

**CITY OF ELDORA, IOWA**

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

**AS OF AND FOR THE YEAR ENDED JUNE 30, 2013**

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## City of Eldora, Iowa

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James Brown	Mayor	Jan 2014
Steve Pence	Mayor Pro Tem	Jan 2016
Trista Nelson	Council Member	Jan 2014
Peter Harrison	Council Member (Resigned)	Nov 2012
Daryl Albertson	Council Member	Mar 2013
Melody Hoy	Council Member	Jan 2014
Myron Kosanke	Council Member	Jan 2016
Cindy Johns	Council Member	Jan 2014
Patrick Ian Rigg	City Administrator/Clerk	Appointed
Ben Cutler	Attorney	Jan 2013

### Library Board

Dean Stickrod	Chair	Jul 2016
Jerry Trittlen	Member	Jul 2012
Lou Schafer	Member	Jul 2012
Kristin Gehrke	Member	Jul 2014
Jill Stanish	Member	Jul 2014
Mary Swartz	Member	Jul 2016
Jan Dunn	Member	Jul 2016

### Board of Adjustment

David McCall	Chair	May 2012
Brent Ewoldt	Member	May 2013
Roger Hanson	Member	May 2014
Ben Speck	Member	May 2015

**City of Eldora, Iowa**

**Officials (continued)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<u>Planning and Zoning Commission</u>		
Frank Valde	Chair	Jun 2015
Mary Rubow	Member	Jun 2012
Bill Dagit	Member	Jun 2013
Steve Priske	Member	Jun 2013
Bruce Harvey	Member	Jun 2014
Larry Luiken	Member	Jun 2014
Ben Speck	Member	Jun 2015
<u>Theater Board</u>		
Dave Rubow	Member	Jan 2015
Judith Andrews	Member	Jan 2015
Alma Donaldson	Member	Jan 2013
Marsha Pettigrew	Member	Jan 2013
Ted Paxton	Member	Jan 2013

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

## Certified Public Accountants

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### Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council:

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldora, Iowa, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design

audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluation the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldora as of June 30, 2013, 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.

### Basis of Accounting

As described in Note 1, these financial statement were prepared on the basis of cash receipts and disbursements, which as a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

### Other Matters

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eldora's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the 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 basic financial statements or the basic 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.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 5 through 13 and 35 through 37 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 28, 2014, on our consideration of the City of Eldora's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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

March 28, 2014

**CITY OF ELDORA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**June 30, 2013**

This discussion and analysis is intended to be an easily readable analysis of the City of Eldora's financial activities for the fiscal year ended June 30, 2013 based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the City's financial statements.

**2013 Financial Highlights**

- The City of Eldora sold its Airport and put the proceeds towards its General Fund deficit.
- The City received revenues from a GO Bond Refinance to be used for the reconstruction of 18<sup>th</sup> and 19<sup>th</sup> Avenue. Majority of the work and costs are in the 2013-14 FY and 2014-15 FY totaling nearly \$400,000.
- The differences in Revenue shortfalls are largely due to not receiving anticipated grant awards or grant funds as reimbursements to expenses in Capital Projects.
- The difference in Expenses is caused by not expending funds for Capital Projects and other purchases contingent largely on timing of project completion or receiving grant awards.

**Basis of Accounting**

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

## **Report Layout**

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

## **Statement of Activities**

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

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

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

## **Fund Financial Statement**

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

## **Governmental Funds**

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

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

## **Proprietary Funds**

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

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

## **Note to the Financial Statements**

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

## **Other Information**

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

## **Government-wide Financial Analysis**

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

- The General Fund Deficit was reduced from -\$159,000 to -\$68,000 in large part due to the sale of property and the ending of liabilities from the previous year. Future reductions of this deficit are expected but in smaller amounts.
- Streetscape Fund deficit under Capital Projects has increased as a result of final payments for construction and overruns. The City is paying this deficit down through fundraising, TIF and LOST funds.
- Long-term debt – At the end of the current fiscal year, the City of Eldora had a debt outstanding of \$9,380,081. This consists of \$3,466,800 of general obligation debt, \$5,913,281 of revenue debt and \$0 in other debt.

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

- City will reduce its planned 16% sewer increase to 8% in the 2014-15 Fiscal Year as a result of refinancing and smaller but longer term rate increases. Sewer rates were increased 28% in FY 2012-13 and 20% in FY 2013-14. Current projections shows the 20% increase has compensated for loss in use and can sustain the bond payments.
- City used more TIF funds to pay down internal loans under Capital Projects Fund
- City has sold properties to reduce operation and maintenance costs and those revenues from the properties, not under a blight program, are deposited into the General Fund to pay down its debt
- Recent rollback changes will increase residential taxes and reduce commercial taxes
- Stagnant activity in Assessment of taxable property values holds back the general fund, increases the levy and creates disproportion of taxes paid on new construction and development.

These factors were considered in doing the City of Eldora City 2013-14 and/or 2014-15 budget depending on when they were or are to be acted upon. If there are unknowns, they will be considered with the 2013-14 amended budget.

### **Request for Information**

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

## Changes in Net Position of Governmental Activities

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>
<b>Receipts and Transfers</b>		
Program Receipts:		
Charges for Service	\$ 188,075	\$ 119,099
Grants and Contributions	498,167	839,683
General Receipts:		
Property Taxes	1,191,761	1,162,732
Tax Increment Financing	130,008	45,320
Other City Taxes	275,606	274,392
Investment Earnings	8,787	6,987
Rent Received	76,471	70,736
Other General Receipts	353,356	116,818
<b>Other Financing Sources</b>		
Transfers net	188,895	254,347
Bond Proceeds	<u>1,571,798</u>	<u>2,250,029</u>
<b>Total Receipts and Transfers</b>	<b>4,482,924</b>	<b>5,140,143</b>
<b>Disbursements</b>		
Public Safety	422,428	448,293
Public Works	489,941	384,518
Health and Social Services	42,088	46,030
Culture and Recreation	371,758	526,207
Comm. & Econ Development	1,801	14,941
General Government	430,791	475,773
Debt Service	1,385,603	1,251,508
Capital Projects	<u>633,924</u>	<u>2,187,064</u>
<b>Total Disbursements</b>	<b>3,778,334</b>	<b>5,334,334</b>
Increase (decrease) in cash basis net position	704,550	(194,191)
Cash basis net position beginning of year	<u>249,918</u>	<u>444,109</u>
Cash basis net assets end of year	\$ <u>954,508</u>	\$ <u>249,918</u>

