

**CITY OF ELKADER**

**INDEPENDENT AUDITOR'S REPORT  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2013**

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CITY OF ELKADER

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Robert Garms	Mayor	Jan. 2016
Roger Buchholz	Mayor Pro tem	Jan. 2014
Daryl Koehn	Council Member	Jan. 2014
Curtis Ruhser	Council Member	Jan. 2014
Rob Frieden	Council Member	Jan. 2016
Peggy Lane	Council Member	Jan. 2016
Jennifer Cowsert	City Administrator/Clerk	Indefinite
Marla Reimer	Assistant Administrator/ Deputy Clerk	Indefinite
Steve McCorkindale	Attorney	Indefinite
Jim Garrett	Assistant Attorney	Indefinite

**STEVEN S. CLAUSEN, CPA**

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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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Elkader, 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 from material misstatement.

An audit involves performing the audit 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 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 evaluating 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, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Elkader as of June 30, 2013, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are 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 Elkader'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 four years ended June 30, 2012 (which are not presented herein) and expressed unqualified opinions on the June 30, 2012, 2011 and 2010 financial statements and a qualified opinion on the June 30, 2009 financial statements which were all prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by the U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 to 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.

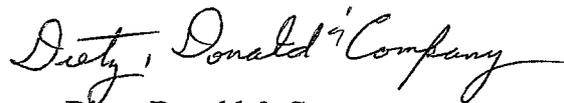
The other information, Management's Discussion and Analysis and the Budgetary Comparison Information on pages 8 through 15 and 35 through 36, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2013 on our consideration of the City of Elkader's internal control over financial reporting and on 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 in considering the City of Elkader's internal control over financial reporting and compliance.

Elkader, Iowa

November 15, 2013



Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

# City of Elkader

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Elkader, IA 52043  
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Mayor Robert C. Garms

Roger Buchholz, Mayor Pro tem  
Daryl Koehn, Rob Frieden  
Curtis Ruhser, Peggy Lane

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Elkader 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, 2013. We encourage readers to consider this information in conjunction with the City's financial statements which follow.

### **2013 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 13.9%, or approximately \$ 440,000, from fiscal 2012 to fiscal 2013. Property tax increased approximately \$ 74,000 and bond, note and loan proceeds decreased approximately \$ 477,000.
- Disbursements of the City's governmental activities decreased 4.4%, or approximately \$ 142,000 in fiscal 2013 from fiscal 2012. Public safety and community economic development decreased approximately \$ 553,000 and \$ 536,000, respectively, while capital projects' disbursements increased approximately \$ 886,000.
- The City's total cash basis net position decreased 68.8%, or approximately \$ 359,000 from June 30, 2012 to June 30, 2013. Of this amount, the cash basis net position of the governmental activities decreased approximately \$ 282,000 and the cash basis net position of the business type activities decreased approximately \$ 77,000.

### **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 Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view 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 financial 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 non-major governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **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 report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

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

### *The City's Reporting Entity Presentation*

This annual report includes all activities for which Elkader's City Council is fiscally responsible. These activities defined as the City's reporting entity are operated within a separate legal entity that is the primary government and another separate legal entity that is included as a component unit.

The primary government consists of one legal entity, the City of Elkader.

The component unit presentation consists of one legal entity, the Elkader Public Library Foundation.

### *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 Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases and decreases in the City's net position may serve as a useful

indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into three kinds of activities:

1. Governmental Activities include public safety, public works, health and social services, 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.
2. Business Type Activities include the waterworks and the sanitary sewer system. These activities are financed primarily by user charges.
3. Discretely Presented Component Unit consists of the Elkader Public Library Foundation, a legally separate organization that has the potential to provide specific benefits or impose specific burdens on the City.

### *Fund Financial Statements*

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. 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 [a] the General Fund, [b] the Special Revenue Funds such as Urban Renewal Tax Increment and Local Option Sales Tax, [c] the Debt Service Fund [d] the Capital Projects Fund and [e] the Permanent 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 the City's programs.

The required financial statement for governmental funds is 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 account for business type activities. The City maintains two Enterprise Funds to provide separate information for the Water and Sewer Funds, considered to be major funds of the City.

The required financial statement for the proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from \$ 282,000 to a deficit of approximately \$ 29,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities  
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2013</u>	<u>2012</u>
Receipts:		
Program receipts:		
Charges for service	\$ 417	362
Operating grants and contributions	241	154
Capital grants and contributions	968	1,057
General Receipts:		
Property tax	923	849
Local option taxes	121	108
Franchise tax	37	32
Unrestricted interest on investments	1	5
Bond, note and loan proceeds - net	-	476
Other general receipts	19	124
Total receipts	<u>2,727</u>	<u>3,167</u>
Disbursements:		
Public safety	192	745
Public works	428	419
Health and social services	1	-
Culture and recreation	365	336
Community and economic development	224	760
General government	172	193
Debt service	334	291
Capital projects	1,353	467
Total disbursements	<u>3,069</u>	<u>3,211</u>
Change in cash basis net position before transfers	(342)	(44)
Transfers, net	<u>60</u>	<u>56</u>
Change in cash basis net position	(282)	12
Cash basis net position beginning of year	<u>253</u>	<u>241</u>
Cash basis net position end of year	<u>\$ (29)</u>	<u>253</u>

The City's total receipts for governmental activities decreased 13.9%, or approximately \$ 440,000. The total cost of programs and services decreased approximately \$ 142,000, or 4.4%. Public safety spending decreased approximately \$ 553,000 due primarily to completion of the buyout program in 2012. Community and economic development

disbursements decreased approximately \$ 536,000 primarily due to the completion of the 2<sup>nd</sup> Street paving project in 2012. Capital projects' disbursements increased approximately \$ 886,000 due to disbursements on a storm sewer project of \$ 803,102; on a housing rehabilitation project of \$ 200,630; on a whitewater project of \$ 122,469; and on a downtown building rehabilitation project of \$ 117,838 taking place in 2013.

City property tax receipts increased approximately \$ 74,000 in 2013. Property taxes are budgeted to increase approximately \$ 24,000 in 2014.

