

CITY OF EAGLE GROVE, IOWA

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

JUNE 30, 2012

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

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CITY OF EAGLE GROVE, IOWA
OFFICIALS

June 30, 2012

<u>Title</u>	<u>Name of Official</u>	<u>Term Expires</u>
Mayor	Darrell Determann	December 2013
Council Person	Wally Lorenzen	December 2013
Council Person	Dennis Vandewater	December 2015
Council Person	Sandy McGrath	December 2015
Council Person	Josh Schlid	December 2013
Council Person	Kendall Johnson	December 2013
Council Person	Tony Axtell	December 2015
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

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, 2012, 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, 2012, 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, 2013, 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.

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 nine years ended June 30, 2011 (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. 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 is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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. Management's Discussion and Analysis and the budgetary comparison information on pages 4 through 9 and 24 and 25 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

January 16, 2013

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, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 38%, or approximately \$1,269,000, from fiscal 2011 to fiscal 2012. The increase resulted from increased bonds issued.
- Disbursements increased 33%, or approximately \$1,020,000, in fiscal 2012 from fiscal 2011 mainly due to increased public works projects and debt service payments.
- The City's total cash basis net assets increased 23%, or approximately \$458,000 from June 30, 2011 to June 30, 2012. The City's governmental activities cash balance increased \$440,000 while its business type activities increased approximately \$18,000.

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.

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

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

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.

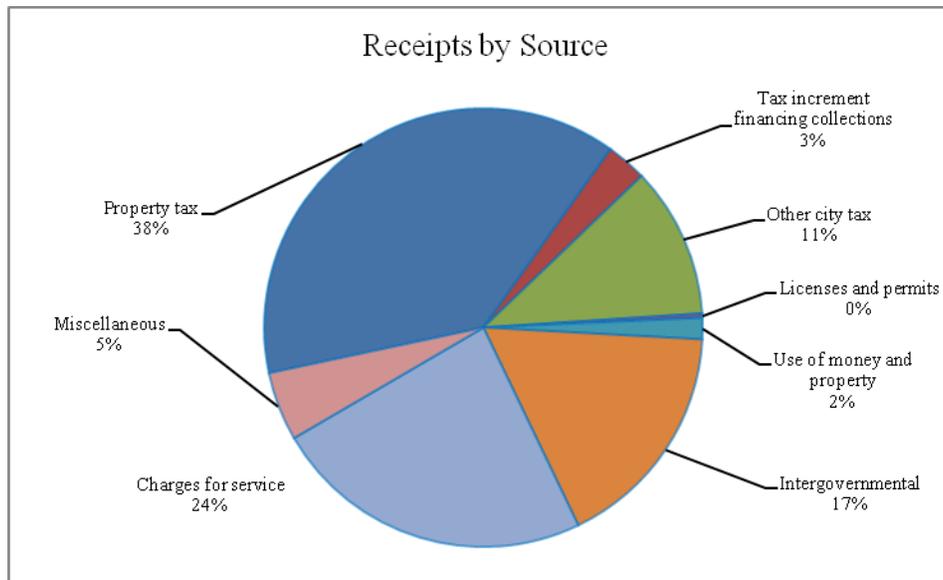
Reconciliations between the government-wide statement and the fund financial statements follow the fund financial statements.

