financing Sources (Uses)				
Operating transfers out	(22,680)	(15,120)	-	(37,800)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,530	(59,657)	4,400	(41,727)
Cash balances beginning of year	95,902	352,831	58,636	507,369
Cash balances end of year	\$ 109,432	\$ 293,174	\$ 63,036	\$ 465,642
<b>Cash Basis Fund Balances</b>				
Restricted for debt service	50,000	200,112	63,036	313,148
Unrestricted	59,432	93,062	-	152,494
Total cash basis fund balances	\$ 109,432	\$ 293,174	\$ 63,036	\$ 465,642

See Notes to Financial Statements

Exhibit D

<b>Internal Service Funds</b>		
Employee Health	Equipment Replacement	Total
\$ -	42,500	\$ 42,500
-	42,500	42,500
7,224	131,970	139,194
7,224	131,970	139,194
(7,224)	(89,470)	(96,694)
-	134,746	134,746
-	1,053	1,053
-	17,250	17,250
-	-	-
-	6,308	6,308
-	-	-
-	159,357	159,357
(7,224)	69,887	62,663
-	-	-
(7,224)	69,887	62,663
9,293	70,938	80,231
\$ 2,069	140,825	\$ 142,894
-	-	-
2,069	140,825	142,894
\$ 2,069	\$ 140,825	\$ 142,894

CITY OF EAGLE GROVE, IOWA

Exhibit E

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

As of and for the year ended June 30, 2011

<b>Total enterprise funds cash balances</b>	\$ 465,642
 <i>Amounts reported for business-type activities in the Statement of Activities and Net Assets are different because:</i>	
The Internal Service Fund is used by management to charge the costs of partial self-funding of the City's health insurance benefit plan to individual funds and to charge the cost of using city equipment to individual funds. The assets of the Internal Service Fund are included in business-type activities in the Statement of Net Assets.	<u>20,675</u>
<b>Cash basis net assets of business type activities</b>	<u><u>486,317</u></u>
<b>Net change in cash balances</b>	(41,727)
 <i>Amounts reported for business-type activities in the Statement of Activities and Net Assets are different because:</i>	
The Internal Service fund is used by management to charge the costs of employee health benefits and the use of city equipment to individual funds. The change in net assets of the Internal Service Funds is reported with the business-type activities.	<u>4,915</u>
<b>Change in cash balance of business-type activities</b>	<u><u>\$ (36,812)</u></u>

See Notes to the Financial Statements

# CITY OF EAGLE GROVE, IOWA

## NOTES TO FINANCIAL STATEMENTS

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

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

#### A. Reporting Entity

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

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

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

#### Jointly Governed Organizations

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

#### B. Basis of Presentation

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

# CITY OF EAGLE GROVE, IOWA

## NOTES TO FINANCIAL STATEMENTS

This Statement of Activities and Net Assets-Cash Basis 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'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.

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

The City reports the following major governmental funds:

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

### Special Revenue:

The Road Use Tax Fund is used to account for the road use allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for the tax increment financing collections and the repayment of tax increment financing indebtedness.

The Employee Benefits Fund is utilized to account for the property tax levied for the purpose of paying employee benefits for city employees.

The Solid Waste Fund is utilized to account for fees received and expenditures made for solid waste removal.

The LOST Fund is used to account for local option sales tax collections received

## CITY OF EAGLE GROVE, IOWA

### NOTES TO FINANCIAL STATEMENTS

from the State of Iowa.

The Debt Service Fund is used to account for the property tax and other revenue to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

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

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

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

The City also reports the following additional major proprietary fund:

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

#### C. Measurement Focus and Basis of Accounting

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

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

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

## CITY OF EAGLE GROVE, IOWA

### NOTES TO FINANCIAL STATEMENTS

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 resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

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.