The cost of all governmental activities this year was approximately \$ 3.069 million as compared to \$ 3.211 million last year. However, as shown in the Statement of Activities and Net Position on pages 17-18, the amount taxpayers ultimately financed for these activities was only \$ 1.443 million because some of the cost was paid by those directly benefited from the programs (\$ 417,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$ 1.209 million). Overall, in 2013, the City's governmental activities program receipts, including intergovernmental aid and fees for services, increased from approximately \$ 1.573 million to approximately \$ 1.627 million, principally due to receiving more from charges for services. The City paid for the remaining "public benefit" portion of governmental activities with approximately \$ 1.081 million in tax (some of which could only be used for certain programs) and with other receipts.

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

	<u>Year Ended June 30,</u>	
	2013	2012
Receipts		
Program receipts:		
Charges for service:		
Water	\$ 384	397
Sewer	530	465
General Receipts		
Capital grants	0	549
Unrestricted interest on investments	0	1
Note proceeds	0	457
Total receipts	914	1,869
Disbursements:		
Water	416	357
Sewer	514	1,389
Total disbursements	930	1,746

Change in cash basis net position, before transfers	(16)	123
Transfers, net	<u>(60)</u>	<u>(56)</u>
Change in cash basis net position	(76)	67
Cash basis net position beginning of year	<u>268</u>	<u>201</u>
Cash basis net position end of year	<u>\$ 192</u>	<u>268</u>

Total business type activities receipts for the fiscal year were approximately \$ 914,000 compared to \$ 1.869 million last year. The significant decrease was due primarily to a decrease in note proceeds of \$ 457,000 and capital grants of \$ 549,000. Total disbursements decreased from approximately \$ 1.746 million to approximately \$ 930,000 because construction work on the sewer improvement project was completed.

### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Elkader completed the year, its governmental funds reported a combined fund deficit of \$ 28,788, a decrease of \$ 282,090 from last year's total of \$ 253,302. 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 \$ 36,173 from the prior year to \$ 72,593, approximately the same as last year's decrease.

The Special Revenue, Employee Benefits Fund was established to account for the employee benefits levy. Property taxes totaled \$ 146,193 in 2013, while \$ 171,656 was disbursed for FICA, IPERS, and other employee benefits.

The Special Revenue, Urban Renewal Tax Increment Fund was established to account for projects within the City's urban renewal districts. At the end of the fiscal year, the cash balance was \$ 57,702, an increase of \$ 34,226 from the previous year due primarily to developers not claiming their property tax rebate.

The Special Revenue, Local Option Sales Tax Fund was established to account for the use of local option sales tax. At the end of the fiscal year, the cash balance was \$ 106,634, an increase of \$ 7,494. During the fiscal year ended June 30, 2013, \$ 47,268 was spent on community and economic development and \$ 66,679 was transferred to capital projects.

The Special Revenue, Hazard Mitigation Grants Fund was established to account for the proceeds from grants and loans, which are to be used for the buyout program established after the 2008 Turkey River flood. At June 30, 2013, the fund had a balance of \$ 19,372.

The Debt Service Fund balance decreased \$ 56,780 to a balance of \$ 0. Debt service disbursements were \$ 334,471.

The Capital Projects Fund accounted for the storm sewer, housing rehabilitation, downtown rehabilitation and whitewater projects. During the year \$ 1,352,790 was spent on these projects leaving a deficit balance of \$ 382,397 at June 30, 2013.

The Permanent Cemetery Perpetual Care Fund had a cash balance of \$ 51,535 at June 30, 2013, an increase of \$ 3,173. A total of \$ 8,056 was spent on cemetery improvement projects during the year.

#### **INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

The Water Fund cash balance increased \$ 15,378 to \$ 18,315.

The Sewer Fund cash balance decreased \$ 91,979 to \$ 173,160, due primarily to transferring \$ 89,177 to the Water Fund to pay for new meters.

#### **BUDGETARY HIGHLIGHTS**

The City's receipts were \$ 117,889 less than budgeted, primarily due to grant proceeds being \$ 212,478 less than budgeted.

Total disbursements were \$ 108,509 less than budgeted, due primarily to capital projects running behind schedule. However, the City exceeded the amounts budgeted in the culture and recreation, general government, debt service and business type activities functions.

#### **DEBT ADMINISTRATION**

At June 30, 2013, the City had \$ 7,350,480 of long-term debt outstanding compared to \$ 7,895,797 last year, as shown in the following:

	<u>Outstanding Debt at Year-End</u>	
	<u>(Expressed in Thousands)</u>	
	<u>June 30,</u>	
	<u>2013</u>	<u>2012</u>
General obligation notes	\$ 20	47
General obligation bonds	1,925	2,175
Revenue notes	5,195	5,454
Loan payable	37	47
Anticipation loans	173	173
Total	<u>\$ 7,350</u>	<u>7,896</u>

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 \$ 1,982,481 is less than its constitutional debt limit of nearly \$ 3.0 million. However, the City has outstanding development agreements of \$ 80,468 which brings its constitutional debt to \$ 2,062,949, still less than the \$ 3.0 million debt limit.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Elkader's elected and appointed officials and citizens considered many factors when setting the fiscal year 2014 budget, tax rates and fees that will be charged for various City activities. The City incurred major flood damage in June, 2008. Although most infrastructure damage was paid by federal and state grants, the buyout of approximately 25 homes did negatively impact the City's tax base and water and sewer billings. Over the last 40 years, population has decreased about 20%. The City has completed construction on a mechanical wastewater treatment plant and an emergency services building. Although the City is reviewing all possible avenues of financing, certainly there will continue to be an upward pressure on water and sewer rates. Taxable valuations increased 3.26%.

These indicators were taken into account when adopting the budget for fiscal year 2014. Amounts available for appropriation in the operating budget are \$ 3.027 million, a decrease of 19.5% from the amended 2013 budget. Property taxes are budgeted to increase \$ 47,685. The tax levy increased 4.8%. Bond and note proceeds are budgeted to decrease \$ 325,720. Disbursements are budgeted to decrease approximately \$ 1.116 million.

If these estimates are realized, the City's budgeted cash balance is expected to increase \$ 34,750 by the close of fiscal 2014.