## Changes in Net Position of Business Type Activities

	<u>Year Ended June 30, 2013</u>	<u>Year Ended June 30, 2012</u>
<b>Receipt and Transfers</b>		
Program Receipts:		
Charges for Service:		
Water	\$ 338,890	\$ 313,165
Sewer	853,203	639,412
Solid Waste	112,228	110,402
Ambulance	540,029	393,285
Other Charges	117,106	105,796
General Receipts		
Interest	2,166	4,262
Bond Proceeds	5,573,600	-----
Miscellaneous	-----	<u>28,344</u>
<b>Total Receipts and Transfers</b>	<b>7,537,222</b>	<b>1,594,666</b>
<b>Disbursements</b>		
Water	308,188	443,837
Sewer	5,859,800	624,587
Solid Waste	100,076	99,392
Other Business Type	82,917	87,129
Ambulance	373,198	315,279
Transfers, out	<u>188,895</u>	<u>254,347</u>
<b>Total Disbursements and Transfers</b>	<b>6,913,074</b>	<b>1,824,571</b>
Increase (decrease) in cash basis net position	624,148	(229,905)
Cash basis net position beginning of year	<u>887,239</u>	<u>1,117,144</u>
Cash basis net position end of year	\$ <u>1,511,387</u>	\$ <u>887,239</u>

### **Individual Major Governmental Fund Analysis**

As the City of Eldora completed its year, its governmental funds reported a combined cash balance of \$954,508, an increase of \$704,550 from last year's total. The following are the major reasons for the changes in fund balances from the prior year:

- Sale of property not in use by the City
- Reduction of unchecked liabilities
- Proceeds from loans not fully expended in Capital Projects

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

As the City of Eldora completed its year, its proprietary funds reported a combined cash balance of \$1,511,387, an increase of \$624,148 from last year's total. The following are the major reasons for the changes in fund balances from the prior year:

- Increase is due to sewer rates increases and refinance of bonds are beginning to balance the sewer fund as the charges for service are beginning to equal expenses, including bond payments. The operational balance was decreased by \$124,000 in FY 12-13 however current projections as of March 2014 shows a decrease of \$12,000 and with FY 2013-14 being the last year of a \$120,000 bond payment, the sewer fund the following year should be positive.
- Sewer fund received an additional \$491,500 in loan proceeds within the refinancing and placed it into a reserve fund.
- Eldora EMS received past due revenues as well as an increase in transfer calls and has funds placed in reserve for future capital equipment purchases.

### **Budgetary Highlights**

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

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

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

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

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

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

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

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

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

## **Basic Financial Statements**

City of Eldora, Iowa

Statement of Activities and Net Position - Cash Basis

As of and for the year ended June 30, 2013

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts Operating Grants, Contributions, and Restricted Interest</u>
<b>Functions/Programs:</b>			
Governmental activities:			
Public safety	\$ 422,428	31,465	7,963
Public works	489,941	32,741	284,497
Health and social services	42,088	-	-
Culture and recreation	371,758	47,138	33,730
Community and economic development	1,801	-	-
General government	430,791	21,025	4,750
Debt service	1,385,603	-	-
Capital projects	633,924	55,706	-
Total governmental activities	<u>3,778,334</u>	<u>188,075</u>	<u>330,940</u>
Business type activities:			
Water	308,188	338,890	-
Sewer	5,859,800	853,203	-
Ambulance	373,198	540,029	-
Other nonmajor	182,993	229,334	-
Total business type activities	<u>6,724,179</u>	<u>1,961,456</u>	<u>-</u>
<b>Total</b>	<u>\$ 10,502,513</u>	<u>2,149,531</u>	<u>330,940</u>

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

Capital Grants, Contributions, and Restricted <u>Interest</u>	Governmental <u>Activities</u>	Business Type <u>Activities</u>	<u>Total</u>
-	(383,000)	-	(383,000)
-	(172,703)	-	(172,703)
100,000	57,912	-	57,912
49,927	(240,963)	-	(240,963)
-	(1,801)	-	(1,801)
-	(405,016)	-	(405,016)
-	(1,385,603)	-	(1,385,603)
<u>17,300</u>	<u>(560,918)</u>	<u>-</u>	<u>(560,918)</u>
<u>167,227</u>	<u>(3,092,092)</u>	<u>-</u>	<u>(3,092,092)</u>
-	-	30,702	30,702
-	-	(5,006,597)	(5,006,597)
-	-	166,831	166,831
<u>-</u>	<u>-</u>	<u>46,341</u>	<u>46,341</u>
<u>-</u>	<u>-</u>	<u>(4,762,723)</u>	<u>(4,762,723)</u>
<u>167,227</u>	<u>(3,092,092)</u>	<u>(4,762,723)</u>	<u>(7,854,815)</u>

(continued)

## Statement of Activities and Net Position - Cash Basis

As of and for the year ended June 30, 2013

	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
<b>General Receipts:</b>			
Property tax and other city tax levied for:			
General purposes	\$ 871,323	-	871,323
Tax increment financing	130,008	-	130,008
Debt service	320,438	-	320,438
Local option sales tax	275,606	-	275,606
Unrestricted interest on investments	8,787	2,166	10,953
Rents received	76,471	-	76,471
Loan proceeds	1,571,798	5,573,600	7,145,398
Miscellaneous	197,169	-	197,169
Sale of assets	156,187	-	156,187
Transfers	188,895	(188,895)	-
Total general receipts and transfers	<u>3,796,682</u>	<u>5,386,871</u>	<u>9,183,553</u>
Change in cash basis net position	704,590	624,148	1,328,738
Cash basis net position beginning of year	249,918	887,239	1,137,157
Cash basis net position end of year	<u>\$ 954,508</u>	<u>1,511,387</u>	<u>2,465,895</u>
<b>Cash Basis Net Position</b>			
Restricted:			
Nonexpendable:			
Cemetery perpetual care	\$ 104,132	-	104,132
Expendable:			
Streets	164,947	-	164,947
Debt service	17,029	569,315	586,344
Other purposes	305,957	5,730	311,687
Unrestricted	<u>362,443</u>	<u>936,342</u>	<u>1,298,785</u>
<b>Total cash basis net position</b>	<u>\$ 954,508</u>	<u>1,511,387</u>	<u>2,465,895</u>

See notes to financial statements.