### (2) **Cash and Investments**

The City's deposits at June 30, 2011 (which include certificates of deposit totaling \$1,078,950) were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

In addition, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$157,034 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

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

**(3) Bonds and Notes Payable**

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

Year Ending	General Obligation		Revenue Notes		Total Debt	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>June 30,</u> 2012	276,851	113,792	176,000	52,800	452,851	166,592
2013	217,612	103,847	121,000	46,860	338,612	150,707
2014	224,409	96,260	124,000	43,230	348,409	139,490
2015	230,244	88,391	129,000	39,510	359,244	127,901
2016	206,610	81,087	133,000	35,640	339,610	116,727
2017-2021	946,176	300,144	659,000	115,060	1,605,176	415,204
2022-2026	830,000	115,895	396,000	23,850	1,226,000	139,745
	<u>2,931,902</u>	<u>899,416</u>	<u>1,738,000</u>	<u>356,950</u>	<u>4,669,902</u>	<u>1,256,366</u>

Revenue Notes

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

The notes are payable solely from water customer net receipts and are payable through 2012. The total principal and interest remaining to be paid on the notes is \$62,460. For the current year, principal and interest paid and total customer net receipts were \$65,700 and \$225,341, respectively.

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

The notes are payable solely from sewer customer net receipts and are payable through 2024. The total principal and interest remaining to be paid on the notes is \$2,032,490. For the current year, principal and interest paid and total customer net receipts were \$168,101 and \$190,007 respectively.

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

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to separate Sewer and Water sinking funds for the purpose of making the notes' principal and interest payments when due.
- c. Transfers of 25% of the monthly sewer sinking fund deposit to sewer revenue reserve fund shall be made until the maximum principal and interest due in any year under the SRF loans has been accumulated, approximately \$148,000. This fund was 100% funded as of June 30, 2008 and is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
- d. The city was also required to establish a water reserve fund and accumulate \$50,000 in the fund. This fund is restricted for the purpose of paying principal and interest on the water revenue bonds should there be insufficient funds in the Water Sinking Fund to make said payments.
- e. Sufficient rates are to be charged to generate Net Revenues adequate to pay the principal and interest on the bonds and to create/maintain the reserves required by the bonds. The Net Revenues are also to be equal to or greater than 110 percent of the principal and interest requirements of the succeeding fiscal year.

A summary of changes in long-term debt for the year ended June 30, 2011 is as follows:

	G.O. Bonds	Revenue Bonds	
Balance, beginning of year	\$ 3,064,656	1,911,000	4,975,656
Additions	350,000	-	350,000
Decreases	482,754	173,000	655,754
Balance, end of year	<u>2,931,902</u>	<u>1,738,000</u>	<u>4,669,902</u>

Interest rates on the general obligation bonds range from 0.00-4.75%. Interest rates on the revenue bonds range from 3.00-4.8%.

**(4) Pension and Retirement Benefits**

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

Most regular plan members are required to contribute 4.50% of their annual covered salary and the City is required to contribute 6.95% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

State statute. The City's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$83,015, \$79,262, and \$72,935, respectively, equal to the required contributions for each year.

**(5) Other Post Employment Benefits (OPEB)**

Plan Description – The City operates a single employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 23 active and one inactive member in the plan. Participants must be 55 or older at retirement.

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

Funding Policy – the contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$945 for single coverage and \$1,608 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2011, the City contributed \$268,243 and plan members contributed \$33,154 to the plan.

**(6) Compensated Absences**

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

These accumulations are not recognized as expenditures by the City until they are paid. The City's approximate liability earned vacation and sick leave payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2011</u>
Sick pay	\$ 55,194
Vacation pay and personal days	<u>60,849</u>
Total	<u>\$ 116,043</u>

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

<u>The City by resolution sets the rules for vacation policy as follows:</u>	
After one calendar year of employment	5 days
After two consecutive calendar years of employment	10 days
After seven consecutive calendar years of employment	15 days
After twelve consecutive calendar years of employment	20 days

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

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

**(7) Interfund Transfers**

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

Transfer In	Transfer From	Amount
General	Special Revenue Fund	
	Emergency	\$ 16,909
	Solid Waste	7,472
		<u>24,381</u>
Museum Project Fund	TIF	31,500
		<u>31,500</u>
Debt Service	LOST	188,596
	Water	22,680
	Sewer	15,120
		<u>226,396</u>
		<u>\$ 282,277</u>

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

**(8) Wright County Landfill Authority**

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

The Authority, during its operation, did not accumulate sufficient financial resources for its debt and its closing costs; therefore the participating governments are obligated for a proportionate share of those costs. During the year ended June 30, 2011, the City of Eagle Grove paid the Authority \$6,099 for its share of the costs. Completed financial statements for the Authority can be obtained from the Wright County Landfill.