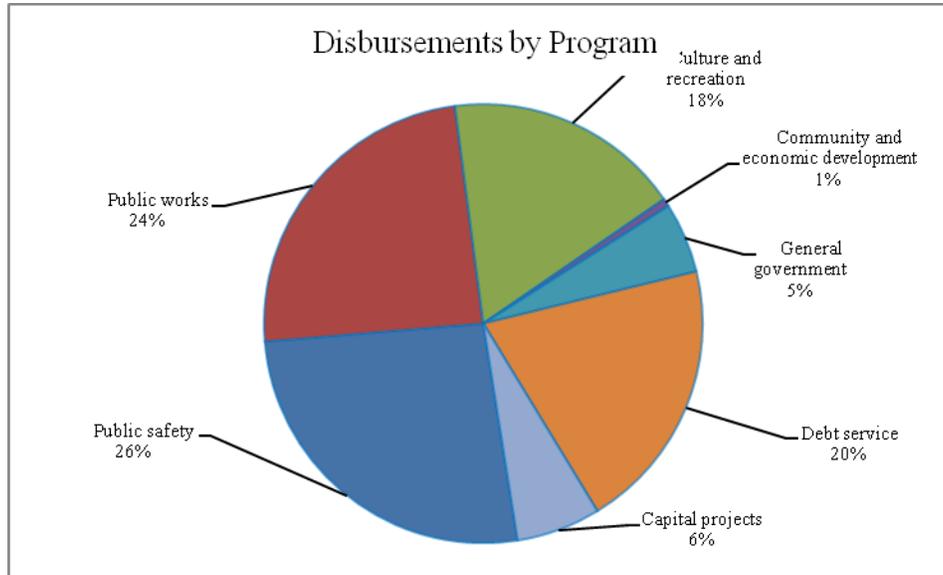
GOVERNMENT-WIDE FINANCIAL ANALYSIS

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,	
	2012	2011
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 598	651
Operating grants, contributions and restricted interest	449	479
Capital grants, contributions and restricted interest	84	115
General receipts		
Property tax	1,118	1,048
Tax increment financing	74	82
Local option sales tax	375	278
Unrestricted investment earnings	10	12
Bond proceeds	3,395	350
Payment to bond refunding escrow agent	(1,813)	-
Sale of assets	-	39
Other general receipts	260	225
Transfer in	34	38
Total receipts and transfers	4,584	3,317
Disbursements:		
Public safety	873	889
Public works	868	738
Health and social services	5	-
Culture and recreation	587	527
Community and economic development	23	19
General government	150	156
Debt service	1,171	610
Capital projects	467	188
Total disbursements	4,144	3,127
Increase (decrease) in cash basis net assets	440	190
Cash basis net assets beginning of year	1,454	1,264
Cash basis net assets end of year	\$ 1,894	1,454





The City's total receipts for governmental activities increased by 38%, or approximately \$1,267,000. The total cost of all governmental programs and services increased by approximately \$1,017,000, or 33%.

The cost of all governmental activities this year was \$4.1 million compared to \$3.1 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 \$3.0 million because some of the cost was paid by those who directly benefited from the programs (\$598,000) or by other governments and organizations that subsidized certain programs with grants, contributions, and restricted interest (\$533,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, decreased in 2012 from approximately \$1.2 million to approximately \$1.1 million. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$1,567,000 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,	
	2012	2011
Receipts:		
Charges for service:		
Water	\$ 684	681
Sewer rental	553	550
Other	15	11
General receipts:		
Unrestricted interest on investments	5	8
Operating grants	-	7
Other	-	-
Total receipts	1,257	1,257
Disbursements and transfers:		
Water	715	648
Sewer rental	480	601
Other	10	7
Transfers	34	38
Total disbursements and transfers	1,239	1,294

Increase (decrease) in cash balance	18	(37)
Cash basis net assets beginning of year	486	523
Cash basis net assets end of year	<u>504</u>	<u>486</u>

Total business type activities receipts for the fiscal year 2012 were approximately \$1.3 million, no change from receipts in FY 2011. The cash balance increased by approximately \$18,000 from the prior year. Total disbursements for the fiscal year decreased approximately \$55,000 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 \$1,884,191, an increase of approximately \$552,000 from last year’s total of \$1,332,498. 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 \$283,519 from the prior year to approximately \$319,000 as planned during budgeting.
- The 2012 Projects Fund cash balance increased by \$345,245 during the fiscal year due to bonding for planned construction projects.
- The DD94 and Sanitary Sewer Fund (capital project) increased by \$450,107. This resulted from bonding for the upcoming construction project.
- The Debt Service Fund has a balance of \$2,632, a decrease of \$14,804 from fiscal year 2011. The decrease resulted from borrowing activities completed during the year ended June 30, 2012.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance decreased by \$53,473 to \$55,959. The decrease is mainly due to capital projects in the water department.
- The Sewer Fund cash balance increased by \$59,414 to \$352,588, due primarily to a decrease in equipment and repair costs needed on the system.
- The Meter Deposit fund cash balance increased modestly \$4,263 to \$67,299 at June 30, 2012 as a result of regular utility operations.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time. The amendment was approved in May 2012 and resulted in an increase in other financing sources of \$835,000 and an increase in expenditures and transfers out of \$1,005,000.

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

DEBT ADMINISTRATION

At June 30, 2012, the City had approximately \$5,155,000 in bonds and other long-term debt, compared to approximately \$4,670,000 last year, as shown below.

<hr/> Outstanding Debt at Year-End (Expressed in Thousands)	<hr/> Year ended June 30,
--	---------------------------

	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 3,593	2,932
Revenue notes	<u>1,562</u>	<u>1,738</u>
Total	<u>\$ 5,155</u>	<u>4,670</u>

Debt increased during the year ended June 30, 2012. The City borrowed additional funds to fund street construction, sanitary sewer, storm sewer, sidewalk, and water system improvements. The City also refunded some older bonds to take advantage of lower interest rates.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,593,000 is within its constitutional debt limit of \$5.237 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 2013 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.

Another concern is proposed changes to the property tax system. It has been brought up in the last two legislative sessions and will be brought up again. It is very probable that any changes made will have an adverse effect on the amount of money the City will be able to generate from property taxes. Public Safety and Culture and Recreation program areas are mainly funded by property taxes.