City of Eldora, Iowa  
Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds  
As of and for the year ended June 30, 2013

	<u>General</u>	<u>Road Use Tax</u>
Receipts:		
Property tax	\$ 413,980	-
Tax increment financing	-	-
Other city tax	101,828	-
Licenses and permits	20,820	-
Use of money and property	81,307	-
Intergovernmental	51,460	263,270
Charges for service	48,887	31,103
Special assessments	-	-
Miscellaneous	103,711	98,360
Total receipts	<u>821,993</u>	<u>392,733</u>
Disbursements:		
Operating:		
Public safety	397,349	-
Public works	235	489,706
Health and social services	42,088	-
Culture and recreation	305,360	-
Community and economic development	-	-
General government	331,825	-
Debt service	-	-
Capital projects	16,511	-
Total disbursements	<u>1,093,368</u>	<u>489,706</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(271,375)</u>	<u>(96,973)</u>
Other financing sources (uses):		
Bond proceeds	-	-
Operating transfers in	373,947	82,688
Operating transfers out	(10,000)	(2,725)
Total other financing sources (uses)	<u>363,947</u>	<u>79,963</u>
Net change in cash balances	92,572	(17,010)
Cash balances beginning of year	(159,706)	181,957
Cash balances end of year	<u>\$ (67,134)</u>	<u>164,947</u>
<b>Cash Basis Fund Balances</b>		
Nonspendable - Cemetery perpetual care	-	-
Restricted for:		
Debt service	-	-
Streets	-	164,947
Other purposes	-	-
Unassigned	(67,134)	-
Total cash basis fund balances	<u>\$ (67,134)</u>	<u>164,947</u>

See notes to financial statements.

Exhibit B

<u>Debt Service</u>	<u>Capital Projects</u>		<u>Other</u>	<u>Total</u>
	<u>Downtown</u>	<u>Streetscape</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	
308,122	-	-	340,970	1,063,072
-	-	-	130,009	130,009
12,317	-	-	290,150	404,295
-	-	-	-	20,820
-	-	-	23,695	105,002
-	-	-	110,923	425,653
-	-	-	2,390	82,380
-	50,729	-	4,977	55,706
-	14,600	-	218,623	435,294
<u>320,439</u>	<u>65,329</u>	-	<u>1,121,737</u>	<u>2,722,231</u>
-	-	-	25,079	422,428
-	-	-	-	489,941
-	-	-	-	42,088
-	-	-	66,398	371,758
-	-	-	1,801	1,801
-	-	-	98,966	430,791
1,385,603	-	-	-	1,385,603
-	419,678	-	197,735	633,924
<u>1,385,603</u>	<u>419,678</u>	-	<u>389,979</u>	<u>3,778,334</u>
<u>(1,065,164)</u>	<u>(354,349)</u>	-	<u>731,758</u>	<u>(1,056,103)</u>
848,400	-	-	723,398	1,571,798
207,800	33,390	-	214,499	912,324
-	-	-	(710,704)	(723,429)
<u>1,056,200</u>	<u>33,390</u>	-	<u>227,193</u>	<u>1,760,693</u>
(8,964)	(320,959)	-	958,951	704,590
25,993	29,741	-	171,933	249,918
<u>17,029</u>	<u>(291,218)</u>	-	<u>1,130,884</u>	<u>954,508</u>
-	-	-	104,132	104,132
17,029	-	-	-	17,029
-	-	-	-	164,947
-	-	-	305,957	305,957
-	(291,218)	-	720,795	362,443
<u>17,029</u>	<u>(291,218)</u>	-	<u>1,130,884</u>	<u>954,508</u>

City of Eldora, Iowa

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

As of and for the year ended June 30, 2013

	Enterprise	
	Water	Sewer
Operating receipts:		
Charges for service	\$ 338,890	739,427
Use of money and property	-	-
Miscellaneous	-	113,776
Total operating receipts	<u>338,890</u>	<u>853,203</u>
Operating disbursements:		
Business type activities	<u>276,869</u>	<u>321,373</u>
Total operating disbursements	<u>276,869</u>	<u>321,373</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>62,021</u>	<u>531,830</u>
Non-operating receipts (disbursements):		
Interest on investments	153	1,529
Debt service	(12,850)	(5,467,802)
Bond proceeds	-	5,573,600
Capital projects	<u>(18,469)</u>	<u>(70,625)</u>
Total non-operating receipts (disbursements)	<u>(31,166)</u>	<u>36,702</u>
Excess (deficiency) of receipts over (under) disbursements	<u>30,855</u>	<u>568,532</u>
Other financing sources (uses):		
Operating transfers out	<u>(13,954)</u>	<u>(132,840)</u>
Net change in cash balances	16,901	435,692
Cash balances beginning of year	<u>28,349</u>	<u>410,806</u>
Cash balances end of year	<u>45,250</u>	<u>846,498</u>
<b>Cash Basis Fund Balances</b>		
Restricted for debt service	-	560,000
Restricted for improvements	-	-
Unrestricted	<u>45,250</u>	<u>286,498</u>
Total cash basis fund balances	<u>\$ 45,250</u>	<u>846,498</u>

See notes to financial statements.

Exhibit C

Funds		
<u>Ambulance</u>	<u>Other Nonmajor Funds</u>	<u>Total</u>
537,994	153,331	1,769,642
-	16,736	16,736
2,035	59,267	175,078
<u>540,029</u>	<u>229,334</u>	<u>1,961,456</u>
<u>373,198</u>	<u>164,717</u>	<u>1,136,157</u>
<u>373,198</u>	<u>164,717</u>	<u>1,136,157</u>
<u>166,831</u>	<u>64,617</u>	<u>825,299</u>
218	266	2,166
-	(18,276)	(5,498,928)
-	-	5,573,600
-	-	(89,094)
<u>218</u>	<u>(18,010)</u>	<u>(12,256)</u>
<u>167,049</u>	<u>46,607</u>	<u>813,043</u>
<u>(10,278)</u>	<u>(31,823)</u>	<u>(188,895)</u>
156,771	14,784	624,148
<u>214,296</u>	<u>233,788</u>	<u>887,239</u>
<u>371,067</u>	<u>248,572</u>	<u>1,511,387</u>
-	9,315	569,315
-	5,730	5,730
<u>371,067</u>	<u>233,527</u>	<u>936,342</u>
<u>371,067</u>	<u>248,572</u>	<u>1,511,387</u>

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2013

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

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

A. Reporting Entity

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

Jointly Governed Organizations

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

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2013

B. Basis of Presentation

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

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

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

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position often have constraints on cash balances imposed by management, which can be removed or modified.

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

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2013

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

The City reports the following major governmental funds:

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

Special Revenue:

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

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

The Capital Projects, Downtown Streetscape is used to account for the transactions related to the downtown square improvement project.

The City reports the following major proprietary funds:

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

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

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

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2013

C. Measurement Focus and Basis of Accounting

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

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

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

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.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2013

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

Assigned – Amounts the City 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.