## **CONTACTING THE CITY'S MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Jennifer Cowsert, City Administrator/City Clerk; 207 North Main Street; Elkader, Iowa 52043-0427.

BASIC FINANCIAL STATEMENTS

CITY OF EKADDER  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
 As of and for the Year Ended June 30, 2013

Exhibit A

Functions/Programs: Governmental activities:	Disbursements	Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Position
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	
Public safety	\$ 192,131	22,646	29,812	20,353	
Public works	428,107	197,906	121,910	(108,291)	
Health and social services	1,273	-	-	(1,273)	
Outdoor and recreation	364,637	123,416	35,494	(205,727)	
Community and economic development	224,185	15,028	53,816	(155,341)	
General government	171,714	11,219	-	(160,495)	
Debt service	334,471	-	-	(334,471)	
Capital projects	1,352,790	47,178	-	(357,803)	
Total governmental activities	3,089,308	417,393	241,032	(1,442,721)	
Business type activities:					
Water	415,976	383,953	-	(32,023)	
Sewer	514,397	529,588	-	15,191	
Total business type activities	930,373	913,541	-	(16,832)	
Total	\$ 3,999,681	1,330,934	241,032	(1,442,721)	
Discretely presented component unit:					
Elkader Public Library Foundation	\$ 1,886	-	302,414	300,528	
Transfers:					
Property and other city tax levied for:					
General purposes				489,308	
Debt service				110,748	
Tax increment financing				322,973	
Local option taxes				121,251	
Franchise fee				36,434	
Unrestricted investment receipts				1,042	
Miscellaneous				19,106	
Transfers				(59,769)	
Total general receipts and transfers				1,100,862	
Change in cash basis net position				(282,090)	
Cash basis net position beginning of year, as restated				253,302	
Cash basis net position end of year				\$ (28,788)	

(continued)

CITY OF ELKADER  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
As of and for the Year Ended June 30, 2013

	Primary Government			Discretely Presented
	Governmental Activities	Business Type Activities	Total	Component Unit Elkader Public Library Foundation
Cash Basis Net Position:				
Restricted:				
Nonexpendable:				
Cemetery perpetaul care	\$ 51,535	-	51,535	-
Expendable:				
Urban renewal purposes	57,702	-	57,702	-
Streets	2,188	-	2,188	-
Library	5,168	-	5,168	386,815
Other purposes	164,423	-	164,423	-
Unrestricted	(309,804)	191,475	(118,329)	-
Total cash basis net position	\$ (28,788)	191,475	162,687	386,815

See notes to financial statements.

Exhibit B

CITY OF EKADDER  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 GOVERNMENTAL FUNDS  
 As of and for the Year Ended June 30, 2013

	Special Revenue							Total
	General	Employee Benefits	Urban Renewal Tax Increment	Local Option Sales Tax	Hazard Mitigation Grants	Debt Service	Capital Projects	
Receipts:	\$ 343,115	146,193	-	-	-	110,748	-	600,056
Property tax	-	-	322,973	-	-	-	-	322,973
Tax increment financing	43,000	-	-	115,790	-	-	-	164,251
Other city tax	5,345	-	-	-	-	-	-	5,345
Licenses and permits	16,007	-	-	-	-	-	-	16,007
Use of money and property	60,192	-	53,816	-	20,353	-	469	16,302
Intergovernmental	278,267	-	-	-	-	-	6,210	1,179,312
Charges for service	47,983	10,188	-	15,028	-	-	-	278,267
Miscellaneous	-	-	-	-	-	78,156	-	160,743
Total receipts	793,909	156,381	376,789	130,778	20,353	110,748	4,550	2,727,449
Disbursements:								
Operating:								
Public safety	167,692	22,658	-	-	1,781	-	-	192,131
Health and social services	217,972	78,757	-	9,337	-	-	-	428,107
Culture and recreation	1,273	-	-	-	-	-	-	1,273
Community and economic development	324,225	27,603	-	-	-	-	8,056	4,753
General government	-	-	175,825	47,288	-	-	-	224,185
Debt service	129,076	42,638	-	-	-	-	-	171,714
Capital projects	-	-	-	-	-	334,471	-	334,471
Total disbursements	840,238	171,656	175,825	56,605	1,781	334,471	1,352,790	3,089,308
Excess (deficiency) of receipts over (under) disbursements	(46,329)	(15,275)	200,964	74,173	18,572	(223,723)	(357,803)	3,173
Other financing sources (uses):								
Operating transfers in	14,739	16,092	-	-	-	166,943	100,200	297,974
Operating transfers out	(4,583)	-	(166,943)	(66,679)	-	-	-	(238,205)
Total other financing sources (uses)	10,156	16,092	(166,943)	(66,679)	-	166,943	100,200	59,769
Net change in cash balances	(36,173)	817	34,021	7,494	18,572	(56,780)	(257,603)	4,389
Cash balances beginning of year, as restated	108,766	32,801	23,681	99,140	800	56,780	(124,794)	48,362
Cash balances end of year	\$ 72,593	33,618	57,702	106,634	19,372	-	(382,397)	51,535
								12,155
								(28,788)

(continued)

Exhibit B  
(continued)

CITY OF ELKADER  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
As of and for the Year Ended June 30, 2013

	General	Special Revenue						Permanent Cemetery Perpetual Care	Nomajor	Total
		Employee Benefits	Urban Renewal Tax Increment	Local Option Sales Tax	Hazard Mitigation Grants	Debt Service	Capital Projects			
Cash Basis Fund Balances:										
Nonspendable-Cemetery										
Restricted for:										
Urban renewal purposes	-	-	57,702	-	-	-	51,535	-	57,702	
Streets	-	-	-	-	-	-	-	-	2,188	
Library	-	-	-	-	-	-	-	-	5,168	
Other purposes	-	33,618	-	106,634	19,372	-	-	-	4,799	
Committed for:										
Opera house	8,015	-	-	-	-	-	-	-	8,015	
Parks	2,720	-	-	-	-	-	-	-	2,720	
Cemetery	2,849	-	-	-	-	-	-	-	2,849	
Ambulance	59,009	-	-	-	-	-	-	-	59,009	
Unassigned	-	-	-	-	-	(382,397)	-	-	(382,397)	
Total cash basis fund balances	\$ 72,593	33,618	57,702	106,634	19,372	(382,397)	51,535	12,155	(28,788)	

See notes to financial statements.