Many of the City's expenditures such as rising fuel costs, vehicle repairs and maintenance and the costs of staffing the ambulance department increased notably during the year. These types of increases have been taken into account in setting the fiscal year 2013 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, 2012

	Program Receipts				Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
	Disbursements	Charges for Service	Operating Grants Contributions and Restricted Interest	Capital Grants Contributions and Restricted Interest	Governmental Activities	Business type Activities	Total
Functions/Programs							
Primary Government							
Governmental activities:							
Public safety	\$ 873,582	192,264	27,865	-	(653,453)	-	(653,453)
Public works	868,015	330,826	375,200	83,990	(77,999)	-	(77,999)
Health and social services	5,230	-	-	-	(5,230)	-	(5,230)
Culture and recreation	586,583	74,703	44,518	-	(467,362)	-	(467,362)
Community and economic development	23,207	-	-	-	(23,207)	-	(23,207)
General government	149,720	-	-	-	(149,720)	-	(149,720)
Debt service	1,171,278	-	-	-	(1,171,278)	-	(1,171,278)
Capital projects	466,717	-	1,800	-	(464,917)	-	(464,917)
Total governmental activities	4,144,332	597,793	449,383	83,990	(3,013,166)	-	(3,013,166)
Business type activities							
Water	714,550	684,596	-	-	-	(29,954)	(29,954)
Sewer	479,716	552,764	-	-	-	73,048	73,048
Other	10,487	14,750	-	-	-	4,263	4,263
Total business type activities	1,204,753	1,252,110	-	-	-	47,357	47,357
Total primary government	5,349,085	1,849,903	449,383	83,990	(3,013,166)	47,357	(2,965,809)
General Receipts:							
Property tax levied for:							
General purposes					\$ 1,118,289	-	1,118,289
Tax increment financing					74,112	-	74,112
Local option sales tax					374,718	-	374,718
Unrestricted interest on investments					9,818	5,224	15,042
Bond Proceeds					1,550,000	-	1,550,000
Refunding bond proceeds					1,845,000	-	1,845,000
Payment to escrow agent					(1,813,520)	-	(1,813,520)
Miscellaneous					260,354	-	260,354
Operating transfers in (out)					34,020	(34,020)	-
Total general receipts and transfers					3,452,791	(28,796)	3,423,995
Change in cash basis net assets					439,625	18,561	458,186
Cash beginning of year					1,454,717	486,317	1,941,034
Cash end of year					1,894,342	504,878	2,399,220
Cash Basis Net Assets:							
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	267,411	284,847
Other purposes					49,774	-	49,774
Unrestricted					1,344,835	237,467	1,582,302
See Notes to Financial Statements					\$ 1,894,342	504,878	2,399,220

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, 2012

	<u>Capital Projects</u>			
	General	2012 Projects	DD#94 and Sanitary Sewer	Debt Service
Receipts:				
Property tax	\$ 575,287	-	-	123173
Tax increment financing collections	-	-	-	-
Other city tax	26,664	-	-	-
Licenses and permits	8,255	-	-	-
Use of money and property	39,290	88	26	-
Intergovernmental	103,951	-	83,989	-
Charges for service	340,883	-	-	-
Special assessments	-	-	-	-
Miscellaneous	71,584	-	-	74739
Total receipts	<u>1,165,914</u>	<u>88</u>	<u>84,015</u>	<u>197,912</u>
Disbursements:				
Operating:				
Public safety	677,501	-	-	-
Public works	98,658	-	-	-
Health and social services	5,230	-	-	-
Culture and recreation	482,996	-	-	-
Community and economic development	22,351	-	-	-
General government	112,238	-	-	-
Debt service	-	-	-	1,130,914
Capital projects	-	41,898	137,604	-
Total disbursements	<u>1,398,974</u>	<u>41,898</u>	<u>137,604</u>	<u>1,130,914</u>
Excess (deficiency) of receipts over (under) disbursements	(233,060)	(41,810)	(53,589)	(933,002)
Other financing sources (uses):				
Bond proceeds	-	435,055	500,000	614,945
Proceeds of refunding bonds	-	-	-	1,845,000
Payment to refunding escrow agent	-	-	-	(1,813,520)
Operating transfers in	49,886	-	3,696	271,773
Operating transfers out	(100,345)	(48,000)	-	-
Total other financing sources (uses)	<u>(50,459)</u>	<u>387,055</u>	<u>503,696</u>	<u>918,198</u>
Net change in cash balances	(283,519)	345,245	450,107	(14,804)
Cash balances beginning of year	602,904	-	-	17,436
Cash balances end of year	<u>\$ 319,385</u>	<u>345,245</u>	<u>450,107</u>	<u>2,632</u>
Cash Basis Fund Balances				
Nonspendable:				
Library fund	-	-	-	-
Cemetery perpetual care	-	-	-	-
Restricted for:				
Streets	-	-	-	-
Employee benefits	-	-	-	-
LOST	-	-	-	-
Debt service fund	-	-	-	2,632
Other purposes	-	345,245	450,107	-
Assigned	-	-	-	-
Unassigned	319,385	-	-	-
Total cash basis fund balances	<u>\$ 319,385</u>	<u>345,245</u>	<u>450,107</u>	<u>2,632</u>