(2) **Cash**

The City's deposits in banks at June 30, 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

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

The City had no investments at June 30, 2013. During the year ended June 30, 2013, the City invested its excess funds in savings accounts.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2013

**(3) Bonds and Notes Payable**

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

Year Ending June 30,	General Obligation Bonds and Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 161,000	86,302	334,549	171,196	495,549	257,498
2014	115,000	74,658	478,740	161,105	593,740	235,763
2015	120,000	64,815	632,940	146,686	752,940	211,501
2016	130,000	54,625	635,148	127,638	765,148	182,263
2017	135,000	46,225	639,364	108,522	774,364	154,747
2018-2022	485,000	114,094	2,400,400	268,040	2,885,400	382,134
2023-2027	41,800	4,713	187,350	68,850	229,150	73,563
2028-2032	-	-	83,893	47,350	83,893	47,350
2033-2037	-	-	56,380	35,000	56,380	35,000
2038-2042	-	-	69,269	22,110	69,269	22,110
2043-2047	-	-	70,797	6,473	70,797	6,473
Total	<u>\$ 1,187,800</u>	<u>445,432</u>	<u>5,588,830</u>	<u>1,162,970</u>	<u>6,776,630</u>	<u>1,608,402</u>

**Revenue Notes/Bonds**

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$5,660,000 in sewer revenue bonds issued in 2012. Proceeds from the bonds provided refinancing for sewer revenue bonds issued in prior years for the construction of improvements to the sewer treatment plant. The bonds are payable solely from sewer customer net receipts and are payable through 2027. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$6,319,340. For the current year, principal and interest paid and total customer net receipts were \$383,950 and \$531,830, respectively.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2013

The City has pledged future building rentals to repay \$350,000 of child care revenue notes. Proceeds from the notes provided financing for the construction of a day care facility. The total principal and interest remaining to be paid on the notes is \$625,550. For the current year principal and interest paid on the notes was \$18,289. The City is also required to make monthly payments of \$153 and \$257 to a reserve fund and depreciation fund, respectively. These payments have been made. The Beginning of FY 13-14 Fiscal year the City closed the revenue notes for a general loan agreement to be paid with rents and other available moneys without use of debt service.

The City has pledged future water customer receipts, net of specified operating disbursements, to repay water revenue bonds issued in 2011 for \$210,000. Proceeds from the bonds provided financing for the construction of water improvements. The bonds are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the notes are expected to require less than 90 percent of net receipts. The total principal and interest remaining to be paid on the bonds is \$223,670. For the current year, principal and interest paid and total customer net receipts were \$12,850 and \$62,021, respectively.

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

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the sewer fund, water fund or day care facility.
- (b) Sufficient monthly transfers shall be made to a separate revenue note sinking account within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) The City shall establish and provide for the collection of rates to be charged to customers of the sewer and water utilities to produce gross revenues at least sufficient to pay the expenses of operation and maintenance of the Utilities and to leave a balance of net revenues equal to at least 110% of the principal and interest of all outstanding sewer notes due in such fiscal year.
- (d) The City shall maintain a reserve of \$560,000 restricted for the payment of principal and interest on the sewer revenue loan.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2013

**(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 5.78% of their annual covered salary and the City is required to contribute 8.67% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2013, 2012 and 2011 were \$98,336, \$89,291 and \$80,026, respectively, equal to the required contributions for each year.

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

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses. There are 20 active no retired members in the plan. Participants must be age 55 or older at retirement.

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

Funding Policy – The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$460 for single coverage and \$1,332 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2013, the City contributed \$236,591 and plan members eligible for benefits contributed \$9,412 to the plan.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2013

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation or compensatory time for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time, and payments payable to employees at June 30, 2013, primarily relating to the General and Proprietary Funds, are as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 45,500
Compensatory time	<u>1,400</u>
Total	\$ <u>46,900</u>

This liability has been computed based on rates of pay in effect at June 30, 2013.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2013 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Local option sales tax	\$ 60,501
	Trust & Agency	210,059
	Road use	2,725
	Parks trust	609
	Economic development	2,021
	Capital Projects	25,936
	Enterprise:	
	Theatre	4,072
	Early childhood building	13,500
	Ambulance	10,278
	Water	13,955
	Sewer	16,040
	Solid waste	<u>14,251</u>
		373,947

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2013

Debt Service	Enterprise:	
	Sewer	116,800
	Special Revenue:	
	TIF	<u>91,000</u>
		207,800
Special Revenue:	Special Revenue:	
Road use	Trust & Agency	72,688
	General	<u>10,000</u>
		82,688
Special Revenue:	Special Revenue:	
Park Trust	Local option sales tax	<u>2,000</u>
Capital Projects	Special Revenue:	
	Local option sales tax	<u>146,525</u>
Capital Projects:	Special Revenue:	
Downtown Streetscape	TIF	<u>33,390</u>
Permanent:	Special Revenue:	
Perpetual care	Local option sales tax	<u>65,974</u>
Total		\$ <u>912,324</u>

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

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2013

**(8) Risk Management**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 679 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the board not to exceed 300% of total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

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

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2013

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2013 were \$95,320.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$15,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$250,000 each occurrence, each location, with excess coverage reinsured by Lexington Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2013, settled claims have not exceeded the risk pool or reinsurance company coverage since the Pool's inception.

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

The City also carries commercial insurance purchased from other insurers for coverage associated with worker's compensation in the amount of \$36,706. The City assumes liability for any deductibles, and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2013

**(9) Deficit Fund Balances**

The General Fund had a deficit balance of \$67,134 as of June 30, 2013. This deficit is the culmination of past liabilities the City has removed or paid off over the past five years. The use of franchise fee money, selling empty lots owned by the City and ending certain liabilities shall eliminate the debt over the next four-five years. City officials and staff continue to monitor the situation to see that this will be accomplished in a timely manner.

The Capital Projects Fund, Downtown Streetscape had a deficit balance of \$291,218 at June 30, 2013. The council plans to eliminate this deficit upon receipt of special assessments. The Capital Projects Fund, Pool Construction had a deficit balance of \$144,569 at June 30, 2013. The council plans to eliminate the deficit in the pool account with yearly transfers of the local option sales tax over the next two years.

**(10) Economic Development Loans Receivable**

The City has various long-term loans receivable totaling \$81,000 as of June 30, 2013 due from various businesses in Eldora. The loans were financed with the loan proceeds of an USDA Rural Development Grant, matching contributions from the City and repayments from businesses. Interest rates on these loans vary from 2.5% to 6.0% with monthly payments varying from \$100 - \$840. Two loans went through bankruptcy and the City is receiving structured payments for one and the other is a total loss of \$9,600. The City repossessed property on another loan of \$6,500 and when able to sell the property will return as much profit back to the fund as possible.