CITY OF ELKADER  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGES IN CASH BALANCES  
As of and for the Year Ended June 30, 2013

	Enterprise		Total
	Water	Sewer	
Operating receipts:			
Charges for service	\$ 383,953	529,588	913,541
Operating disbursements:			
Business type activities	183,344	210,797	394,141
Excess of operating receipts over operating disbursements	200,609	318,791	519,400
Non-operating disbursements:			
Debt service	132,655	303,600	436,255
Capital outlay	99,977	-	99,977
Total non-operating disbursements	232,632	303,600	536,232
Excess (deficiency) of receipts over (under) disbursements	(32,023)	15,191	(16,832)
Operating transfers:			
In	89,177	4,583	93,760
Out	(41,776)	(111,753)	(153,529)
Net operating transfers in (out)	47,401	(107,170)	(59,769)
Net change in cash balances	15,378	(91,979)	(76,601)
Cash balances beginning of year, as restated	2,937	265,139	268,076
Cash balances end of year	\$ 18,315	173,160	191,475
Cash Basis Fund Balances:			
Unrestricted	\$ 18,315	173,160	191,475

See notes to financial statements.

# CITY OF ELKADER

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

### (1) Summary of Significant Accounting Policies

The City of Elkader is a political subdivision of the State of Iowa located in Clayton County. It was first incorporated in 1891 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 Elkader 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 one component unit which meets the Governmental Accounting Standards Board criteria.

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component unit that is discretely presented in the City's report is presented below:

<u>Component Unit</u>	<u>Brief Description/ Inclusion Criteria</u>
Elkader Public Library Foundation	Created March, 2010 to help promote, develop and finance the Elkader Public Library. The governing board consists of seven members, including the City Administrator, the Library Director and the President of the Library Board of Directors.

The Elkader Public Library Foundation does not issue separately audited component unit financial statements.

## Jointly Governed Organizations

The City 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: Clayton County Assessor's Conference Board, Clayton County Emergency Management Commission, Clayton County Joint E911 Service Board and Clayton County Economic Development Board.

### B. Basis of Presentation

Government-wide Financial Statement - The 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 receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service. Activity between the primary government (the City) and the discretely presented component unit (the Elkader Public Library Foundation) are reported as if they are external transactions and are classified separately from internal activities within the primary government.

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* is subject to externally imposed stipulations which require them to be maintained permanently by 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 has 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.

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

The Special Revenue, Employee Benefits Fund is used to account for property tax receipts to be used for the City's share of FICA, IPERS, and other employee benefits.

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

The Special Revenue, Local Option Sales Tax Fund is used to account for local option sales tax collections and to assure that they are disbursed in accordance with voter wishes.

The Special Revenue, Hazard Mitigation Grants Fund is used to account for the proceeds from grants and loans that fund the flood hazard mitigation (taxpayer buyout) program.

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

The Capital Projects Fund is used to account for contributions and specific receipts and transfers from other City funds and disbursements for various capital projects in the City.

The Permanent, Cemetery Perpetual Care Fund is used to account for County funds and lot sales and cemetery improvements.

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.

C. Measurement Focus and 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.

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 position 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.

*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 legislation.

*Committed* - Amounts which can be used for specific purposes pursuant to constraints formally imposed by the Council through ordinance or resolution approved prior to year end.

*Unassigned* - All amounts not included in the preceding classifications.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the culture and recreation, community and economic development, general government, debt service and business type activities functions.

#### **(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 has no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3.

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.

At June 30, 2013, the Elkader Public Library Foundation (Foundation) had the following investments:

	<u>Carrying Amount</u>	<u>Fair Value</u>
Dubuque Bank and Trust Pooled Investment Trust	<u>\$ 321,126</u>	<u>305,403</u>

The Foundation's investment with Dubuque Bank and Trust is allocated as follows:

	<u>Percent of Portfolio</u>	<u>Fair Value</u>
Equity securities - common stock	20.84%	\$ 63,648
Fixed income securities	65.82	201,015
Alternative assets and other	10.02	30,590
Cash and cash equivalents	<u>3.32</u>	<u>10,150</u>
Total	<u>100.00%</u>	<u>\$ 305,403</u>

The Foundation's investment in the Dubuque Bank and Trust Pooled Investment Trust is unrated.

### (3) Bond and Notes Payable

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

Year Ending	General Obligation		Revenue Notes		Total	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
June 30,						
2014	\$ 275,134	36,794	267,000	155,850	542,134	192,644
2015	274,337	31,393	275,000	147,840	549,337	179,233
2016	279,336	27,753	284,000	139,590	563,336	167,343
2017	279,337	23,608	293,000	131,070	572,337	154,678
2018	179,337	18,503	302,000	122,280	481,337	140,783
2019-23	695,000	36,522	1,659,000	469,590	2,354,000	506,112
2024-28	-	-	1,537,000	216,480	1,537,000	216,480
2029-30	-	-	578,000	26,160	578,000	26,160
Total	<u>\$ 1,982,481</u>	<u>174,573</u>	<u>5,195,000</u>	<u>1,408,860</u>	<u>7,177,481</u>	<u>1,583,433</u>

#### Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay the \$ 1,286,000 of water revenue notes issued on March 8,

2005 with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes are payable solely from water customer net receipts. For the current year, principal and interest paid and total customer net receipts were \$ 129,220 and \$ 200,609, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$ 876,000 of sewer revenue notes issued on November 2, 2006 with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. The notes are payable solely from sewer customer net receipts. For the current year, principal and interest paid and total customer net receipts were \$ 77,780 and \$ 318,791, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$ 3,033,000 of sewer revenue notes, issued on December 3, 2008 with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding balance. The notes are payable from sewer customer net receipts. For the current year, principal and interest paid and total customer net receipts were \$ 215,620 and \$ 318,791, respectively.

The resolution 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 funds.
- (b) The rents, rates and other charges shall be at least sufficient to meet the operation and maintenance expenses of the enterprise activity and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue notes.