See Notes to Financial Statements

Exhibit B

Other Nonmajor Governmental Funds	Total
419,829	1,118,289
74,112	74,112
374,718	401,382
-	8,255
2,379	41,783
345,433	533,373
256,910	597,793
-	-
42,550	188,873
<u>1,515,931</u>	<u>2,963,860</u>
203,727	881,228
639,547	738,205
-	5,230
108,587	591,583
856	23,207
37,982	150,220
40,364	1,171,278
287,214	466,716
<u>1,318,277</u>	<u>4,027,667</u>
197,654	(1,063,807)
-	1,550,000
-	1,845,000
-	(1,813,520)
143,742	469,097
(286,732)	(435,077)
<u>(142,990)</u>	<u>1,615,500</u>
54,664	551,693
712,158	1,332,498
<u>766,822</u>	<u>\$ 1,884,191</u>
45,700	45,700
54,800	54,800
115,558	115,558
75,282	75,282
178,464	178,464
-	2,632
297,018	1,092,370
-	-
-	319,385
<u>766,822</u>	<u>1,884,191</u>

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, 2012

Total governmental funds cash balances \$ 1,884,191

*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.

10,151

Cash basis net assets of governmental activities

1,894,342

Net change in cash balances

551,693

*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.

(112,068)

Change in cash balance of governmental activities

\$ 439,625

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, 2012

	Enterprise Funds			
	Water	Sewer	Non-major - Meter Deposits	Total
Operating receipts:				
Charges for service	\$ 684,596	552,764	14,750	\$ 1,252,110
Total operating receipts	684,596	552,764	14,750	1,252,110
Operating disbursements:				
Business type activities	483,307	301,754	10,487	795,548
Total operating disbursements	483,307	301,754	10,487	795,548
Excess of operating receipts over operating disbursements	201,289	251,010	4,263	456,562
Non-operating receipts (disbursements):				
Intergovernmental	\$ -	-	-	-
Interest on investments	1,484	3,474	-	4,958
Miscellaneous	-	-	-	-
Debt service	(63,130)	(169,989)	-	(233,119)
Sale of assets	-	-	-	-
Capital projects	(172,704)	(11,473)	-	(184,177)
Total non-operating receipts (disbursements)	(234,350)	(177,988)	-	(228,161)
Excess (deficiency) of receipts and non-operating receipts over (under) disbursements and non-operating disbursemen	(33,061)	73,022	4,263	228,401
Other financing (uses)				
Operating transfers out	(20,412)	(13,608)	-	(34,020)
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(53,473)	59,414	4,263	10,204
Cash balances beginning of year	109,432	293,174	63,036	465,642
Cash balances end of year	\$ 55,959	\$ 352,588	\$ 67,299	\$ 475,846
Cash Basis Fund Balances				
Restricted for debt service	-	200,112	67,299	267,411
Unrestricted	55,959	152,476	-	208,435
Total cash basis fund balances	\$ 55,959	\$ 352,588	\$ 67,299	\$ 475,846

See Notes to Financial Statements

Exhibit D

Internal Service Funds			
	Employee Health	Equipment Replacement	Total
\$	8,000	42,500	\$ 50,500
	8,000	42,500	50,500
	7,818	153,810	161,628
	7,818	153,810	161,628
	182	(111,310)	(111,128)
	-	2,555	2,555
	-	533	533
	-	-	-
	-	-	-
	-	4,329	4,329
	-	-	-
	-	7,417	7,417
	182	(103,893)	(103,711)
	-	-	-
	182	(103,893)	(103,711)
	2,069	140,825	142,894
\$	2,251	36,932	\$ 39,183
	-	-	-
	2,251	36,932	39,183
\$	2,251	\$ 36,932	\$ 39,183

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, 2012

Total enterprise funds cash balances	\$ 475,846
---	------------

Amounts reported for business-type activities in the Statement of Activities and Net Assets are different because:

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

29,032

Cash basis net assets of business type activities

504,878

Net change in cash balances

10,204

Amounts reported for business-type activities in the Statement of Activities and Net Assets are different because:

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

8,357

Change in cash balance of business-type activities

\$ 18,561

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.

Capital Projects:

The 2012 Projects Fund is used to account for the receipts and disbursements associated with the planned capital projects for 2012.

The DD#94 and Sanitary Sewer Fund is used to account for the receipts and disbursements associated with the planned drainage district and sanitary sewer capital project.

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

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

distribution system. It also accounts for the payment of interest and principal on the City's Water Revenue Loan Notes.

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.

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:

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

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 Other Information. During the year ended June 30, 2012, disbursements exceeded the amounts budgeted in the debt service function.

(2) **Cash and Investments**

The City's deposits at June 30, 2012 (which include certificates of deposit totaling \$1,003,950) 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 \$537,090 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The City's investment in the Iowa Public Agency Investment Trust is unrated.