**(9) Risk Management**

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

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

**(10) Property Taxes**

Property taxes are recognized as income when received in accordance with the cash basis of accounting. The property tax calendar is as follows for the City of Eagle Grove. Property taxes become liens on property as of July 1, 2010 and are payable in September and March of the fiscal year. The valuation for the taxes was based on January 1, 2009 assessed property valuations, and are based on a certified budget from March of 2010.

**(11) Subsequent Events**

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through January 16, 2012, the date the financial statements were issued.

The City has approved issuing \$1.6 million in general obligation bonds in part to finance a drainage district capital project. The bond issue was for a total of \$1,550,000, accrues interest at a rate of 2.0 to 2.65 percent, and is payable over the next thirteen years. The anticipated amortization of the new issuance is as follows:

Year ended	Principal due	Interest due
June 30:		
2012	\$ 150,000	\$ 14,103
2013	155,000	30,183
2014	150,000	27,082
2015	150,000	24,083
2016	120,000	21,082
2017-2021	600,000	67,192
2022-2024	225,000	11,925
	\$ 1,550,000	\$ 195,650

**Required Supplementary Information**

CITY OF EAGLE GROVE, IOWA

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

REQUIRED SUPPLEMENTARY INFORMATION  
Year Ended June 30, 2011

	Governmental Funds Activity	Proprietary Funds Activity	Less Funds not Required to be Budgeted	Net
<b>Receipts</b>				
Property tax	\$ 1,047,664	-	-	1,047,664
Tax increment financing collection	81,611	-	-	81,611
Other city tax	305,041	-	-	305,041
Licenses and permits	8,723	-	-	8,723
Use of money and property	43,122	8,196	-	51,318
Intergovernmental	467,118	134,746	-	601,864
Charges for service	651,120	1,285,085	-	1,936,205
Miscellaneous	139,970	17,250	-	157,220
Total receipts	2,744,369	1,445,277	-	4,189,646
<b>Disbursements:</b>				
Program				
Public safety	794,277	-	-	794,277
Public works	735,269	-	-	735,269
Culture and recreation	530,008	-	-	530,008
Community and economic development	18,478	-	-	18,478
General government	156,690	-	-	156,690
Debt service	610,207	-	-	610,207
Capital projects	187,892	-	-	187,892
Business type activities	-	1,392,849	-	1,392,849
Total disbursements	3,032,821	1,392,849	-	4,425,670
Excess (deficiency) of receipts over disbursements	(288,452)	52,428	-	(236,024)
Other financing sources (uses)	420,954	(31,492)	-	389,462
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	132,502	20,936	-	153,438
Balance - beginning of year	1,199,996	587,600	-	1,787,596
Balance - end of year	\$ 1,332,498	608,536	-	1,941,034

See Accompanying Independent Auditor's Report

Budgeted Amounts

Original	Final	Final to Net Variance
995,479	995,479	\$ 52,185
79,500	79,500	2,111
336,324	336,324	(31,283)
33,575	33,575	(24,852)
50,200	50,200	1,118
413,897	600,897	967
1,895,937	1,895,937	40,268
147,853	177,103	(19,883)
<u>3,952,765</u>	<u>4,169,015</u>	<u>20,631</u>
758,422	801,122	6,845
766,606	774,606	39,337
553,250	567,250	37,242
35,860	35,860	17,382
180,610	164,110	7,420
360,492	371,492	(238,715)
274,338	274,338	86,446
<u>1,226,095</u>	<u>1,460,095</u>	<u>67,246</u>
4,155,673	4,448,873	23,203
(202,908)	(279,858)	43,834
-	140,000	249,462
(202,908)	(139,858)	293,296
<u>1,739,699</u>	<u>1,791,749</u>	<u>(4,153)</u>
<u><u>1,536,791</u></u>	<u><u>1,651,891</u></u>	<u><u>\$ 289,143</u></u>

CITY OF EAGLE GROVE, 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 ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted revenues by \$388,000 and budgeted disbursements by \$293,000. The budget amendment is reflected in the final budgeted amounts.

The City's debt service disbursements exceeded the amount budgeted for that function for the year ended June 30, 2011.