**(11) Construction and Other Commitments**

The City of Eldora has a construction commitment for the 18<sup>th</sup>/19<sup>th</sup> street improvements of \$385,000 in the next two fiscal years that will be paid from bond proceeds received.

The City has also committed to purchasing software for \$70,000 over a three-year period. As of June 30, 2013 there is \$22,000 left to be paid.

City of Eldora, Iowa

Notes to Financial Statements

June 30, 2013

**(12) Operating Lease**

The City entered into an operating lease for two copiers in October of 2012 for a period of 60 months. The monthly payment is \$430 per month plus copies. The amount paid for the fiscal year ended June 30, 2013 was \$3,870. The fixed future payments are as follows:

<u>Year Ending June 30,</u>	
2014	\$5,160
2015	5,160
2016	5,160
2017	5,160
2018	<u>1,290</u>
	<u>\$21,390</u>

**(13) Subsequent Events**

Subsequent events have been evaluated through March 28, 2014, which is the date the financial statements were available to be issued.

**(13) Litigation**

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

## **Other Information**

City of Eldora, Iowa

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

Other Information

Year ended June 30, 2013

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>
Receipts:		
Property tax	\$ 1,063,072	-
Tax increment financing	130,009	-
Other city tax	404,295	-
Licenses and permits	20,820	-
Use of money and property	105,002	16,736
Intergovernmental	425,653	-
Charges for service	82,380	1,769,642
Special assessments	55,706	-
Miscellaneous	435,294	177,244
Total receipts	<u>2,722,231</u>	<u>1,963,622</u>
Disbursements:		
Public safety	422,428	-
Public works	489,941	-
Health and social services	42,088	-
Culture and recreation	371,758	-
Community and economic development	1,801	-
General government	430,791	-
Debt service	1,385,603	-
Capital projects	633,924	-
Business type activities	-	6,724,179
Total disbursements	<u>3,778,334</u>	<u>6,724,179</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(1,056,103)</u>	<u>(4,760,557)</u>
Other financing sources, net	<u>1,760,693</u>	<u>5,384,705</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	704,590	624,148
Balances beginning of year	<u>249,918</u>	<u>887,239</u>
Balances end of year	<u>\$ 954,508</u>	<u>1,511,387</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
1,063,072	1,088,065	1,088,065	(24,993)
130,009	136,828	136,828	(6,819)
404,295	391,216	422,216	(17,921)
20,820	15,000	16,800	4,020
121,738	21,455	18,955	102,783
425,653	1,152,208	842,008	(416,355)
1,852,022	1,929,969	2,017,969	(165,947)
55,706	-	43,000	12,706
<u>612,538</u>	<u>360,865</u>	<u>520,380</u>	<u>92,158</u>
<u>4,685,853</u>	<u>5,095,606</u>	<u>5,106,221</u>	<u>(420,368)</u>
422,428	495,452	488,502	66,074
489,941	498,319	623,109	133,168
42,088	44,909	48,909	6,821
371,758	377,092	473,842	102,084
1,801	37,000	17,500	15,699
430,791	414,404	442,504	11,713
1,385,603	534,613	1,389,613	4,010
633,924	1,457,300	1,143,600	509,676
<u>6,724,179</u>	<u>1,824,339</u>	<u>6,915,239</u>	<u>191,060</u>
<u>10,502,513</u>	<u>5,683,428</u>	<u>11,542,818</u>	<u>1,040,305</u>
<u>(5,816,660)</u>	<u>(587,822)</u>	<u>(6,436,597)</u>	<u>619,937</u>
<u>7,145,398</u>	<u>150,000</u>	<u>6,959,400</u>	<u>185,998</u>
1,328,738	(437,822)	522,803	805,935
<u>1,137,157</u>	<u>1,358,517</u>	<u>1,358,517</u>	<u>(221,360)</u>
<u>2,465,895</u>	<u>920,695</u>	<u>1,881,320</u>	<u>584,575</u>

City of Eldora, Iowa

Notes to Other Information – Budgetary Reporting

June 30, 2013

The budgetary comparison is presented 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, the Debt Service Fund, Capital Projects Funds, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year ended June 30, 2013 two budget amendment increased budgeted disbursements by \$5,859,390, budgeted receipts by \$10,615 and other financing sources by \$6,809,400. The budget amendment is reflected in the final budgeted amounts.

## **Supplementary Information**

City of Eldora, Iowa

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

As of and for the year ended June 30, 2013

	Special		
	<u>Insurance</u>	<u>Trust &amp; Agency</u>	<u>Parks Trust</u>
Receipts:			
Property tax	\$ 58,133	282,837	-
Tax increment financing	-	-	-
Other city tax	2,481	12,061	-
Use of money and property	-	-	-
Intergovernmental	-	-	-
Charges for service	-	-	-
Special assessments	-	-	-
Miscellaneous	39,999	-	53,573
Total receipts	<u>100,613</u>	<u>294,898</u>	<u>53,573</u>
Disbursements:			
Operating:			
Public safety	-	-	-
Culture and recreation	-	-	55,012
Community and economic development	-	-	-
General government	96,177	2,789	-
Capital projects	-	-	-
Total disbursements	<u>96,177</u>	<u>2,789</u>	<u>55,012</u>
Excess (deficiency) of receipts over (under) disbursements	<u>4,436</u>	<u>292,109</u>	<u>(1,439)</u>
Other financing sources (uses):			
Bond proceeds	-	-	-
Operating transfers in	-	-	2,000
Operating transfers out	-	(282,747)	(609)
Total other financing sources (uses)	<u>-</u>	<u>(282,747)</u>	<u>1,391</u>
Net change in cash balances	4,436	9,362	(48)
Cash balances beginning of year	33,199	20,566	21,622
Cash balances end of year	<u>37,635</u>	<u>29,928</u>	<u>21,574</u>
<b>Cash Basis Fund Balances</b>			
Nonspendable - Cemetery perpetual care	-	-	-
Restricted for:			
Other purposes	37,635	29,928	21,574
Unassigned	-	-	-
Total cash basis fund balances	<u>\$ 37,635</u>	<u>29,928</u>	<u>21,574</u>

See accompanying independent auditor's report.