#### **(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; PO 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 \$ 31,439, \$ 33,224, and \$ 27,334, respectively, equal to the required contributions for each year.

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

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 5 active 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 Wellmark. 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 retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$ 572 for single coverage and \$ 1,167 for family coverage. The same monthly premiums would apply to retirees. For the year ended June 30, 2013, the City contributed \$ 64,808 to the plan.

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation, sick leave and personal hours 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, sick leave and personal hour payments payable to employees at June 30, 2013, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 15,000
Sick leave	18,000
Personal days and comp time	<u>3,000</u>
Total	<u>\$ 36,000</u>

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

**(7) Anticipation Loans**

Anticipation loans are loans made to the City by the Iowa Finance Authority pending finalization of long-term financing.

The City borrowed \$ 172,999 interest free from the Iowa Finance Authority for a lift station project and a water system survey. At June 30, 2013, the entire balance of \$ 172,999 was still outstanding.

**(8) 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	\$ 13,679
	Enterprise:	
	Water	530
	Sewer	<u>530</u>
		<u>14,739</u>
Special Revenue:	Enterprise:	
Employee Benefits	Water	8,046
	Sewer	<u>8,046</u>
		<u>16,092</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax	
	Increment	<u>166,943</u>
Capital Projects	Special Revenue:	
	Local Option Sales Tax	53,000
	Enterprise:	
	Water	33,200
	Sewer	<u>14,000</u>
		<u>100,200</u>
Enterprise:	Enterprise:	
Water	Sewer	<u>89,177</u>
Enterprise:	General	
Sewer		<u>4,583</u>
Total		<u>\$ 391,734</u>

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

## **(9) Risk Management**

The City 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. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage during the past three fiscal year.

## **(10) Deficit Balance**

The Capital Projects Fund had a deficit balance of \$ 382,397 at June 30, 2013. The deficit balance was a result of project costs incurred prior to availability of funds. The deficit will be eliminated upon receipt of state and federal grants.

## **(11) Development Agreements**

The City has entered into four development agreements to assist various urban renewal projects.

With the first agreement, the City has agreed to rebate 50% of the incremental tax paid by the developer in exchange for certain public improvements related to the development of a manufacturing facility in the City industrial park by the developer. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa from the developer will be rebated for a period of ten years beginning July 1, 2005. The total to be paid by the City under this agreement is not to exceed \$ 500,000. During the year ended June 30, 2013, \$ 37,500 of taxes were rebated under this agreement. The maximum remaining balance at June 30, 2013 was \$ 80,468.

With the second agreement, the City has agreed to rebate 50% of the incremental tax paid by the developer in exchange for construction of duplex apartments by the developer on land located in the City. The incremental tax received by the City from the developer will be rebated for a period of three years beginning December 1, 2012 and continuing through and including June 1, 2015.

With the third agreement, the City has agreed to rebate 50% of the incremental tax paid by the developer in exchange for the construction of an industrial facility by the developer within the Elkader Urban Renewal Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of ten years beginning December 1, 2010, and continuing through and including June 1, 2020, or until such earlier date upon which payments equal to \$ 750,000 have been made. The payments shall not constitute a general obligation of the City and shall be subject to annual appropriation of the City Council. During the year ended June 30, 2013, \$ 58,794 of taxes were rebated under this agreement. The

maximum remaining balance at June 30, 2013 was \$ 691,206.

With the fourth agreement, the City has agreed to rebate the incremental tax paid by the developer in exchange for the construction of an assisted living facility by the developer within the Elkader Urban Renewal Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated until such date upon which payments equal to \$ 300,000 have been made. The payments shall not constitute a general obligation of the City and shall be subject to annual appropriation of the City Council.

#### **(12) Commitments and Contingencies**

Construction Contracts - The City has entered into four construction contracts totaling \$ 1,245,825 for downtown revitalization, housing rehabilitation, water system improvements, and river access improvements at June 30, 2013. These contracts will be paid primarily with federal and state grants.

Guaranty Agreement - The City is a co-guarantor with several Elkader businesses on a term loan from the United States Department of Agriculture, Rural Development to a nonprofit organization that provides day care services to the community. The loan is secured by a first mortgage on the real estate owned by the nonprofit organization. This guaranty would require the City to make the required loan payments. As of December 31, 2012, the guaranteed loan balance was approximately \$ 187,000 and the nonprofit organization was current with the required payments.

#### **(13) Litigation**

The City is subject to pending litigation seeking payment on a construction contract totaling \$ 40,500. The probability of loss, if any, is undeterminable.

#### **(14) Subsequent Events**

In September, 2013, the City entered into two construction contracts totaling \$ 371,911 for river access improvement and a whitewater feature to be paid for with state grants. The City issued a \$ 38,000 general obligation note in October, 2013 to purchase a police car.

**(15) Restatement of Beginning Balances**

Beginning balances were restated from the prior year audit as follows:

<u>Fund</u>	Per June 30, 2012		
	<u>Audit</u>	<u>As Restated</u>	<u>Difference</u>
General	\$ 108,390	108,766	376
Special Revenue:			
Employee Benefits	23,462	32,801	9,339
Urban Renewal Tax Increment	19,712	23,681	3,969
Local Option Sales Tax	108,473	99,140	(9,333)
Hazard Mitigation Grants	5,056	800	(4,256)
Capital Projects	(124,889)	(124,794)	95
Enterprise:			
Water	2,935	2,937	2
Sewer	265,316	265,139	(177)
Total	<u>\$ 408,455</u>	<u>408,470</u>	<u>15</u>