## Other Supplementary Information

CITY OF EAGLE GROVE, IOWA

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

AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue	
	SWWC EMS	Emergency
Receipts:		
Property tax	\$ -	16,909
Tax increment financing collections	-	-
Use of money and property	-	-
Intergovernmental	3,781	-
Miscellaneous	-	-
Total receipts	3,781	16,909
Disbursements:		
Operating:		
Public Safety	9,266	-
Community & economic development	-	-
Capital projects	-	-
Debt service	-	-
Total disbursements	9,266	-
Excess of receipts over disbursements	(5,485)	16,909
Other financing sources (uses):		
Bond proceeds	-	-
Operating transfers in	-	-
Operating transfers out	-	(16,909)
Total other financing sources (uses)	-	(16,909)
Net change in cash balances	(5,485)	-
Cash balances beginning of year	9,633	-
Cash balances end of year	\$ 4,148	-
<b>Cash Basis Fund Balances</b>		
Restricted:		
Nonspendable:		
Library fund	-	-
Cemetary perpetual care	-	-
Restricted for other purposes	4,148	-
Unassigned	-	-
Total cash basis fund balances	\$ 4,148	-

See Accompanying Independent Auditor's Report

Capital Projects			Permanent		Total
Capital Improvement	Museum Renovation	2010 Projects	Library	Cemetery	
42,273	-	-	-	-	\$ 59,182
-	-	-	-	-	-
684	-	-	-	-	684
1,500	-	-	-	-	5,281
12,511	-	-	-	2,740	15,251
56,968	-	-	-	2,740	80,398
4,001	-	-	-	-	13,267
-	-	-	-	-	-
-	31,446	65,198	-	-	96,644
-	-	-	-	-	-
4,001	31,446	65,198	-	-	109,911
52,967	(31,446)	(65,198)	-	2,740	(29,513)
-	-	103,078	-	-	103,078
-	31,500	-	-	-	31,500
-	-	-	-	-	(16,909)
-	31,500	103,078	-	-	117,669
52,967	54	37,880	-	2,740	88,156
89,186	-	-	45,700	51,160	195,679
142,153	54	37,880	45,700	53,900	\$ 283,835
-	-	-	45,700	-	45,700
-	-	-	-	53,900	53,900
-	-	-	-	-	4,148
142,153	54	37,880	-	-	180,087
142,153	54	37,880	45,700	53,900	\$ 283,835

CITY OF EAGLE GROVE, IOWA

Schedule 2

SCHEDULE OF INDEBTNESS

Year Ended June 30, 2011

Obligation	Date Issued	Interest Rate	Amount Original Issue	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation bonds									
Child Care Facility Capital Loan Note	November 1, 1999	4.75%	300,000	190,239	-	15,996	174,243	8,324	-
Essential Corporate Purpose	September 1, 2001	4.50-4.60%	515,000	125,000	-	60,000	65,000	5,690	-
GO Water Improvement Bonds	September 1, 2005	4.00%	315,000	157,500	-	31,500	126,000	6,300	-
General Obligation LOST Bonds	June 1, 2006	4.10-4.65%	2,500,000	2,145,000	-	95,000	2,050,000	93,148	-
Essential Corporate Purpose	November 21, 2005	4.00%	475,000	246,923	103,077	-	350,000	13,093	-
General Obligation Aquatic Center	November 20, 2006	0.00%	300,000	199,994	-	33,335	166,659	-	-
				<u>3,064,656</u>	<u>103,077</u>	<u>235,831</u>	<u>2,931,902</u>	<u>126,555</u>	<u>-</u>
Revenue bonds and notes									
Water Revenue Capital Loan Notes	September 1, 2001	4.70-4.80%	500,000	\$ 120,000	\$ -	\$ 60,000	\$ 60,000	\$ 5,700	\$ -
SRF Loan	June 1, 2000	3.00%	500,000	298,000	-	25,000	273,000	10,311	-
SRF Loan	June 17, 2003	3.00%	1,725,000	1,342,000	-	71,000	1,271,000	40,260	-
SRF Loan	August 25, 2004	3.00%	379,000	151,000	-	17,000	134,000	4,530	-
				<u>1,911,000</u>	<u>-</u>	<u>173,000</u>	<u>1,738,000</u>	<u>60,801</u>	<u>-</u>