Schedule 1

Revenue			
Fire Trust	Library Trust	Special Library Trust	Police Trust
-	-	-	-
-	-	-	-
-	-	-	-
24	1,606	-	-
5,938	2,285	-	-
500	-	-	1,890
-	-	-	-
-	7,279	-	7,625
<u>6,462</u>	<u>11,170</u>	<u>-</u>	<u>9,515</u>
18,941	-	-	4,686
-	11,386	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>18,941</u>	<u>11,386</u>	<u>-</u>	<u>4,686</u>
<u>(12,479)</u>	<u>(216)</u>	<u>-</u>	<u>4,829</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
(12,479)	(216)	-	4,829
6,804	18,056	60,000	559
<u>(5,675)</u>	<u>17,840</u>	<u>60,000</u>	<u>5,388</u>
-	-	-	-
-	17,840	60,000	5,388
<u>(5,675)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(5,675)</u>	<u>17,840</u>	<u>60,000</u>	<u>5,388</u>

(continued)

City of Eldora, Iowa

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

As of and for the year ended June 30, 2013

	Special		
	Theater Trust	Ambulance Trust	LOST
Receipts:			
Receipts:			
Property tax	\$ -	-	-
Tax increment financing collections	-	-	-
Other city tax	-	-	275,608
Use of money and property	58	25	-
Intergovernmental	-	-	-
Charges for service	-	-	-
Special assessments	-	-	-
Miscellaneous	1,110	1,743	-
Total receipts	<u>1,168</u>	<u>1,768</u>	<u>275,608</u>
Disbursements:			
Operating:			
Public safety	-	1,452	-
Culture and recreation	-	-	-
Community and economic development	-	-	-
General government	-	-	-
Capital projects	-	-	-
Total disbursements	<u>-</u>	<u>1,452</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>1,168</u>	<u>316</u>	<u>275,608</u>
Other financing sources (uses):			
Loan proceeds	-	-	-
Operating transfers in	-	-	-
Operating transfers out	-	-	(275,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(275,000)</u>
Net change in cash balances	1,168	316	608
Cash balances beginning of year	15,594	14,165	10,000
Cash balances end of year	<u>16,762</u>	<u>14,481</u>	<u>10,608</u>
<b>Cash Basis Fund Balances</b>			
Nonspendable - cemetery perpetual care	-	-	-
Restricted for:			
Other purposes	16,762	14,481	10,608
Unassigned	-	-	-
	<u>\$ 16,762</u>	<u>14,481</u>	<u>10,608</u>

See accompanying independent auditor's report.

Schedule 1

Revenue		Capital Projects	Permanent Cemetery Perpetual Care	Total
TIF	Economic Development	Non-Major Capital Projects		
-	-	-	-	340,970
130,009	-	-	-	130,009
-	-	-	-	290,150
-	21,982	-	-	23,695
-	-	102,700	-	110,923
-	-	-	-	2,390
-	-	4,977	-	4,977
-	-	106,694	600	218,623
<u>130,009</u>	<u>21,982</u>	<u>214,371</u>	<u>600</u>	<u>1,121,737</u>
-	-	-	-	25,079
-	-	-	-	66,398
-	1,801	-	-	1,801
-	-	-	-	98,966
-	-	197,735	-	197,735
-	<u>1,801</u>	<u>197,735</u>	-	<u>389,979</u>
<u>130,009</u>	<u>20,181</u>	<u>16,636</u>	<u>600</u>	<u>731,758</u>
-	-	723,398	-	723,398
-	-	146,525	65,974	214,499
(124,390)	(2,021)	(25,937)	-	(710,704)
<u>(124,390)</u>	<u>(2,021)</u>	<u>843,986</u>	<u>65,974</u>	<u>227,193</u>
5,619	18,160	860,622	66,574	958,951
(619)	68,581	(134,152)	37,558	171,933
<u>5,000</u>	<u>86,741</u>	<u>726,470</u>	<u>104,132</u>	<u>1,130,884</u>
-	-	-	104,132	104,132
5,000	86,741	-	-	305,957
-	-	726,470	-	720,795
<u>5,000</u>	<u>86,741</u>	<u>726,470</u>	<u>104,132</u>	<u>1,130,884</u>

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

As of and for the year ended June 30, 2013

	Theater	Utility Deposit	Solid Waste	Early Childhood Building	Total
Operating receipts:					
Charges for service	\$ 41,103	-	112,228	-	153,331
Use of money and property	-	-	-	16,736	16,736
Miscellaneous	<u>54,655</u>	<u>2,661</u>	<u>-</u>	<u>1,951</u>	<u>59,267</u>
Total operating receipts	<u>95,758</u>	<u>2,661</u>	<u>112,228</u>	<u>18,687</u>	<u>229,334</u>
Operating disbursements:					
Business type activities	<u>63,854</u>	<u>787</u>	<u>100,076</u>	<u>-</u>	<u>164,717</u>
Total operating disbursements	<u>63,854</u>	<u>787</u>	<u>100,076</u>	<u>-</u>	<u>164,717</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>31,904</u>	<u>1,874</u>	<u>12,152</u>	<u>18,687</u>	<u>64,617</u>
Non-operating receipts:					
Interest on investments	113	153	-	-	266
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,276)</u>	<u>(18,276)</u>
Total non-operating receipts	<u>113</u>	<u>153</u>	<u>-</u>	<u>(18,276)</u>	<u>(18,010)</u>
Excess (deficiency) of receipts over (under) disbursements	32,017	2,027	12,152	411	46,607
Operating transfers out	<u>(4,072)</u>	<u>-</u>	<u>(14,251)</u>	<u>(13,500)</u>	<u>(31,823)</u>
Net change in cash balances	27,945	2,027	(2,099)	(13,089)	14,784
Cash balances beginning of year	<u>83,922</u>	<u>50,498</u>	<u>71,234</u>	<u>28,134</u>	<u>233,788</u>
Cash balances end of year	<u>111,867</u>	<u>52,525</u>	<u>69,135</u>	<u>15,045</u>	<u>248,572</u>
<b>Cash Basis Fund Balances</b>					
Restricted for debt service	-	-	-	9,315	9,315
Restricted for improvements	-	-	-	5,730	5,730
Unreserved	<u>111,867</u>	<u>52,525</u>	<u>69,135</u>	<u>-</u>	<u>233,527</u>
Total cash basis fund balances	<u>\$ 111,867</u>	<u>52,525</u>	<u>69,135</u>	<u>15,045</u>	<u>248,572</u>

See accompanying independent auditor's report.