OTHER INFORMATION

CITY OF ELKADER  
 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		Proprietary Funds		Total	Budgeted Amounts		Final to Total Variance
	Actual	Actual	Actual	Actual		Original	Final	
<b>Receipts:</b>								
Property tax	\$ 600,056	-	-	-	600,056	574,782	574,782	25,274
Tax increment financing	322,973	-	-	-	322,973	328,770	328,770	(5,797)
Other city tax	164,251	-	-	-	164,251	175,836	182,836	(18,585)
Licenses and permits	5,345	-	-	-	5,345	5,025	5,025	320
Use of money and property	16,502	-	-	-	16,502	58,650	59,750	(43,248)
Intergovernmental	1,179,312	-	-	-	1,179,312	991,590	1,391,790	(212,478)
Charges for service	278,267	913,541	-	-	1,191,808	1,114,209	1,114,209	77,599
Miscellaneous	160,743	-	-	-	160,743	65,737	101,717	59,026
<b>Total receipts</b>	<b>2,727,449</b>	<b>913,541</b>	<b>-</b>	<b>-</b>	<b>3,640,990</b>	<b>3,314,599</b>	<b>3,758,879</b>	<b>(117,889)</b>
<b>Disbursements:</b>								
Public safety	192,131	-	-	-	192,131	191,854	211,854	19,723
Public works	428,107	-	-	-	428,107	444,447	444,447	16,340
Health and social services	1,273	-	-	-	1,273	1,273	1,273	-
Culture and recreation	364,637	-	-	-	364,637	293,635	348,635	(16,002)
Community and economic development	224,185	-	-	-	224,185	176,365	256,365	32,180
General government	171,714	-	-	-	171,714	144,598	164,598	(7,116)
Debt service	334,471	-	-	-	334,471	325,298	325,298	(9,173)
Capital projects	1,352,790	930,373	-	-	2,283,163	850,000	1,483,000	130,210
Business type activities	-	-	-	-	-	872,720	872,720	(57,653)
<b>Total disbursements</b>	<b>3,069,308</b>	<b>930,373</b>	<b>-</b>	<b>-</b>	<b>3,999,681</b>	<b>3,300,190</b>	<b>4,108,190</b>	<b>108,509</b>
<b>Excess (deficiency) of receipts over (under) disbursements</b>	<b>(341,859)</b>	<b>(16,832)</b>	<b>-</b>	<b>-</b>	<b>(358,691)</b>	<b>14,409</b>	<b>(349,311)</b>	<b>(9,380)</b>
Other financing sources, net	59,769	(59,769)	-	-	-	-	363,720	(363,720)
<b>Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses</b>	<b>(282,090)</b>	<b>(76,601)</b>	<b>-</b>	<b>-</b>	<b>(358,691)</b>	<b>14,409</b>	<b>(14,409)</b>	<b>(373,100)</b>
Balances beginning of year	253,302	268,076	-	-	521,378	785,387	785,387	(264,009)
Balances end of year	<u>\$ (28,788)</u>	<u>191,475</u>	<u>-</u>	<u>-</u>	<u>162,687</u>	<u>799,796</u>	<u>799,796</u>	<u>(637,109)</u>

See accompanying independent auditor's report and notes to other information-  
 budgetary reporting.

## CITY OF ELKADER

### Notes to Other Information - Budgetary Reporting

June 30, 2013

The budgetary comparison is presented as Other 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. 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. The 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, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, 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, one budget amendment increased budgeted disbursements by \$ 808,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2013, disbursements exceeded the amounts budgeted in the culture and recreation, general government, debt service and business type activities functions.

SUPPLEMENTARY INFORMATION

CITY OF ELKADER  
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS  
 AND CHANGES IN CASH BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 As of and for the Year Ended June 30, 2013

	Special Revenue			Total
	Road Use Tax	Hotel/ Motel Tax	Library Trust	
Receipts:				
Other city tax	\$ -	5,501	-	5,501
Use of money and property	-	-	26	26
Intergovernmental	121,910	-	-	121,910
Miscellaneous	-	-	4,838	4,838
Total receipts	<u>121,910</u>	<u>5,501</u>	<u>4,864</u>	<u>132,275</u>
Disbursements:				
Public works	122,041	-	-	122,041
Culture and recreation	-	-	4,753	4,753
Community and economic development	-	1,092	-	1,092
Total disbursements	<u>122,041</u>	<u>1,092</u>	<u>4,753</u>	<u>127,886</u>
Excess (deficiency) of receipts over (under) disbursements	(131)	4,409	111	4,389
Cash balances beginning of year	2,319	390	5,057	7,766
Cash balances end of year	<u>\$ 2,188</u>	<u>4,799</u>	<u>5,168</u>	<u>12,155</u>
Cash Basis Fund Balances:				
Restricted for:				
Streets	\$ 2,188	-	-	2,188
Library	-	-	5,168	5,168
Other purposes	-	4,799	-	4,799
Total cash basis fund balances	<u>\$ 2,188</u>	<u>4,799</u>	<u>5,168</u>	<u>12,155</u>

See accompanying independent auditor's report.

CITY OF EKADEK  
 SCHEDULE OF INDEBTEDNESS  
 Year Ended June 30, 2013

Schedule 2

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
General obligation bonds:								
Sewer construction 2010 TIF corporate purpose and refunding	Aug 1, 2006	4.35-4.95%	\$ 620,000	75,000	-	35,000	40,000	21,290
2012 A Annual Appropriation corporate purpose	Nov 1, 2010	1.20-3.00	1,325,000	1,035,000	-	165,000	870,000	19,730
2012 B Refunding	Feb 1, 2012	0.75-2.10	650,000	650,000	-	50,000	600,000	12,050
Total	Feb 1, 2012	1.00-2.25	415,000	415,000	-	-	415,000	-
			\$ 2,175,000		-	250,000	1,925,000	53,070
General obligation notes:								
Equipment acquisition	Aug 11, 2009	4.75%	\$ 100,670	40,268	-	20,134	20,134	1,950
Police car acquisition	May 3, 2010	4.50	20,542	6,847	-	6,847	-	316
Total			\$ 47,115		-	26,981	20,134	3,543
Loan payable:								
Clayton County Secondary Roads	May 28, 2008	0%	\$ 93,366	46,683	-	9,336	37,347	-
Revenue notes:								
Water	Mar 8, 2005	3.00%	\$ 1,935,000	1,374,000	-	88,000	1,286,000	41,220
Sewer	Nov 2, 2006	3.00	1,150,000	926,000	-	50,000	876,000	27,780
Wastewater treatment plant	Dec 3, 2008	3.00	3,480,000	3,154,000	-	121,000	3,033,000	94,620
Total			\$ 5,454,000		-	259,000	5,195,000	163,620
Anticipation loans:								
Iowa Finance Authority: Lift station replacement	Sep 25, 2009	0%	\$ 83,815	83,815	-	-	83,815	-
Water system survey	Nov 15, 2009	0	89,184	89,184	-	-	89,184	-
Total			\$ 172,999		-	-	172,999	-

See accompanying independent auditor's report.