See Accompanying Independent Auditor's Report

CITY OF EAGLE GROVE, IOWA

Schedule 3

SCHEDULE OF BOND and NOTE MATURITIES

June 30, 2011

Year Ending June 30,	Capital Loan Note Issued 11-1-99		Essential Corporate Purpose Issued 9-1-01		Water Meter Improvement Bonds Issued 9-1-05		General Obligation LOST Bonds Issued 3-1-06		General Obligation Aquatic Center Issued 11-20-06		Total
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	
2012	4.75	16,018	4.60	65,000	4.00	31,500	4.10	100,000	0.00	33,333	245,851
2013	4.75	16,779	-	-	4.00	31,500	4.10	105,000	0.00	33,333	186,612
2014	4.75	17,576	-	-	4.00	31,500	4.10	110,000	0.00	33,333	192,409
2015	4.75	18,411	-	-	4.00	31,500	4.10	115,000	0.00	33,333	198,244
2016	4.75	19,285	-	-	-	-	4.15	120,000	0.00	33,327	172,612
2017	4.75	20,201	-	-	-	-	4.20	120,000	-	-	140,201
2018	4.75	21,161	-	-	-	-	4.25	130,000	-	-	151,161
2019	4.75	22,166	-	-	-	-	4.30	135,000	-	-	157,166
2020	4.75	22,646	-	-	-	-	4.35	140,000	-	-	162,646
2021	-	-	-	-	-	-	4.40	145,000	-	-	145,000
2022	-	-	-	-	-	-	4.45	150,000	-	-	150,000
2023	-	-	-	-	-	-	4.50	160,000	-	-	160,000
2024	-	-	-	-	-	-	4.55	165,000	-	-	165,000
2025	-	-	-	-	-	-	4.60	175,000	-	-	175,000
2026	-	-	-	-	-	-	4.65	180,000	-	-	180,000
		<u>\$ 174,243</u>		<u>\$ 65,000</u>		<u>\$ 126,000</u>		<u>\$ 2,050,000</u>		<u>\$ 166,659</u>	<u>\$ 2,581,902</u>

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Revenue Bonds and Notes									
Year Ending June 30,	Water Revenue Capital Loan Notes Issued 9-1-01		Sewer Revenue Capital Loan Note Issued 6-1-00		SRF Loan Funds Issued 6/17/03		SRF Loan Funds Issued 8/25/04		Total
	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	
2012	4.80	60,000	3.00	26,000	3.00	73,000	3.00	17,000	176,000
2013	-	-	3.00	27,000	3.00	76,000	3.00	18,000	121,000
2014	-	-	3.00	28,000	3.00	78,000	3.00	18,000	124,000
2015	-	-	3.00	29,000	3.00	81,000	3.00	19,000	129,000
2016	-	-	3.00	30,000	3.00	83,000	3.00	20,000	133,000
2017	-	-	3.00	31,000	3.00	86,000	3.00	21,000	138,000
2018	-	-	3.00	33,000	3.00	88,000	3.00	21,000	142,000
2019	-	-	3.00	34,000	3.00	91,000	-	-	125,000
2020	-	-	3.00	35,000	3.00	95,000	-	-	130,000
2021	-	-	-	-	3.00	124,000	-	-	124,000
2022	-	-	-	-	3.00	128,000	-	-	128,000
2023	-	-	-	-	3.00	132,000	-	-	132,000
2024	-	-	-	-	3.00	136,000	-	-	136,000
2025	-	-	-	-	-	-	-	-	-
2026	-	-	-	-	-	-	-	-	-
		<u>\$ 60,000</u>		<u>\$ 273,000</u>		<u>\$ 1,271,000</u>		<u>\$ 134,000</u>	<u>\$ 1,738,000</u>

See Accompanying Independent Auditor's Report

CITY OF EAGLE GROVE, IOWA

Schedule 4

Schedule of Receipts by Source and Disbursements by Function  
 All Governmental Funds  
 For the Last Eight Years