City of Eldora, Iowa

Schedule of Indebtedness

Year ended June 30, 2013

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General obligation notes:			
Aquatic Center	11-7-05	3.45-4.20%	\$ 1,500,000
Capital loan note	11-16-09	4.25%	125,000
Disaster Relief	8-25-10	0.00%	196,800
General loan note	6-12-13	3.15%	340,000
Total			
General obligation bonds:			
GO Corporate purpose and refund bonds	8-15-11	2.00-3.25%	\$ 2,260,000
Street improvement and refunding bonds	12-6-12	2.00%	1,230,000
Total			
Revenue bonds:			
Sewer - Series A	4-18-00	3.92%	\$ 1,743,725
Sewer - Series B	4-18-00	3.92%	901,275
Sewer - Series D	4-18-00	3.92%	157,751
Sewer - Series 2005	5-02-05	3.00%	4,400,000
Child Care Revenue Note 1	5-05-07	4.125%	100,000
Child Care Revenue Note 2	5-05-07	4.125%	250,000
Water - Series A 2010	1-27-10	3.00%	210,000
Sewer revenue refunding bonds	12-19-12	0.6-2.60%	5,660,000
Total			

See accompanying independent auditor's report.

## Schedule 3

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
945,000	-	945,000	-	37,973	-
46,000	-	46,000	-	1,955	-
196,800	-	10,000	186,800	-	-
-	340,000	-	340,000	-	-
<u>\$ 1,187,800</u>	<u>340,000</u>	<u>1,001,000</u>	<u>526,800</u>	<u>39,928</u>	<u>-</u>
1,995,000	-	285,000	1,710,000	46,375	-
-	1,230,000	-	1,230,000	12,300	-
<u>\$ 1,995,000</u>	<u>1,230,000</u>	<u>285,000</u>	<u>2,940,000</u>	<u>58,675</u>	<u>-</u>
104,000	-	104,000	-	1,725	-
491,000	-	491,000	-	8,142	-
85,000	-	85,000	-	1,410	-
4,394,000	-	4,394,000	-	72,867	-
95,673	-	1,297	94,376	3,922	-
239,157	-	3,252	235,905	9,804	-
180,000	-	7,000	173,000	5,400	-
-	5,660,000	250,000	5,410,000	44,408	-
<u>\$ 5,588,830</u>	<u>5,660,000</u>	<u>5,335,549</u>	<u>5,913,281</u>	<u>147,678</u>	<u>-</u>

City of Eldora, Iowa

Schedule 4

Bond and Note Maturities

June 30, 2013

General Obligation Notes/Bonds									
Year Ending <u>June 30,</u>	Disaster Relief Issued Aug 25, 2010		Corporate Purpose and Refund Bonds Issued Aug 15, 2011		Street Improvement and Refunding Bonds Issued Dec 6, 2012		General Fund Loan Agreement Issued Jun 12, 2013		<u>Total</u>
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2014	0.00 %	\$ 10,000	2.00 %	\$ 290,000	2.00 %	\$ 155,000	3.15 %	\$ 25,000	\$ 480,000
2015	0.00	10,000	2.00	295,000	2.00	160,000	3.15	25,000	490,000
2016	0.00	15,000	2.00	190,000	2.00	115,000	3.15	45,000	365,000
2017	0.00	15,000	2.00	125,000	2.00	120,000	3.15	45,000	305,000
2018	0.00	15,000	2.25	125,000	2.00	130,000	3.15	45,000	315,000
2019	0.00	20,000	2.50	130,000	2.00	135,000	3.15	45,000	330,000
2020	0.00	20,000	2.70	135,000	2.00	135,000	3.15	45,000	335,000
2021	0.00	20,000	2.90	135,000	2.00	140,000	3.15	45,000	340,000
2022	0.00	20,000	3.10	140,000	2.00	140,000	3.15	20,000	320,000
2023	0.00	20,000	3.25	145,000	-	-	-	-	165,000
2024	0.00	21,800	-	-	-	-	-	-	21,800
Total		<u>\$ 186,800</u>		<u>\$ 1,710,000</u>		<u>\$ 1,230,000</u>		<u>\$ 340,000</u>	<u>\$ 3,466,800</u>

City of Eldora, Iowa  
Bond and Note Maturities  
June 30, 2013

Year Ending <u>June 30,</u>	Child Care Note 1 Issued May 5, 2007		Child Care Note 2 Issued May 5, 2007	
	Interest		Interest	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2014	4.125 %	\$ 1,352	4.125 %	\$ 3,388
2015	4.125	1,409	4.125	3,531
2016	4.125	1,469	4.125	3,679
2017	4.125	1,530	4.125	3,834
2018	4.125	1,595	4.125	3,995
2019	4.125	1,662	4.125	4,163
2020	4.125	1,731	4.125	4,338
2021	4.125	1,804	4.125	4,521
2022	4.125	1,880	4.125	4,711
2023	4.125	1,959	4.125	4,909
2024	4.125	2,041	4.125	5,115
2025	4.125	2,127	4.125	5,330
2026	4.125	2,217	4.125	5,554
2027	4.125	2,310	4.125	5,788
2028	4.125	2,407	4.125	6,031
2029	4.125	2,508	4.125	6,284
2030	4.125	2,617	4.125	6,549
2031	4.125	2,724	4.125	6,824
2032	4.125	2,838	4.125	7,111
2033	4.125	2,957	4.125	7,410
2034	4.125	3,082	4.125	7,721
2035	4.125	3,211	4.125	8,046
2036	4.125	3,346	4.125	8,384
2037	4.125	3,487	4.125	8,736
2038	4.125	3,633	4.125	9,104
2039	4.125	3,786	4.125	9,486
2040	4.125	3,945	4.125	9,885
2041	4.125	4,111	4.125	10,301
2042	4.125	4,284	4.125	10,734
2043	4.125	4,464	4.125	11,185
2044	4.125	4,652	4.125	11,655
2045	4.125	4,847	4.125	12,145
2046	4.125	5,051	4.125	12,656
2047	4.125	1,340	4.125	2,802
	Total	<u>\$ 94,376</u>		<u>\$ 235,905</u>

See accompanying independent auditor's report.