CITY OF ELKADER  
BOND AND NOTE MATURITIES  
June 30, 2013

Schedule 3

Year Ending June 30,	General Obligation Bonds					Total
	Sewer Construction Issued Aug 1, 2006	2010 Corporate Purpose and Refunding Issued Nov 1, 2010	2012 A Corporate Purpose Issued Feb 1, 2012	2012 B Refunding Issued Feb 1, 2012		
	Interest Rates	Interest Rates	Interest Rates	Interest Rates	Interest Rates	
	Amount	Amount	Amount	Amount	Amount	
2014	4.40%	1.40%	0.75%	-	-	255,000
2015	-	1.60	1.00	1.00%	50,000	265,000
2016	-	1.85	1.00	1.00	50,000	270,000
2017	-	2.15	1.40	1.50	50,000	270,000
2018	-	3.00	1.40	1.50	50,000	170,000
2019	-	3.00	1.65	2.00	55,000	195,000
2020	-	3.00	1.90	2.00	55,000	195,000
2021	-	3.00	2.10	2.25	55,000	215,000
2022	-	3.00	-	2.25	50,000	90,000
Total		\$ 40,000	\$ 165,000	\$ 50,000	\$ 415,000	1,925,000

Year Ending June 30,	General Obligation Loan Payable		General Obligation Note	
	Clayton County Secondary Roads Issued May 28, 2008	Interest Rates	Equipment Acquisition Issued Aug 11, 2009	Interest Rates
	Amount	Amount	Amount	Amount
2014	-	-	4.75%	\$ 20,134
2015	-	9,337	-	-
2016	-	9,336	-	-
2017	-	9,337	-	-
2018	-	9,337	-	-
Total	\$ 37,347	\$ 37,347	\$ 20,134	\$ 20,134

(continued)

CITY OF ELKADER  
BOND AND NOTE MATURITIES  
June 30, 2013

Schedule 3  
(continued)

Year Ending June 30,	Water		Sewer		Wastewater Treatment Plant		Total
	Issued Interest Rates	Amount	Issued Interest Rates	Amount	Issued Interest Rates	Amount	
2014	3.00%	\$ 91,000	3.00%	\$ 51,000	3.00%	\$ 125,000	267,000
2015	3.00	93,000	3.00	53,000	3.00	129,000	275,000
2016	3.00	96,000	3.00	54,000	3.00	134,000	284,000
2017	3.00	99,000	3.00	56,000	3.00	138,000	293,000
2018	3.00	102,000	3.00	58,000	3.00	142,000	302,000
2019	3.00	105,000	3.00	60,000	3.00	147,000	312,000
2020	3.00	108,000	3.00	61,000	3.00	152,000	321,000
2021	3.00	112,000	3.00	63,000	3.00	157,000	332,000
2022	3.00	115,000	3.00	65,000	3.00	162,000	342,000
2023	3.00	118,000	3.00	67,000	3.00	167,000	352,000
2024	3.00	122,000	3.00	69,000	3.00	173,000	364,000
2025	3.00	125,000	3.00	71,000	3.00	178,000	374,000
2026	-	-	3.00	73,000	3.00	184,000	257,000
2027	-	-	3.00	75,000	3.00	192,000	267,000
2028	-	-	-	-	3.00	275,000	275,000
2029	-	-	-	-	3.00	284,000	284,000
2030	-	-	-	-	3.00	294,000	294,000
Total		<u>\$ 1,286,000</u>		<u>\$ 876,000</u>		<u>\$ 3,033,000</u>	<u>5,195,000</u>

See accompanying independent auditor's report.

CITY OF ELKADER  
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION  
 ALL GOVERNMENTAL FUNDS  
 For the Last Five Years

	2013	2012	2011	2010	2009
<b>Receipts:</b>					
Property tax	\$ 600,056	623,892	593,456	558,183	507,116
Tax increment financing	322,973	186,218	138,179	186,417	170,619
Other city tax	164,251	139,409	145,702	134,328	142,350
Licenses and permits	5,345	4,915	4,965	5,501	6,202
Use of money and property	16,502	19,946	14,025	19,447	14,122
Intergovernmental	1,179,312	1,200,531	1,083,315	1,695,913	1,048,706
Charges for service	278,267	285,636	290,213	292,788	232,435
Special assessments	-	-	-	460	2,158
Miscellaneous	160,743	224,503	142,664	233,422	186,140
<b>Total</b>	<b>\$ 2,727,449</b>	<b>2,685,050</b>	<b>2,412,519</b>	<b>3,126,459</b>	<b>2,309,848</b>
<b>Disbursements:</b>					
<b>Operating:</b>					
Public safety	\$ 192,131	745,279	460,315	995,992	1,208,410
Public works	428,107	419,510	414,783	564,285	373,278
Health and social services	1,273	-	1,465	2,930	-
Culture and recreation	364,637	335,751	342,591	330,154	320,933
Community and economic development	224,185	759,728	545,956	128,497	157,276
General government	171,714	192,853	155,868	153,448	154,674
Debt service	334,471	290,910	1,154,863	228,158	182,907
Capital projects	1,352,790	467,004	939,185	1,110,560	87,640
<b>Total</b>	<b>\$ 3,069,308</b>	<b>3,211,035</b>	<b>4,015,026</b>	<b>3,514,024</b>	<b>2,485,118</b>

See accompanying independent auditor's report.

CITY OF ELKADER  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 Year Ended June 30, 2013

Grantor/Program	CFDA Number	Agency Pass-through Number	Program Expenditures
Indirect:			
U.S. Department of Housing and Urban Development:			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			
	14.228	08-DRI-055	\$ 632,182
		11-HSG-016	154,497
		12-DTR-004	<u>81,376</u>
Total			<u>\$ 868,055</u>

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

See accompanying independent auditor's report.