	2011	2010	2009	2008	2007	2006	2005	2004
<b>Receipts</b>								
Property tax	\$ 1,047,664	1,026,590	1,100,675	1,084,933	1,097,062	1,064,063	1,050,882	1,150,736
Tax increment financing collection	81,611	53,654	75,507	47,521	44,294	56,485	78,500	61,724
Other city tax	305,041	324,008	297,892	300,410	289,533	68,777	64,892	251,652
Licenses and permits	8,723	7,300	33,553	32,469	30,796	38,656	38,378	32,054
Use of money and property	43,122	43,036	52,549	74,903	105,947	50,603	47,470	41,314
Intergovernmental	467,118	431,493	435,738	552,085	651,145	394,993	449,111	409,818
Charges for service	651,120	617,574	649,064	601,275	569,611	553,453	497,300	411,863
Miscellaneous	139,970	96,936	135,158	154,255	265,767	182,469	134,041	55,482
<b>Total receipts</b>	<b>\$ 2,744,369</b>	<b>2,600,591</b>	<b>2,780,136</b>	<b>2,847,851</b>	<b>3,054,155</b>	<b>2,409,499</b>	<b>2,360,574</b>	<b>2,414,643</b>
<b>Disbursements:</b>								
<b>Operating:</b>								
Public safety	\$ 794,277	773,820	793,852	755,112	711,717	787,370	811,948	599,609
Public works	735,269	774,287	810,273	726,521	670,080	693,366	714,875	607,209
Culture and recreation	530,008	527,724	519,750	491,028	401,762	392,670	394,812	381,035
Community and economic development	18,478	10,492	11,731	205,348	193,934	76,388	89,238	32,707
General government	156,690	202,070	160,911	145,341	136,304	135,944	202,889	376,832
Debt service	610,207	360,764	479,369	401,932	376,893	744,787	171,146	223,397
Capital projects	187,892	237,287	92,946	273,042	2,704,985	774,203	874,038	1,462,683
<b>Total disbursements</b>	<b>\$ 3,032,821</b>	<b>2,886,444</b>	<b>2,868,832</b>	<b>2,998,324</b>	<b>5,195,675</b>	<b>3,604,728</b>	<b>3,258,946</b>	<b>3,683,472</b>

See Accompanying Independent Auditor's Report



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

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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 Eagle Grove, 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 January 16, 2012. 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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and 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 that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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

and Questioned Costs to be a material weakness in internal control over financial reporting.

### Compliance and Other Matters

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

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 of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

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

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

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

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

January 16, 2012

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

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

- (a) Unqualified opinions were issued on financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

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

**SIGNIFICANT DEFICIENCIES:**

II-A-11      Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties, which are incompatible. We noted that the cash receipt listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all performed by the same person.

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

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

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

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

III-A-11 Certified Budget – Disbursements were within budgeted limits for all programs for the year ended June 30, 2011.

Criteria – Chapter 384.20 of the Code of Iowa states in part, “Public Monies may not be expended or encumbered except under a continuing appropriation.”

Cause – The City refinanced certain long-term bonds causing a budget over expenditure.

Effect – The City did not comply with Chapter 384.20 of the Code of Iowa.

Recommendation – The City should amended its budget in accordance with the Code of Iowa prior to allowing disbursements to exceed the amount budgeted.

Response – We will amend our budget in the future if necessary.

Conclusion – Response accepted.

III-B-11 Questionable Disbursement - We noted no questionable disbursements in regard to the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-11 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

III-D-11 Business Transactions - Business transactions between the City and its officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Matt Jergens, Councilman/Owner of Oldson’s Inc.	Repair work	\$ 5,183

Criteria - Chapter 362.5(10) of the Code of Iowa prohibits any city officer or employee from having a contract or job of work with the City. Exceptions are made to this regulation if the total annual purchase is less than \$1,500, or if the work was contracted under a competitive

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2011

bid. The transactions with Councilman Jergens appear to be in violation of the Iowa Code, and are not covered under either of the aforementioned exceptions.

Cause – There are a limited number of merchants who are able to provide the services needed.

Effect – Failure to bid the work properly may result in the City paying too much for a service, thereby failing to adequately fulfill their obligation to expend public money properly.

Recommendation – The City should consult with their attorney to see what action, if any, needs to be taken to remedy this situation.

Response – We will consult with our attorney to determine what if any action should be taken.

Conclusion – Response accepted.

- III-E-11 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- III-F-11 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-11 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.
- III-H-11 Revenue Bonds and Notes – The city has complied with all revenue bond and note resolutions.