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

(3) **Bonds and Notes Payable**

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

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

Year Ending	General Obligation		Revenue Notes		Total Debt	
<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	293,333	150,165	121,000	46,860	414,333	197,025
2014	293,333	137,288	124,000	43,230	417,333	180,518
2015	323,334	58,642	129,000	39,510	452,334	98,152
2016	298,325	54,523	133,000	35,640	431,325	90,163
2017	265,000	50,553	138,000	31,650	403,000	82,203
2018-2022	1,310,000	182,023	649,000	95,450	1,959,000	277,473
2023-2027	810,000	49,298	268,000	11,810	1,078,000	61,108
	<u>3,593,325</u>	<u>682,492</u>	<u>1,562,000</u>	<u>304,150</u>	<u>5,155,325</u>	<u>986,642</u>

Revenue Notes

The City had Water Revenue Notes that were payable solely from water customer net receipts. These notes were paid in full during fiscal year 2012. For the current year, principal and interest paid and total customer net receipts were \$63,130 and \$201,289, 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 \$1,866,150. For the current year, principal and interest paid and total customer net receipts were \$169,989 and \$251,010 respectively.

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

- a. The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- b. Sufficient monthly transfers shall be made to separate Sewer and Water sinking funds for the purpose of making the notes' principal and interest payments when due.
- c. Transfers of 25% of the monthly sewer sinking fund deposit to sewer revenue reserve fund shall be made until the maximum principal and interest due in any year under the SRF loans has been accumulated, approximately \$180,000. This fund was 100% funded as of June 30, 2012 and is restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.
- d. 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.

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

A summary of changes in long-term debt for the year ended June 30, 2012 is as follows:

	G.O. Bonds	Revenue Bonds	
Balance, beginning of year	\$ 2,931,902	1,738,000	4,669,902
Additions	3,395,000	-	3,395,000
Decreases	2,733,579	176,000	2,909,579
Balance, end of year	3,593,323	1,562,000	5,155,323

Interest rates on the general obligation bonds range from 0.00-4.65%. The interest rate on the City's outstanding revenue bonds was 3% as of June 30, 2012. The outstanding revenue bonds as of June 30, 2012 were refunded in August of 2012.

(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 5.38% of their annual covered salary and the City is required to contribute 8.07% of annual covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contribution to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$97,164, \$83,015, and \$79,262, 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 20 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 City has two plans available for members to choose from. The most recent active member monthly premiums for the City and

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

plan members are \$465 and \$630 for single coverage and \$929 and \$1,575 for family coverage for a high deductible plan and a low deductible plan, respectively. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$271,583 and plan members contributed \$33,566 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, 2012, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount June 30, 2012</u>
Sick pay	\$ 184,669
Vacation pay and personal days	<u>60,851</u>
Total	<u>\$ 245,520</u>

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

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

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

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

(7) Interfund Transfers

The detail of interfund transfers, for the year ended June 30, 2012 is as follows:

Transfer In	Transfer From	Amount
General	Special Revenue Fund	
	Emergency	\$ 17,185
	TIF	25,000
	General (Fire Savings)	344
	Solid Waste	<u>7,357</u>
	Total General	49,886
Museum Project Fund	TIF	43,742

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

Debt Service	LOST	189,753
	Capital Projects	48,000
	Water	20,412
	Sewer	13,608
	Total Debt Service	<u>271,773</u>
Drainage District #94	LOST	3,696
TIF	General	100,000
		<u>\$ 469,097</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, 2012, the City of Eagle Grove paid the Authority \$6,286 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.

(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.

CITY OF EAGLE GROVE, IOWA

NOTES TO FINANCIAL STATEMENTS

(11) Subsequent Events

The City of Eagle Grove has been awarded a grant funded by the State of Iowa and the federal government. It is anticipated the City will receive \$2,662,517 in grant dollars to assist in completing drainage district repairs and to make needed improvements to its sanitary sewer system. The total cost of the project is expected to be \$3,132,374 and will require the City to pay a 15% local match, \$469,857. The work on the project must be completed by November 17, 2013 under terms of the grant award.

In August 2012, the city issued \$1,596,375 in Sewer Revenue Bonds in order to refund any outstanding obligations from the Sewer Capital Loan Notes issued and dated June 16, 2000, June 17, 2003, and August 2, 2004. The 2012 Sewer Revenue Refunding Notes will reduce the interest rate being paid by the City from 3% to 2.5%.

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through December 17, 2012, the date the financial statements were issued.