City of Eldora, Iowa

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

For the Last Ten Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<b>Receipts:</b>				
Property tax	\$ 1,063,072	1,102,576	1,108,667	1,112,449
Tax increment financing	130,009	45,320	37	251
Other city tax	404,295	334,548	353,568	323,277
Licenses and permits	20,820	16,071	19,067	12,853
Use of money and property	105,002	94,789	100,547	104,605
Intergovernmental	425,653	843,761	1,212,653	426,019
Charges for service	82,380	78,097	85,033	119,459
Special assessments	55,706	-	285	-
Miscellaneous	435,294	116,694	522,714	731,192
<b>Total</b>	<u>\$ 2,722,231</u>	<u>2,631,856</u>	<u>3,402,571</u>	<u>2,830,105</u>
<b>Disbursements:</b>				
<b>Operating</b>				
Public safety	\$ 422,428	448,293	420,514	440,667
Public works	489,941	384,518	376,673	364,729
Health and social services	42,088	46,030	47,691	138,046
Culture and recreation	371,758	526,207	416,759	319,485
Community and economic development	1,801	14,941	122,625	129,355
General government	430,791	475,773	674,276	817,931
Debt service	1,385,603	1,251,508	460,396	541,448
Capital projects	633,924	2,187,064	1,481,609	523,723
<b>Total</b>	<u>\$ 3,778,334</u>	<u>5,334,334</u>	<u>4,000,543</u>	<u>3,275,384</u>

See accompanying independent auditor's report.

## Schedule 5

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
1,062,599	1,029,357	1,015,043	764,623	744,318	770,492
16,639	15,156	68,798	70,248	64,767	19,895
353,143	315,157	348,249	270,204	260,178	276,684
11,492	12,958	6,334	8,544	7,297	10,619
188,994	147,906	106,502	139,391	106,756	92,909
325,284	297,555	781,727	364,980	281,632	283,345
116,888	534,703	314,626	255,622	176,694	217,612
55,706	178	1,813	2,861	2,329	3,702
<u>156,292</u>	<u>410,032</u>	<u>462,476</u>	<u>503,640</u>	<u>151,479</u>	<u>69,658</u>
<u>2,287,037</u>	<u>2,763,002</u>	<u>3,105,568</u>	<u>2,380,113</u>	<u>1,795,450</u>	<u>1,744,916</u>
368,762	684,411	631,384	771,471	688,577	628,097
420,988	385,517	368,779	415,889	386,063	396,145
96,769	63,196	85,999	1,193,069	302,315	352,073
286,841	358,105	248,622	248,565	241,505	251,924
124,905	63,438	82,116	96,932	760	760
287,215	209,255	228,293	270,958	385,351	259,135
514,993	550,016	548,175	294,465	194,393	1,429,516
<u>63,403</u>	<u>452,614</u>	<u>2,528,529</u>	<u>1,293,276</u>	<u>35,989</u>	<u>273,150</u>
<u>2,163,876</u>	<u>2,766,552</u>	<u>4,721,897</u>	<u>4,584,625</u>	<u>2,234,953</u>	<u>3,590,800</u>

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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 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, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Eldora, Iowa, as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 28, 2014. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Eldora's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Eldora's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Eldora's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Eldora's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-13 to be a material weakness.

A significant deficiency is a deficiency, or combination of significant deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part I of the accompanying Schedule of Findings as items I-B-13, and I-C-13 to be significant deficiencies.

#### Compliance and Other Matters

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

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 are based exclusively on knowledge obtained from procedures performed during our audit on the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

#### The City of Eldora's Responses to Findings

The City of Eldora's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City of Eldora's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

March 28, 2014

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

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**SIGNIFICANT DEFICIENCIES:**

- I-A-13 Segregation of Duties – During our review of internal control, the existing procedures were evaluated in order to determine that incompatible duties are not performed by the same employee. We noted that one employee handles almost all of the utility billing procedures were handled by the same person. We also noted that one employee handles almost all of the procedures related to processing payroll and processing financial transactions.

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

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

Conclusion – Response accepted.

- I-B-13 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with the cash basis of accounting. The City of Eldora does not have an internal control system designed to provide for the preparation of the financial statements, including the accompanying footnotes as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

City of Eldora, Iowa  
Schedule of Findings  
Year ended June 30, 2013

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

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

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

Conclusion – Response accepted.

I-C-13 Utility Billing – During our audit we noted that one billing category did not get updated when rates were updated July 1, 2012.

Recommendation – The City should contact software support and determine a resolution to this matter.

Response – We have contacted our software support and discovered that there was an additional step needed to update this one billing category that we were not informed of. This rate has been fixed and should be properly computed in the future.

Conclusion – Response accepted.

City of Eldora, Iowa

Schedule of Findings

Year ended June 30, 2013

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

II-A-13 Certified Budget – Disbursements during the year ended June 30, 2013 did not exceed the amounts budgeted.

II-B-13 Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979.

II-C-13 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

II-D-13 Business Transactions – Business Transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Myron Kosanke, Council Member, Owner of Kosanke Welding	Repairs	\$ 315
Melody Hay, Council Member, Owner of Eldora Pharmacy	Supplies	771

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

II-E-13 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage is reviewed annually to insure that coverage is adequate for current operations.

City of Eldora, Iowa

Schedule of Findings

Year ended June 30, 2013

II-F-13 Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

II-G-13 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

II-H-13 Financial Condition – The General Fund had a deficit balance of \$67,134 at June 30, 2013. The Capital Project Fund, Downtown Streetscape account and Pool Construction account had deficit balances of \$291,218 and \$144,569 respectively at June 30, 2013.

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

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

Conclusion – Response accepted.

II-I-12 Revenue Bonds – It was noted during the protest of the budget amendment in a prior year that the budget review committee questioned whether the City complied with the bond resolutions related to the Child Care Facility notes.

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

Response – We have contacted legal council and we have refinanced our Child Care Facility notes with a general fund loan agreement in the subsequent fiscal year. Per correspondence from the State Auditor's office, this should resolve any issues identified by the budget review committee. Certain parties are protesting this refinancing, which protest was denied at the district court level and the Supreme Court rejected further review. The protest has been resubmitted and a judgment has not yet been issued on this resubmission.

Conclusion – Response accepted.

City of Eldora, Iowa

Schedule of Findings

Year ended June 30, 2013

- II-J-13 Public Hearing – It was noted during the course of our audit that the City did not have a public hearing before acceptance of a capital lease for purchase of a police car in accordance with Chapter 364 of the Code of Iowa.

Recommendation – The City should review it's procedures to insure that a public hearing is held next time before entering into a capital lease agreement.

Response – This was an oversight this year as we did not realize a capital lease is in essence the issuance of debt. We will have public hearings in the future, if applicable.

Conclusion – Response accepted.

- II-J-13 Urban Renewal Annual Report – The urban renewal report was approved but was not certified to the Iowa Department of Management on or before December 1. The report was filed on December 17, 2013.

Recommendation – The City should file the urban renewal annual report timely.

Response – The State was lenient on additional time due to the lateness of their on-line program becoming available and the newness for municipalities filling out the report. The City has since filed its recent TIF report prior to December 1, 2013 and will continue such practice.

Conclusion – Response accepted.