**STEVEN S. CLAUSEN, CPA**

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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, business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Elkader, 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, and have issued our report thereon dated November 15, 2013. 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 Elkader's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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 Elkader's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Elkader's internal control.

A deficiency in internal control exists when the design or operation of a 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 that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Elkader's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have 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 noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2013 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.

#### City of Elkader's Responses to Findings

The City of Elkader's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Elkader'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.

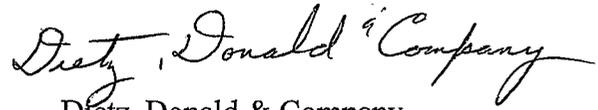
#### Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results 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 Elkader 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.

Elkader, Iowa

November 15, 2013



Dietz, Donald & Company  
Certified Public Accountants  
FEIN 42-1172392

STEVEN S. CLAUSEN, CPA

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR THE MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER  
COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

To the Honorable Mayor and  
Members of the City Council:

Report on Compliance for the Major Federal Program

We have audited the City of Elkader, Iowa's compliance with the types of compliance described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Elkader's major federal program for the year ended June 30, 2013. The City of Elkader's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Elkader's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Elkader's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination on the City of Elkader's compliance.

#### Opinion on the Major Federal Program

In our opinion, the City of Elkader complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

#### Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

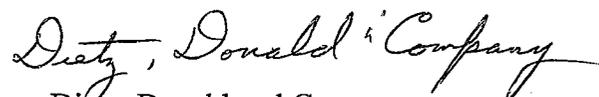
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the City of Elkader as of and for the year ended June 30, 2013, and have issued our report dated November 15, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Elkader, Iowa

November 15, 2013

  
Dietz, Donald and Company  
Certified Public Accountants  
FEIN 42-1172392

CITY OF ELKADER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013

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

- (1) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (2) No material weaknesses in internal control were disclosed by the audit of the financial statements.
- (3) The audit did not disclose any noncompliance which is material to the financial statements.
- (4) No material weaknesses in internal control over the major program were disclosed by the audit of the financial statements.
- (5) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (6) The audit disclosed no audit findings that are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (7) The major program was CFDA Number 14.228 - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii.
- (8) The dollar threshold used to distinguish between Type A and Type B programs was \$ 300,000.
- (9) The City of Elkader qualified as a low-risk auditee.

CITY OF ELKADER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013

Part II: Findings Related to the Financial Statements:

MATERIAL WEAKNESSES IN INTERNAL CONTROL:

No material weaknesses were identified.

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NONCOMPLIANCE:

No matters were noted.

MATERIAL WEAKNESSES:

No material weaknesses were identified.

CITY OF ELKADER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-13 **Certified Budget** - Disbursements during the year ended June 30, 2013, exceeded the amounts budgeted in the culture and recreation, general government, debt service and business type activities functions. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

**Recommendation** - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

**Response** - The budget will be amended in the future, if applicable.

**Conclusion** - Response accepted.

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

IV-C-13 **Travel Expenses** - No disbursements of City money for travel expenses of spouses of City officials were noted.

IV-D-13 **Business Transactions** - No business transactions between the City and City officials or employees were noted.

IV-E-13 **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 the coverage is adequate for current operations.

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

IV-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.

CITY OF ELKADER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013

IV-H-13 **Revenue Notes** - Debt service requirements for the sewer revenue notes in fiscal 2013 were \$ 293,400, while the Enterprise, Sewer Fund net operating receipts were \$ 318,791. It appears that the net operating receipts not exceeding 110% of the fiscal debt service requirements would violate the revenue note covenants.

**Recommendation** - The City should investigate ways to increase net operating receipts in the Enterprise, Sewer Fund.

**Response** - The City has increased sewer rates.

**Conclusion** - Response accepted.

IV-I-13 **Financial Condition** - The Capital Projects Fund had a deficit balance of \$ 382,397 at June 30, 2013.

**Recommendation** - The City should investigate alternatives to eliminate this deficit in order to return this fund to sound financial position.

**Response** - The deficit was due to construction costs incurred prior to receipt of federal and state grant monies. The deficit was subsequently eliminated.

**Conclusion** - Response accepted.

IV-J-13 **Library and Cemetery** - The City accounts for the transactions of the Library and Cemetery in the City's General Fund. However, the Library and Cemetery have separate savings accounts and time certificates of deposit that have not been accounted for or reported by the City in the City's financial statements and reports. We have, however, included these accounts in these financial statements.

Chapter 384.20 of the Code of Iowa states in part "a City shall keep accounts which show an accurate and detailed statement of all public funds collected, received or expended for any City purpose, by a City officer, employee or other person, and which show the receipt, use, and disposition of all City property."

CITY OF ELKADER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013

IV-J-13 **Recommendation** - The City's Library and Cemetery should determine the status of the separate accounts for accountability and reporting purposes. If the Library and Cemetery wish to maintain custody and control over the separate accounts, they should be established as legally separate entities from the City, with Articles of Incorporation and by-laws. Otherwise the City should include these accounts in its records, in accordance with Chapter 384.20 of the Code of Iowa. Legal counsel should be consulted for assistance as necessary, to resolve the issue.

**Response** - We will include the Library Trust and Cemetery transactions in our Annual Financial Report in the future.

**Conclusion** - Response accepted.

IV-K-13 **Electronic Check Retention** - Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for several bank accounts.

**Recommendation** - The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

**Response** - We will contact the bank to see if this can be done.

**Conclusion** - Response accepted.

IV-L-13 **Special Revenue, Emergency Fund** - The City currently deposits its emergency levy receipts into the Special Revenue, Emergency Fund. However, in accordance with Governmental Accounting Standards Board Statement 54, Fund Balance Reporting and Governmental Type Fund Definitions, these receipts would more appropriately be deposited directly into the General Fund.

**Recommendation** - The City should transfer any remaining fund balance in the Special Revenue, Emergency Fund to the General Fund and deposit all future receipts of the emergency levy directly into the General Fund.

CITY OF ELKADER  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2013

IV-L-13 **Response** - We will do this.

**Conclusion** - Response accepted.