Other 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

OTHER INFORMATION
Year Ended June 30, 2012

	Governmental Funds Activity	Proprietary Funds Activity	Less Funds not Required to be Budgeted	Net
Receipts				
Property tax	\$ 1,118,289	-	-	1,118,289
Tax increment financing collection	74,112	-	-	74,112
Other city tax	401,382	-	-	401,382
Licenses and permits	8,255	-	-	8,255
Use of money and property	41,783	5,491	-	47,274
Intergovernmental	533,373	2,555	-	535,928
Charges for service	597,793	1,302,610	-	1,900,403
Miscellaneous	188,873	-	-	188,873
Total receipts	2,963,860	1,310,656	-	4,274,516
Disbursements:				
Program				
Public safety	881,228	-	-	881,228
Public works	738,205	-	-	738,205
Health and social services	5,230	-	-	5,230
Culture and recreation	591,583	-	-	591,583
Community and economic development	23,207	-	-	23,207
General government	150,220	-	-	150,220
Debt service	1,171,278	-	-	1,171,278
Capital projects	466,716	-	-	466,716
Business type activities	-	1,374,472	-	1,374,472
Total disbursements	4,027,667	1,374,472	-	5,402,139
Excess (deficiency) of receipts over disbursements	(1,063,807)	(63,816)	-	(1,127,623)
Other financing sources (uses)	1,615,500	(29,691)	-	1,585,809
Excess (disbursements) of receipts and other financing sources over (under) disbursements and other financing uses	551,693	(93,507)	-	458,186
Balance - beginning of year	1,332,498	608,536	-	1,941,034
Balance - end of year	\$ 1,884,191	515,029	-	2,399,220

See Accompanying Independent Auditor's Report

Budgeted Amounts

Original	Final	Final to Net Variance
1,074,322	1,074,322	\$ 43,967
76,278	76,278	(2,166)
325,922	325,922	75,460
33,450	33,450	(25,195)
44,200	44,200	3,074
1,842,506	1,842,506	(1,306,578)
1,988,500	1,988,500	(88,097)
319,279	319,279	(130,406)
<u>5,704,457</u>	<u>5,704,457</u>	<u>(1,429,941)</u>
850,030	914,530	33,302
759,975	769,975	31,770
-	6,000	770
552,668	593,668	2,085
15,910	24,410	1,203
159,645	159,645	9,425
398,662	1,073,662	(97,616)
2,030,000	2,030,000	1,563,284
1,375,760	1,415,760	41,288
<u>6,142,650</u>	<u>6,987,650</u>	<u>1,585,511</u>
(438,193)	(1,283,193)	155,570
<u>505,500</u>	<u>1,180,500</u>	<u>405,309</u>
67,307	(102,693)	560,879
<u>1,499,898</u>	<u>1,499,898</u>	<u>441,136</u>
<u><u>1,567,205</u></u>	<u><u>1,397,205</u></u>	<u><u>\$ 1,002,015</u></u>

CITY OF EAGLE GROVE, IOWA

NOTES TO OTHER INFORMATION – BUDGETARY REPORTING

June 30, 2012

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 and the Enterprise Funds. Although the budget document presents functional 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 \$835,000 and budgeted disbursements by \$1,005,000. 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, 2012.

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, 2012

	Special Revenue			
	Road Use Tax	Employee Benefits	Solid Waste	TIF
Receipts:				
Property tax	\$ -	\$ 359,681	\$ -	\$ -
Tax increment financing collections	-	-	-	74,112
Other city tax	-	-	-	-
Use of money and property	-	-	-	-
Intergovernmental	339,852	-	-	-
Charges for service	-	-	256,910	-
Miscellaneous	-	35,486	-	-
Total receipts	339,852	395,167	256,910	74,112
Disbursements:				
Operating:				
Public Safety	-	201,144	-	-
Public Works	328,569	46,182	264,796	-
Culture & Recreation	-	108,587	-	-
Community & economic development	-	638	-	218
General government	-	37,982	-	-
Capital projects	-	-	-	-
Debt service	-	-	-	40,364
Total disbursements	328,569	394,533	264,796	40,582
Excess of receipts over disbursements	11,283	634	(7,886)	33,530
Other financing sources (uses):				
Bond proceeds	-	-	-	-
Bonds issued	-	-	-	-
Operating transfers in	-	-	-	100,000
Operating transfers out	-	-	(7,357)	(68,742)
Total other financing sources (uses)	-	-	(7,357)	31,258
Net change in cash balances	11,283	634	(15,243)	64,788
Cash balances beginning of year	104,275	74,648	17,685	27,941
Cash balances end of year	\$ 115,558	\$ 75,282	\$ 2,442	\$ 92,729
Cash Basis Fund Balances				
Restricted:				
Nonspendable:				
Library fund	-	-	-	-
Cemetery perpetual care	-	-	-	-
Streets	115,558	-	-	-
Employee benefits	-	75,282	-	-
LOST	-	-	-	-
Restricted for other purposes	-	-	2,442	92,729
Total cash basis fund balances	\$ 115,558	75,282	2,442	92,729

See Accompanying Independent Auditor's Report

LOST	SWWC EMS	Emergency	Capital Projects			Permanent		Total
			Capital Improvement	Museum Renovation	2010 Projects	Library	Cemetery	
\$ -	\$ -	17,185	42,963	-	-	-	-	\$ 419,829
-	-	-	-	-	-	-	-	74,112
374,718	-	-	-	-	-	-	-	374,718
1,353	-	-	1,026	-	-	-	-	2,379
-	3,781	-	1,800	-	-	-	-	345,433
-	-	-	-	-	-	-	-	256,910
-	-	-	6,164	-	-	-	900	42,550
376,071	3,781	17,185	51,953	-	-	-	900	1,515,931
-	2,583	-	-	-	-	-	-	203,727
-	-	-	-	-	-	-	-	639,547
-	-	-	-	-	-	-	-	108,587
-	-	-	-	-	-	-	-	856
-	-	-	-	-	-	-	-	37,982
207,933	-	-	33,245	43,705	2,331	-	-	287,214
-	-	-	-	-	-	-	-	40,364
207,933	2,583	-	33,245	43,705	2,331	-	-	1,318,277
168,138	1,198	17,185	18,708	(43,705)	(2,331)	-	900	197,654
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	43,742	-	-	-	143,742
(193,448)	-	(17,185)	-	-	-	-	-	(286,732)
(193,448)	-	(17,185)	-	43,742	-	-	-	(142,990)
(25,310)	1,198	-	18,708	37	(2,331)	-	900	54,664
203,774	4,148	-	142,153	54	37,880	45,700	53,900	712,158
\$ 178,464	5,346	-	160,861	91	35,549	45,700	54,800	\$ 766,822
-	-	-	-	-	-	45,700	-	45,700
-	-	-	-	-	-	-	54,800	54,800
-	-	-	-	-	-	-	-	115,558
-	-	-	-	-	-	-	-	75,282
178,464	-	-	-	-	-	-	-	178,464
-	5,346	-	160,861	91	35,549	-	-	297,018
178,464	5,346	-	160,861	91	35,549	45,700	54,800	\$ 766,822

CITY OF EAGLE GROVE, IOWA

Schedule 2

SCHEDULE OF INDEBTNESS

Year Ended June 30, 2012

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	174,243	-	174,243	-	12,764	-
Essential Corporate Purpose	September 1, 2001	4.50-4.60%	515,000	65,000	-	65,000	-	3,240	-
GO Water Improvement Bonds	September 1, 2005	4.00%	315,000	126,000	-	126,000	-	2,900	-
General Obligation LOST Bonds	June 1, 2006	4.10-4.65%	2,500,000	2,050,000	-	1,835,000	215,000	89,503	-
GO Refunding Bonds	December 28, 2011	2.00-2.65%	1,550,000	-	1,550,000	150,000	1,400,000	14,103	-
GO LOST Refunding Bonds	April 4, 2012	.80-2.50%	1,845,000	-	1,845,000	-	1,845,000	-	-
Essential Corporate Purpose	November 21, 2005	4.00%	475,000	350,000	-	350,000	-	1,037	-
General Obligation Aquatic Center	November 20, 2006	0.00%	300,000	166,659	-	33,336	133,323	7,028	-
				<u>2,931,902</u>	<u>3,395,000</u>	<u>2,733,579</u>	<u>3,593,323</u>	<u>130,575</u>	<u>-</u>
Revenue bonds and notes									
Water Revenue Capital Loan Notes	September 1, 2001	4.70-4.80%	500,000	\$ 60,000	\$ -	\$ 60,000	\$ -	\$ 3,130	\$ -
SRF Loan	June 1, 2000	3.00%	500,000	273,000	-	26,000	247,000	8,326	-
SRF Loan	June 17, 2003	3.00%	1,725,000	1,271,000	-	73,000	1,198,000	41,308	-
SRF Loan	August 25, 2004	3.00%	379,000	134,000	-	17,000	117,000	4,355	-
				<u>1,738,000</u>	<u>-</u>	<u>176,000</u>	<u>1,562,000</u>	<u>57,119</u>	<u>-</u>

See Accompanying Independent Auditor's Report

CITY OF EAGLE GROVE, IOWA

Schedule 3

SCHEDULE OF BOND and NOTE MATURITIES

June 30, 2012

Year Ending June 30,	General Obligation LOST Bonds Issued 3-1-06		General Obligation Refunding Bonds Issued 12-28-11		General Obligation LOST Bonds Issued 3-1-06		General Obligation Aquatic Center Issued 11-20-06		<u>Total</u>
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	
2013	4.10	105,000	2.00	155,000	0.80	-	0.00	33,333	293,333
2014	4.10	110,000	2.00	150,000	0.80	-	0.00	33,333	293,333
2015	-	-	2.00	150,000	0.80	140,000	0.00	33,333	323,333
2016	-	-	2.10	120,000	1.00	145,000	0.00	33,324	298,324
2017	-	-	2.10	120,000	1.20	145,000	-	-	265,000
2018	-	-	2.10	125,000	1.40	145,000	-	-	270,000
2019	-	-	2.10	120,000	1.60	150,000	-	-	270,000
2020	-	-	2.10	125,000	1.80	150,000	-	-	275,000
2021	-	-	2.10	110,000	2.00	155,000	-	-	265,000
2022	-	-	2.10	-	2.15	155,000	-	-	155,000
2023	-	-	2.10	-	2.30	160,000	-	-	160,000
2024	-	-	2.65	225,000	2.45	165,000	-	-	390,000
2025	-	-	-	-	2.60	165,000	-	-	165,000
2026	-	-	-	-	2.75	170,000	-	-	170,000
		<u>\$ 215,000</u>		<u>\$ 1,400,000</u>		<u>\$ 1,845,000</u>		<u>\$ 133,323</u>	<u>\$ 3,593,323</u>

See Accompanying Independent Auditor's Report

CITY OF EAGLE GROVE, IOWA

Schedule 3 - continued

SCHEDULE OF BOND and NOTE MATURITIES

June 30, 2012

Year Ending June 30,	Sewer Revenue Capital Loan Note Issued 6-1-00		SRF Loan Funds Issued 6/17/03		SRF Loan Funds Issued 8/25/04		<u>Total</u>
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	
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	-	-	-	-	-	-	0
2026	-	-	-	-	-	-	0
		<u>\$ 247,000</u>		<u>\$ 1,198,000</u>		<u>\$ 117,000</u>	<u>\$ 1,562,000</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 Nine Years

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Receipts									
Property tax	\$ 1,118,289	\$ 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	74,112	81,611	53,654	75,507	47,521	44,294	56,485	78,500	61,724
Other city tax	401,382	305,041	324,008	297,892	300,410	289,533	68,777	64,892	251,652
Licenses and permits	8,255	8,723	7,300	33,553	32,469	30,796	38,656	38,378	32,054
Use of money and property	41,783	43,122	43,036	52,549	74,903	105,947	50,603	47,470	41,314
Intergovernmental	533,373	467,118	431,493	435,738	552,085	651,145	394,993	449,111	409,818
Charges for service	597,793	651,120	617,574	649,064	601,275	569,611	553,453	497,300	411,863
Miscellaneous	188,873	139,970	96,936	135,158	154,255	265,767	182,469	134,041	55,482
Total receipts	\$ 2,963,860	\$ 2,744,369	2,600,591	2,780,136	2,847,851	3,054,155	2,409,499	2,360,574	2,414,643
Disbursements:									
Operating:									
Public safety	\$ 881,228	\$ 794,277	773,820	793,852	755,112	711,717	787,370	811,948	599,609
Public works	738,205	735,269	774,287	810,273	726,521	670,080	693,366	714,875	607,209
Health and social services	5,230	-	-	-	-	-	-	-	-
Culture and recreation	591,583	530,008	527,724	519,750	491,028	401,762	392,670	394,812	381,035
Community and economic development	23,207	18,478	10,492	11,731	205,348	193,934	76,388	89,238	32,707
General government	150,218	156,690	202,070	160,911	145,341	136,304	135,944	202,889	376,832
Debt service	1,171,278	610,207	360,764	479,369	401,932	376,893	744,787	171,146	223,397
Capital projects	466,716	187,892	237,287	92,946	273,042	2,704,985	774,203	874,038	1,462,683
Total disbursements	\$ 4,027,665	\$ 3,032,821	2,886,444	2,868,832	2,998,324	5,195,675	3,604,728	3,258,946	3,683,472



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

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

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eagle Grove, Iowa as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 16, 2013. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with another 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

The 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 an 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 to be a material weakness.

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, 2012 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, 2013

CITY OF EAGLE GROVE, IOWA

SCHEDULE OF FINDINGS

Year Ended June 30, 2012

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) A significant deficiency in internal control over financial reporting was disclosed by the audit of the financial statements. It was considered 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, 2012

Part II: Findings Related to the Financial Statements

SIGNIFICANT DEFICIENCIES:

II-A-12 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.

Cause – The lack of segregation of duties is due to the size of the office staff.

Effect – there is a higher risk of misstatement due to the lack of segregation of duties.

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.

Client 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, 2012

Part III: Other Findings Related to Statutory Reporting:

III-A-12 Certified Budget – Disbursements were above budgeted limits the debt service function for the year ended June 30, 2012.

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-12 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-12 Travel Expense - No disbursements of City money for travel expense of spouses of City officials or employees were noted.

III-D-12 Business Transactions - Business transactions between the City and its officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kendall Johnson, Councilman/Owner of Oldson’s Inc.	Repair work	\$ 1,054

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, 2012

bid. The transactions with Councilman Johnson does not appear to represent a conflict of interest since total transactions were less than \$1,500 during the fiscal year.

- III-E-12 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-12 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- III-G-12 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-12 Revenue Bonds and Notes – The city has complied with all revenue bond and note resolutions.